

# *PCA Presentation: Insurance / Appraisal*



*Coverage Beyond Your Expectations*

# ***Paperweight Collectors Association: Insurance & Appraisal Presentation***

*Personal Lines*



*Coverage Beyond Your Expectations*

## **Presentation Topics**

- **Limitations/Benefits of Insurance**
- **Requirements to Obtain Insurance**
- **How to choose an Appraiser**

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*Limitations / Benefits of Insurance*

## **Possible Homeowner Policy Restrictions**

- **Named Peril limitations**
- **Breakage may not be included**
- **Special limits may apply**
- **Deductible applies**

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*Limitations / Benefits of Insurance*

## **Benefits of Scheduling**

- **No deductible**
- **Agreed Value**
- **Breakage included**
- **Coverage enhancements**

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*Limitations / Benefits of Insurance*

## **Chubb Coverage Enhancements**

- **150% Loss Settlement**
- **Worldwide Coverage for Fine Arts**
- **Breakage for Fine Arts - Automatically Included**
- **Coverage for Newly Acquired Items**
- **Buy Back Agreement**
- **Cash Settlement**
- **Mysterious Disappearance Coverage**
- **Pairs, Sets, and Parts coverage**



*Limitations / Benefits of Insurance*

## **Additional Considerations in Choosing a VAC Policy:**

- **Does the work travel?**
- **Is it wall to wall and nail to nail insurance?**
- **Is depreciation a concern?**
- **What are exclusions, and are they relevant?**
- **Are appraisals available?**
- **Does insurance company have salvage rights?**
- **Can salvage be retained?**
- **In event of later recovery of stolen work, can it be purchased back by what insurer paid?**
- **Are copyright and moral rights covered?**



*Requirements to Obtain Insurance*

## **Appraisal Requirements**

- **Fine Arts items: \$100,000 or greater**
- **Jewelry Items: \$50,000 or greater**
- **Any other item: \$25,000 or greater**
- **Must be from a Certified Appraiser**

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## How to Choose an Appraiser

# Art Professionals: Who they are and how to choose them

- Appraisers
- Conservators
- Restorers
- Curator
- Private curator
- Dealer
- Private dealer
- Registrar
- Auction house specialist

Collegiate® Dictionary Collegiate® Thesaurus Unabridged

One entry found for **appraise**.

Main Entry: **ap-praise** ♦

Pronunciation: &- 'prAz

Function: *transitive verb*

Inflected Form(s): **ap-praised**; **ap-prais-ing**

Etymology: Middle English *appraisen*, from Middle

French *aprisier* to appraise

Date: 15th century

1 : to set a value on : estimate the amount of  
2 : to evaluate the worth, significance, or status of;  
*especially* : to give an expert judgment of the value or merit of

synonym see **ESTIMATE**

- **ap-prais-ee** ♦ / &- 'prAz- 'ze/ *noun*

- **ap-praise-ment** ♦ / - 'prAz-mənt/ *noun*

- **ap-prais-er** *noun*

- **ap-prais-ing-ly** ♦ / - 'prAz-i [ng]-lE/ *adverb*

- **ap-prais-ive** ♦ / - 'prAz-iv/ *adjective*



How to Choose an Appraiser

**What questions would you ask before referring an Art Professional?**

- Are you a certified member of a professionally recognized organization... what are your credentials?
- Do you participate in continuing education?
- Do you have a bio, CV and/or marketing materials?
- Are you able to provide referrals from past clients?
- What is/are your area(s) of specialization?
- Do you carry E & O?
- How do you assess fees for your service?



How to Choose an Appraiser

# Appraisal process: What is the Professional Appraiser Responsible for?

- Identify? **YES**
- Report on condition of item? **YES**
- Authenticate? **YES**
- Appraise? **YES**

Appraisal Report for Four Works of Art:

Franz Dvorak  
Sir John Watson Gordon  
Frederick Richard Pickersgill  
A. Spulak

Located at:

123 Art Lover's Lane  
Museum District, TX 77004

Prepared for the owner of the work:

Mr. Art Collector

Purpose: *Estimation of Replacement Value  
for the Intended Use of Insurance Coverage*

Prepared by:  
Elissa Gydish

Date of examination of subject property: January 14<sup>th</sup>, 2002  
Effective date of appraisal: February 14<sup>th</sup>, 2002

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## How to Choose an Appraiser

# What you might receive to establish value

- Formal appraisal
- Bills of sale
- Auction receipts/catalogues
- Inventory

### **Replacement Value-Comparable for Insurance Coverage:**

**Sir John Watson Gordon, R.A, P.R.S.A. (Scottish School, 1790-1864), "Portrait of Two Ladies with a St. Bernard Dog", oil on canvas, signed "J. Watson Gordon ARA/Pinxit 1846", with label from Thomas Agnew and Sons, Ltd. en verso, 80 ¼ in. x 61 ½ in., 91 ¼ in. x 76 ¼ in. framed**

After comparing the subject property with the five above selected paintings, taking into consideration factors such as size, date of execution, exhibition history, inscriptions, and aesthetics and overall quality, and making adjustments for fluctuations in the art market, I have arrived at an estimated replacement value for insurance coverage of \$90,000.

***Estimate of Replacement Value  
for the Intended Use of Insurance Coverage:     \$90,000.***

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How to Choose an Appraiser

## Replacement Value vs.. Fair Market Value

FMV: “the price that property would sell for on the open market between a willing buyer and a willing seller with both parties having knowledge...” (IRS definition)

- Estate and taxes
- Donation
- Insurance

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## How to Choose an Appraiser

### **Replacement Value-Comparable**

Replacement value-comparable is a concept of value with particular relevance to insurance coverage and is most customarily understood to represent the amount of money required to replace a property with another of similar qualities within a reasonable length of time in an appropriate and relevant market. Several subjective factors and value characteristics should be considered when estimating the value of a work of fine art. These include creator, size, material, condition of the work, date of execution, frame, exhibition history/provenance, frame style, period and condition, inscriptions, and measurable quality or appearance.



*How to Choose an Appraiser*

# The Components of a Professional Appraisal

- Letter of transmittal
- Purpose, Intended Use and Definition of Value
- Methods of Valuation
- Limiting Conditions
- Liabilities
- Certification

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How to Choose an Appraiser

**In addition...**

- Description of the Subject Property
- Artist/Maker biography
- Overview of the market
- Markets evaluated in appraisal process
- Evaluation of comparables
- Market comparables charts

How to Choose an Appraiser

## When to question validity of documentation?

- Not signed by individual
- No Firm Value - only estimates or ranges of value
- No Statement of Purpose



*How to Choose an Appraiser*

## **Transit and Storage**

- Company should specialize in fine art
- Early warning central station fire detection system
- Controlled access to all storage areas
- Paper back up
- Air conditioned storage areas
- Separate packing and crating departments
- Separate International and Domestic Shipping departments
- U/V light protection in storage areas

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