What Is Art? Well, If It's Valuable It Needs to Be Properly Insured

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?Regardless of whether you are purchasing your first piece of art or adding to an existing collection, proper insurance is essential in order to financially protect your investment in the event it is lost, stolen or damaged, according to the Insurance Information Institute.

As the U.S. economy begins to recover slowly from a severe recession, it is clear that interest in quality art works of all types is high. The recently concluded Art Basel show in Miami Beach, for example, drew 46,000 attendees?up from 42,000 in 2009.

According to the World Wealth Report 2010, the demand for investments in luxury goods and collectibles, including art, was on the rise in 2010 as wealth levels began to stabilize, evidenced by the fact that auction houses, luxury goods makers and high-end service providers all reported signs of renewed demand toward the end of 2009, and in the early part of 2010. U.S. art auction sales, specifically, were down by \$1.6 billion in 2009, but 2010 sales have shown a robust rebound.

?If you are purchasing a piece of valuable art for the first time, be sure to contact your homeowners insurance agent, broker or insurance representative as soon as possible. Find out if you are covered under your existing policy or if you need supplemental insurance,? said Jeanne M. Salvatore, senior vice president, Public Affairs, and consumer spokesperson for the I.I.I.

Those who have collected art over time should regularly get the items appraised to substantiate their financial value.

Like jewelry and other expensive items, there are dollar limits on insurance coverage for art in standard homeowners and renters insurance policies. ?In most cases, you will need to purchase a fine art floater,? pointed out Salvatore.

Floaters generally provide broader coverage, including coverage for items that are taken home on a temporary basis but not yet purchased? for example to make sure you like how a piece of art displays in your home. Floaters also do not usually have deductibles.

If you have a collection of fine art, you may want to consider getting home insurance from an insurer who specializes in high-net-worth individuals and/or an insurer with an expertise in art. These insurers will generally also provide risk managers to their policyholders, to advise on how to best protect the art so that it retains its value. You can get the names of specialized insurers from a local independent agent.

?Some insurance companies may have experts on staff who will not only help you properly insure your investment, but can provide assistance with how to protect your collection from theft or other risks such as damage from water, smoke and fire, and changes in atmospheric conditions, as well as how to properly pack your art if you are lending it to a museum,? said Salvatore.

Cost of coverage will vary depending on the type of art, where it will be displayed or stored, whether you plan to lend it out and geographic location. Premiums may be more costly, for instance, in a locations at high risk for hurricanes or wildfires.

As with all expensive purchases, it is important to keep records and add the item to your home inventory. A copy of the bill of sale, appraisal, provenance (history of past ownership) and photographs are all useful records of your art and should be included in the inventory. To make this process easier, the I.I.I. offers free home inventory software, available at KnowYourStuff.org.

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