

Lost Art: Our Guide To Insuring Wisely Against the Worst

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ART INSURANCE has never been an exact science, and the growing popularity of contemporary works has raised another challenge: how to assess long-term value of pieces made of new and untested materials?

Artists today often work in mediums whose stability is questionable, says U.K. art historian James Goodwin, who writes widely on the art market and consults for AXA Art Insurance. Unlike a traditional oil painting or a marble statue, it is often difficult to know the life span of contemporary art—think about works like Damien Hirst's shark preserved

COLLECTING

in formaldehyde, or Chris Ofili's elephant-dung paintings. Even the long-term stability of contemporary photo and video art is open to question. And one study found there is almost no information on the longevity of pigments and binders used in paints produced in the last 70 years, Mr. Goodwin notes.

This creates new issues both for the collectors who want to protect their investment and the companies that insure it. Collectors can make certain they will be reimbursed in case of theft and fire, but insurance doesn't cover the damage caused by natural aging—a major unknown for these contemporary works. And insurers can treat contemporary art like any other, assessing its value by looking at recent auction and gallery prices, but in the long term they face the possibility that a whole generation of artwork—and the insurance premiums it brings in—will fall to pieces. They are holding conferences and doing research on the longevity and stability of new materials.

This latest insurance issue also reflects how buying art is no longer the preserve of the very rich or elite. "With more and more fairs aimed at beginners and greater access to exhibitions, increasing numbers of homeowners are now investing in art," says Robert Read, senior underwriter

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at Hiscox of the U.K., a leading art insurer. Clare Pardy, marketing director at Axa Art Insurance in the U.K., notes the nature of collecting changed at the end of the 20th century, from an academic approach of dedicated collectors to "art as a status symbol in which big homes have big wall power."

How to insure your collection is a question that arises whether it is 21st-century works, old-master paintings or historic walking sticks. Is paying for insurance coverage a wise move, or should one save on the premium and hope for the best? We surveyed experts in the field to get the current thinking on how to best approach art insurance.

■ Examine your attitude toward risk.

Though I have paid annual premiums of around €2,000 to insure my own art for the past 20 years, I've never made a claim. Surely a waste of money? Not to me: Coverage gives me a feeling of security that seems to make the financial outlay worth it. "Insurance is all about unpredictability," says Ms. Pardy of Axa. "The thought is often that nothing is ever going to happen to me, but it can; and art is vulnerable." Axa paid out nearly £7 million (€10.6 million) in art insurance claims in the U.K. last year. (And, showing an increasing demand for coverage, art insurance premiums in the U.K. amounted to £20 million last year, up from £6 million in 1999.)

Sometimes an incident gets everyone thinking about what can happen—a high-profile theft, or a disaster like the fire in May that swept through an East London warehouse used by Momart Ltd., one of the world's most respected art-storage and -transport companies. The fire consumed hundreds of works by 20th-century British artists; Britain's high-profile collector Charles Saatchi lost famous works by Tracey Emin (her tent adorned with names of her lovers) and the Chapman brothers (a disturbing reflection on human violence titled "Hell"). Insurers of the many works that perished in the fire include Axa, Hiscox and Lloyds of London. "We have been sending out a lot of checks," Ms. Pardy says.

The problem is, "people tend not to think about fire," says Roman Caflisch, who heads a special art unit at National Insurance in Switzerland. What many art owners do think about, however, is burglary. One collector acquaintance who hadn't insured her art for decades, recently found out she'll be traveling more often, and began inventorying her works to insure them.

■ Be aware policy costs can vary widely.

While insurance companies are reluctant to reveal premiums because so many factors influence the rate, talking with several insurers gave us a rough guideline: Premium costs range from as high as 0.4% of the total value of an insured collection to as low as 0.2%, with most between 0.3% and 0.4%. Many variables af-

At Risk

The Art Loss Register (www.artloss.com) is the world's largest private international database of lost or stolen art, providing recovery and search services to collectors, the art trade, insurers and law enforcement. Stolen paintings on their list include masterpieces taken from homes as well as museums. Here are a few of the most important.

PAINTING

'The Storm on the Sea of Galilee'
1633, Rembrandt

'The White Duck'
1753, Jean-Baptiste Oudry

'Portrait of a Woman'
1894, Gustav Klimt

'Head of a Woman (Dora Maar)'
Late 1930s, Pablo Picasso

'Madonna of the Yarnwinder'
1501, Leonardo da Vinci

STOLEN

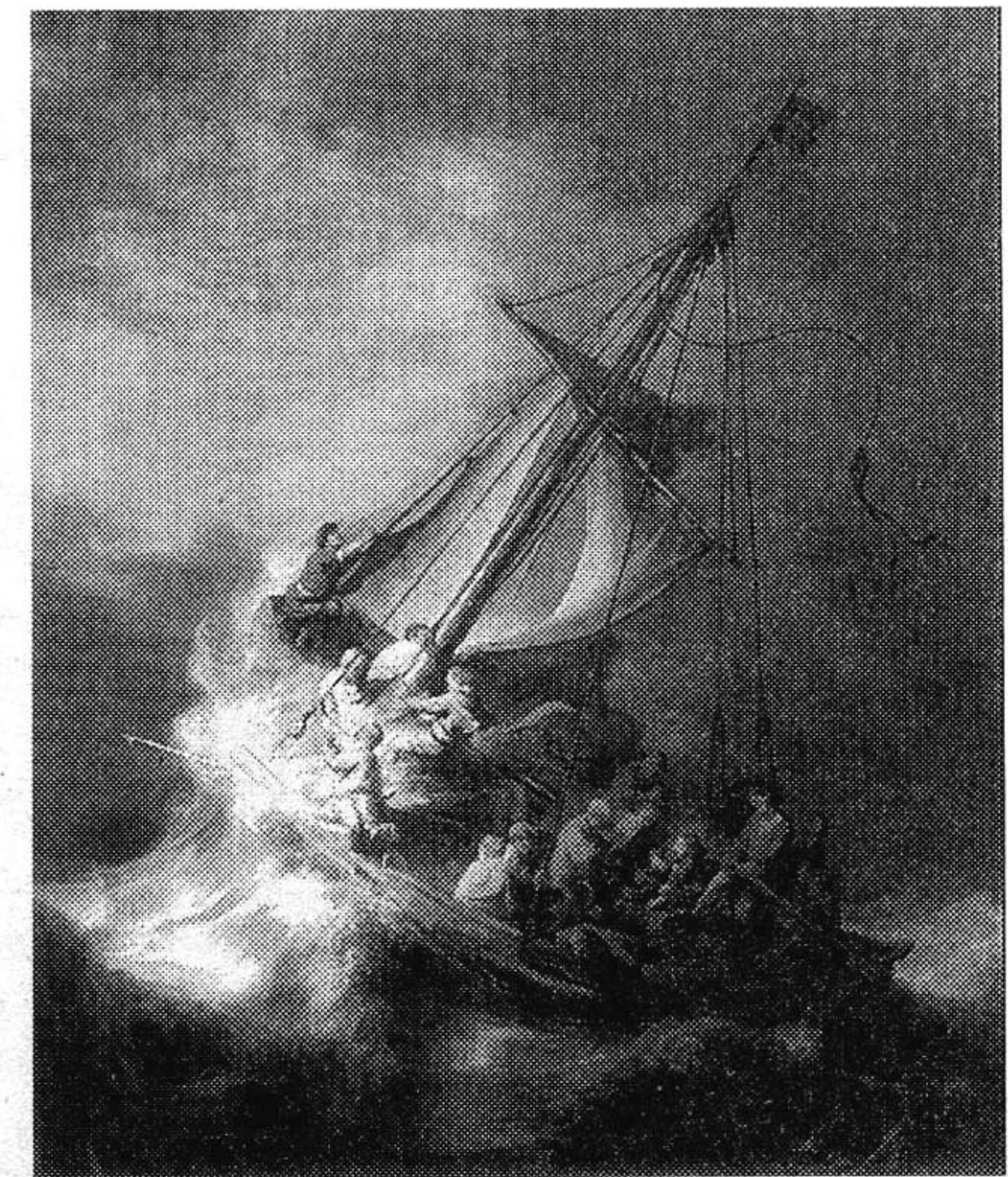
March 1990, from the Isabella Stewart Gardner museum in Boston

September 1992, from an estate in Norfolk, England

February 1997, from a gallery in Piacenza, Italy, by a burglar who used a skylight

March 1999, from a yacht in Antibes

August 2003, from Drumlanrig Castle in Scotland



'The Storm on the Sea of Galilee'
by Rembrandt

fect the rate. For instance, a heavy oak table that is hard to steal will carry a lower premium than a miniature painting a thief can slip into his pocket. Breakable objects such as glass and porcelain cost more to insure. Large collections will have a lower overall premium than small collections. Security measures in place, such as an alarm system, can mean a discount. Location is another point: Is the collection housed in a high crime area? And collectors have options: For instance, it is possible to lower the premium by deciding to carry a certain percentage of the risk, so that the insurer pays only when the loss reaches a certain level.

■ Keep good records.

Basically, specialist insurers go by the rule that anything sold in the fine-art market, that is, by major dealers and auction houses, can be insured. Collectors should keep all documentation related to their art: invoices, valuation certificates or auction catalogs. This makes it easier for a collector and his insurer to agree on valuation.

And some basic principles apply, no matter what period your collection is from: Make sure there is an exact description of each work on the insurance inventory, and keep photos of the works in your own files, in a safe place not likely to be affected by the disaster that strikes your works. These records will help police if a work is stolen.

■ Consider what type of insurer you need.

It depends on the size of your collection and the risk that you are willing to take. Up to a value of €100,000, artworks can be covered by a general household policy, says Bruno Glaus, a Zurich lawyer in art law. Between €100,000 and €1 million, one can consider specialized coverage, he says. However, if risk isn't high, it may be enough to upgrade household coverage by listing each artwork individually with a set value that will be reinstated in case of claims. One advantage of specialized

art insurance companies—such as Axa, Hiscox, Mannheimer Insurance of Germany and National of Switzerland—is insurance policies with a wider scope in covering risks than is usual with nonspecialists. Specialized policies also offer collectors who buy regularly an advantage by automatically insuring new works for some months after purchase so they don't have to be immediately declared to the insurers. For any collection valued at more than €1 million, specialized insurance is advisable, Mr. Glaus says.

Though the costs of the two types of insurance are about the same, another difference is that a specialized insurer can often better assess the value of an object because he knows the market, and he will update the insurance about every two years if necessary to reflect its fluctuations. The companies usually have major art collections of their own, and provide advice on how to care for your art and how to protect against theft. They also track down stolen pieces, working closely with the Art Loss Register, the world's biggest data bank for stolen and missing art and antiques. "When I visit clients, more often than not, 90% of the time we talk about the art market, and the rest about insurance details," says Frank Häcker of Artima Swiss, an art-insurance segment of Germany's Mannheimer Insurance based in Zurich.

■ Understand what risks are covered.

Some of the risks to think about in covering art go beyond ordinary theft or accidental damage—for instance, coverage outside the home when the art is being transported, or depreciation in value following damage. Specialist art insurers cover risks that household policies might not. For example, many collectors don't know that if a work falls down, that may not be covered by regular insurance, says Myriam Schlesinger of Artima Swiss. When a client's chandelier re-

cently crashed down onto an antique table and silver place settings, Mannheimer paid for the chandelier, antique table and silver. In another incident negligence was covered. A musician left a violin worth €250,000 at a tram stop. By the time he remembered the violin, it was gone. Mannheimer paid the €250,000 policy. When the violin turned up two weeks later, the client was given the choice of money back or the violin back. "In insuring art, it is important to be flexible," Ms. Schlesinger notes.

You should think carefully about what risks you want covered and make sure that they are included in your policy. And, of course, don't be afraid to ask lots of questions. Remember, as with any insurance, you may someday face a dispute over your claim, so it is best to be as knowledgeable as you can about the coverage you are paying for.

■ Keep tabs on changing insurance needs.

The volatile art market means a policy might need to change with time. The insurer Hiscox recently estimated that fine art is being underinsured by up to 80% of its true value. It is important to regularly review valuations (a service that specialized insurers provide) because, in the end, an insurer will only pay out the figure that the object has been insured for—not what it might be worth.

Axa Art Insurance, 106 Fenchurch Street, London. Tel: 44-20-7265-4600. www.axa-art.com

Hiscox, 1 Great St. Helen's, London. Tel: 44-20-7448-6000. www.hiscox.com
Mannheimer Insurance Switzerland, Lavaterstrasse 85, Zurich. Tel: 41-1-560-3134. www.mannheimer.ch
National Insurance, Steinengraben 41, Basel. Tel: 41-61-275-2111. www.national.ch

The Art Loss Register, Linton House, 164-180 Union Street, London. Tel: 44-20-7928-0100. www.artloss.com