



## ***Appraising Your Fine Art For Insurance Purposes***

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It was a lazy Sunday afternoon as I dozed off on the couch watching one of my favorite television shows. I awoke two hours later when I heard the soft trickling sounds of rain -- inside my house! I immediately ran downstairs and watched as water poured down through the walls from the second floor bathroom onto the first floor. Apparently a pipe had broken and the house was flooding at an amazing rate. My heart raced as I scanned the house to save my valuables. I felt a heavy weight in my chest as I noticed one of my favorite paintings had been ruined.

Did I mention what I do for a living? Yes, I'm an art appraiser. At that moment, I was able to step into my client's shoes and really see the importance of properly insuring your fine art.

Have you ever read your homeowners insurance policy? I confess prior to becoming involved in the appraisal industry, I was guilty of scanning over my policy and just knowing enough to get by. Sure, I knew the basics of my policy, but not the details concerning my personal property and what exactly was covered, to what extent, and in what situations.

The purpose of insurance is to "indemnify" the insured for a covered loss. Indemnifying is basically putting things back the way they were prior to a loss. Because most regular homeowners insurance policies have limitations as to the amount that will be paid in the event of a loss on fine art and collectables, it is important to carefully review your policy for adequate coverage.

Due to these limitations, many insurance experts recommend a supplementary insurance, also known as a "floater", policy that specifically lists fine art items. These supplemental policies insure the full value of a specific item, such as a diamond ring, Persian rug, and/or fine art that a standard home insurance policy does not cover. To ensure that your item is appropriately insured, properly scheduled on the policy, and that you don't pay too much in premiums for over-insuring an item, you must have an appraisal prepared by a qualified appraiser.

Unlike a car, which is easy to replace with the same model, most fine art pieces are, by definition, unique. Thus, it's especially important to have an independent appraisal based on market research and accepted principles of valuation to estimate its value. An appraisal will also document ownership of the appraised item.

Serious art collectors should work with insurance companies that specialize in fine art and collectables, some of which include Chubb Group, Atlantic Mutual, AXA Art Insurance Corporation, and AIG. To minimize coverage disputes in the event of loss, insurance companies require appraisers to be properly qualified and to adhere to the Uniform Standards of Professional Appraisal Practice which requires, among other items, significant educational experience and regular continuing education.

The art market constantly fluctuates so what you paid for an item likely does not reflect its current value which is why many experts suggest updating appraisals every 3 to 5 years to ensure proper coverage. It's best to make up a list of what you want insured and then speak with your insurance agent about appropriate coverage.

By the way, I learned in my situation that water damage is excluded from my homeowner's insurance policy but coverage would have applied if I had a supplementary policy. Gee, good to know.