

4 Steps to Insuring Clients' Valuable Artwork at Every Stage

By Michelle Impey, Fine Art Director — ACE Private Risk Services

As the attention of the art world moves from the New York-based auctions in November to Art Basel Miami Beach in December, high-net-worth collectors buying and selling art are focusing intently on obtaining a good price. While the bidding and negotiations will no doubt demand most of their attention, they also need to be thinking about keeping their art safe and properly insured as it moves between locations.

Risks have increased with the expansion of the global art market. To reach a larger number of potential buyers, auction houses and dealers are more likely than ever to display art at multiple locations, including a growing number of art fairs around the world. Moreover, each move between venues could also involve a stint at a storage facility.

The sheer volume of art exchanging hands heightens the risk of improper handling and accidental damage. The pace of the market also means specialized art shippers will be in high demand, and perhaps unable to transport art on the exact date requested by the collector. Anxious to get their prized pieces back home, buyers may be tempted to use standard shipping companies.

How art is packed and shipped between locations deserves especially close attention. Even though time spent in transit may represent less than 1 percent of the artwork's life, transit-related losses account for 18 percent of all art insurance claims, according to an analysis by ACE Private Risk Services of the private art collections it insures. With the high price tags listed on many works of art, an accident in transit could cost owners millions of dollars if the proper precautions aren't taken.

Here are the four key steps HNW individuals should take to ensure that their artwork is protected and insured at every stage, from sale to purchase to final exhibition.

1. Insist on a Strong, Detailed Consignment Agreement

A consignment agreement is a vital component to any art sale. This agreement should include an exact time frame for the consignment, terms of sale, and agreement that the title of the work does not pass to the new owner until payment is received in full. Additionally, be sure to file a financing statement under your state's Uniform Commercial Code to assert your ownership interest, and make sure that the consignment agreement requires approval before re-consigning to another dealer.

The agreement should also specify how and where all of your art will be stored while in their possession. This stipulation is critical. For example, many consigned works were stored in art gallery basements in Chelsea during Hurricane Sandy, leaving many severely damaged. Some art galleries may also store artwork at an off-site storage facility, which could impact insurance coverage. High net worth insurance companies will be able to assess the level of protection that exists at any art storage location and offer advice accordingly.



Courtesy National Gallery of Art, Washington

Lastly, request notification prior to your piece being moved to another location, and obtain confirmation on how it will be transported and packed. Having a lawyer review the agreement and being as educated as possible throughout each step of the consignment process will help ensure a smooth transition.

2. Know Who Is Responsible for Insurance at All Times

Don't assume that the auction house, gallery owner, dealer, or shipping company in possession of the artwork has insurance for its loss, theft or physical damage. For instance, auction houses may insure high profile artworks worth millions of dollars, but they may not insure items with lower sale estimates. In some cases, they may require the consignor to carry their own insurance, or ask that they pay for additional coverage. The standard limit of liability for a shipping or storage company is only 60 cents per pound, so it's very important to have your own fine art policy.

To avoid a gap in insurance, collectors should consult with their insurance agent and make sure the agent has had a chance to review the insurance coverage provided by the party taking possession of the art – whether it be an auction house, gallery owner, dealer, storage facility, or shipping company. The agent can also advise of any special provisions in the collector's fine art policy. For instance, some policies

may not provide coverage if the art is being displayed at a fair or exhibition unless the collector has notified the insurance company and received approval in advance of a loss. Some may also require the use of packers, handlers, and shippers with specific expertise in the type of item being transported.

3. Hire Experienced Professionals to Ensure all Artwork Is Properly Packed

When art is being packed and shipped, owners should make sure professionals who are trained in crating, packaging, and delivering artwork are hired. Certain professional art shippers are TSA certified to inspect and officially seal art during the packaging process. Ask if any subcontractors will be hired, and confirm that they are reputable vendors.

Additionally, the same packing method is not suitable for every work of art. To determine the appropriate type of soft packing or crating method for your artwork, an experienced art packer will assess the fragility, medium, condition, and size of each piece. The mode of transit, travel distance, and value of your piece will also be important considerations.

4. Confirm the Quality of the Vehicles Used for Transportation and Require a Condition Report at All Stages of Transit

Trucks or vans should be climate-controlled and fitted with air-ride suspension systems that reduce the risk of damage from shocks, vibrations and sudden stops. They should also have security systems and be staffed with two drivers so the vehicle is never left unattended.

A condition report of the artwork should be completed before and after delivery. The condition report should include a detailed description, high resolution photographs, and documentation of any preexisting damage.

With about \$2 billion of art changing hands in the November auctions alone, the risk of multi-million-dollar incidents involving packing, shipping, and storage is great. Wealthy collectors and their advisors would be wise to work with an insurance broker and company that specialize in serving the needs of HNW collectors.

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