



XL Insurance

# An Introduction to Fine Art







# About AXA XL

AXA XL, the P&C and specialty risk division of AXA, is known for solving complex risks. For mid-sized companies, multinationals and even some inspirational individuals we don't just provide re/insurance, we reinvent it.

How? By combining a strong and efficient capital platform, data-driven insights, leading technology, and the best talent in an agile and inclusive workspace, empowered to deliver top client service across all our lines of business – property, casualty, professional, financial lines and specialty.

With an innovative and flexible approach to risk solutions, we partner with those who move the world forward.

To learn more, visit [www.axaxl.com](http://www.axaxl.com)





**In 2017, global art  
sales amounted to  
over \$60 billion\***

The world is full of objects that are much regarded and much loved.

The art world has changed enormously since Michelangelo painted the Sistine Chapel. Underwriters today face the challenge of insuring artefacts as varied as antique fabrics to baseball cards. Our clients are equally varied, including families with heirlooms, those buying art to invest (anything from one painting or large corporate collections) and art lovers whose enthusiasm has led them to acquire a collection too large for their household insurance.

While much of our business comes via specialist brokers, increases in the value and the sheer variety of art mean that it is now worthwhile for more general brokers to discuss fine art insurance with a number of clients and potential clients.

This brochure is a guide to the type of business placed in the fine art insurance market, the coverage provided and how we respond in the event of a claim. We insure many objects that simply cannot be replaced, so we work with our assureds to mitigate loss or with the best fine art loss adjusters to minimise damage.



Many owners of art work and collectible objects do not realise they could benefit from a specialist fine art policy.

All kinds of art can be covered by specialist fine art insurance. It isn't only Rembrandt paintings, Paul Revere silver, Tiffany lamps and original copies of Audubon's Birds of America that are worth insuring in this way.

Fine art insurance can provide better coverage and better service for:

- High net worth individuals and families with inherited and acquired works of art and valuable objects
- Collectors of a wide variety of historical and valuable art and objects
- Companies and professional offices with historical archives, industrial artefacts and art work
- Public bodies with art works and irreplaceable historical material
- Hotels
- Local museums and historical societies
- Dealers
- Galleries

# Introducing Fine Art insurance







## What is worth insuring?

Art and objects worth insuring under a fine art policy come in many descriptions. They may be snuff boxes and coins, or vast canvasses and monumental sculptures. They may be made of precious metals, precious stones or everyday materials, like paper or clay.

They can be stone, metal or even liquid. Some are ancient, and others are the work of living artists. What they have in common is value that goes well beyond an ordinary function or material.

Art and objects worth insuring under a fine art policy include:

- Architectural antiquities
- Arms and armour
- Books and works on paper, including: manuscripts, archive material, prints, photographs, posters, signs and advertising materials
- Clocks
- Ethnic arts
- Fine wine, bottles and glasses
- Fossils and mineral specimens
- Furniture, lighting and mirrors
- Historical artefacts
- Industrial heritage
- Memorabilia
- Musical instruments and musical collectibles
- Rugs
- Scientific instruments
- Silver, ceramics and glass
- Textiles, lace and embroidery
- Toys, dolls and games
- Visual art and sculpture

Within each of these categories, there are almost endless sub-categories. Books and works on paper include early printed books and rare editions, manuscripts, archive material, prints, photographs, posters, signs and advertising materials.



Businesses have artefacts such as designs, molds and forms which are unique, and developing technology is continually creating new types of collectable items. For instance, early cels – paintings on celluloid to create animation in cartoons – from the 1930s, such as early examples from Walt Disney Studios, are popular with collectors.

Your client may need specialist fine art insurance if they could answer yes to one of the following questions:

- Do you have valuable items that would be difficult to repair or replace if they were damaged?
- Do you have sets of objects, such as furniture, silver or ceramics, whose value would fall materially if one piece were lost or damaged?
- Do you often buy new art works or collectibles? Do you sell others?
- Do you lend your paintings, sculptures or other art works for exhibitions?
- Do you have valuable items in storage?
- Is your house sometimes open to the public or for special gatherings?
- Would you know the best people to estimate and repair your pictures or other artwork if they are damaged?
- Are any of your collectible items fragile or delicate?





# How Fine Art insurance works

The opportunity to buy back a missing item that is found later for the value of the claim if the reduction in value to a set from the loss or damage of individual items.







## What the underwriter will consider

When writing a fine art insurance policy, an underwriter will take into consideration a range of criteria applying to the particular work(s) to be covered, including:

- The type and condition of object(s)
- The type of material
- Methods of storage and display
- Frequency and methods of transportation
- Exposure to natural perils
- Quality of security arrangements
- Fire detection systems
- Loss history of the policyholder

Additional points that can be considered by the underwriter include:

- Overseas transport and the potential for damage when under customs control
- Attractiveness to sophisticated and violent criminals
- Legality of materials, such as whale bone or ivory
- Whether the artist is living or dead
- Collector vs. investor
- Contemporary materials or forms

Coverage for art collections can be extended to include private jewellery, subject to additional terms and conditions.

Exclusions typically contained in a fine art policy include:

- Inherent vice
- Wear and tear
- Pest and vermin



# Managing insured values

Establishing the basis for valuation of insured art objections is important, especially where comparisons are not easy. Work that has not been seen on the market for many years could be much more valuable than owners realise.

This is even the case for contemporary art. The price for some works have soared in recent years, and people whose families bought items directly from the artist may still have them in their homes and not be aware of current prices.

The most common methods of establishing value for insurance for premium calculation and in the event of a claim are:

- Market value at the time of loss or price at auction
- Replacement cost
- Purchase price
- Declared value – which must be reasonable

Regular appraisal and good record-keeping will help keep insured values up to date. These can both rise and fall.



## Policies

### Fine Art

Low or no policy deductible

Worldwide territorial scope

Broad transit cover

Basis of valuation takes concept of pairs or sets of objects into account

Policyholder can buy back piece if it is found at a later date

Automatic inclusion of acquisitions

### House & Contents

Higher deductible

Art only covered at the named location

No cover for transits or a low sublimit

Basis of valuation is replacement cost of the lost piece only

Not included

Not included



An ornate, gilded picture frame with intricate carvings of leaves and scrolls, partially visible on the left and bottom edges of the slide.

# Risk management and security

Works of fine art can be lost or damaged for a wide variety of reasons. Damage during transit is most common, while surprisingly theft is not one of the greatest sources of risk.

The most common reasons for loss or damage to art and collectibles, all of which are covered under a fine art policy, are:

- Damage in transit
- Accidental damage
- Natural perils
- Theft
- Fire
- Water damage

An art work is at its most vulnerable when it's being moved: from the moment it is lifted off a wall until the moment it's back on a wall (or safely on a pedestal or in a case). The way the art work is hung or displayed is important, too.

If a work of art is being moved any distance, say from a sale room or to an exhibition, it needs suitable packing, handling and storage. Using knowledgeable shippers is essential and not necessarily easy to arrange, especially if the usual locations of the art work is outside a major city. If international shipping is required, there could be four or five different companies involved, none of which wants to admit liability for damage.





**“It is not uncommon to look at a photograph of a damaged item that clearly shows where forklift prongs pierced a poorly constructed packing case.”**

*Charlotte Wilson, AXA XL*

Packing used for shipping should protect the work from vibration and impact. Accidental damage frequently occurs because handlers are inexperienced or unskilled. The object also needs to be protected from rapid or extreme swings in relative humidity and temperature as well as from exposure to liquids and damaging gases. Today, devices can help determine how damage has occurred, such as ‘tip or tell’ chips on items that show whether the container has remained upright during transit.

Using a fine art carrier does not mean that the goods are automatically insured, or the extent to which it will be possible to recover from the carrier even when it is possible to show negligence. Fine art handlers may have limited liability based on the weight of the object for uninsured items.

When it comes to exhibitions, underwriters are interested in the party that is organising the show. Is it a professional exhibition company who knows what to do? How will the objects be handled once they arrive and how will they be stored?

Storage during transit has its own risks. Works on loan for an exhibition may be more vulnerable. For example, storage in museums is traditionally located in the basement, thus increasing the risk of damp and flood risk. Customs officials have damaged items because of a lack of understanding of the materials used or by keeping items in quarantine.

Natural perils – such as fire, flood, hurricanes and earthquakes – can result in damage to and even the loss of artwork, especially as a result of a catastrophic event. While structures where valuable art is often located tend to be more substantial than ordinary households, this is not necessarily the case when objects are in transit or on loan.

Theft is less of a risk to art and collectables than popularly assumed because of the difficulty of converting art into cash. However, small, easily portable items, such as those made of silver and gold, are exceptions. When paintings do go missing, it’s usually in the course of a conventional burglary, and the thieves may well abandon a picture as too difficult to sell without being traced.



## Safe storage

Insurers do not expect homes and business premises to look like fortresses. Good design, landscaping and lighting, along with careful management and the appropriate use of security technology, can help create a good impression and maintain security.

Underwriters will expect protection appropriate to the value and type of objects to be insured, the exposures and the premises.

## Records

Owners should have photographs taken of artworks, unique items and antiques. They should also keep details of provenance, make (where relevant), model and serial number. Owners should retain purchase records and details of any repair or restoration, whether for insurance purposes or not.

Where collections are extensive, items should be properly catalogued and be subject to regular audit. This is particularly important in cases in which a business or an individual owns large numbers of art works or other valuable assets which might be displayed across different locations.

We also cover retail, wholesale and manufacturing jewellers for storage and transport risks (including exhibition and consignment risks) and diamond processing risks. We underwrite the liability of armoured car companies for the transport of cash, as well as the static risk.

Our general specie account includes bank vault risks and other financial institution-related risks, shipment and storage of precious metals, automated teller machine risks and other miscellaneous valuable property risks.

Specie is a moral hazard-exposed class, so a key underwriting consideration is the integrity, management and risk management of the assured. We also focus on the crime rate within the environment where the works are kept or transported.







# Claims

The advantages of a fine art insurance policy are most clearly demonstrated after a work is damaged or stolen. When a loss does occur, the fine art policy works entirely differently to an ordinary property policy. Each claim is different, and the underwriter acts on the basis that dealing with valuable and precious objects that have been lost or damaged is not the same as replacing home furnishings.

The main issues when adjusting a fine art claim include:

- What is the current value of the item?
- How much has the damage affected the value of the object?
- What is the best way of restoring the item to minimise the impact on the value of the object?

Valuing works of art is a matter of expert judgment in the first place. It will be especially difficult if the damaged or stolen item is unusual, has not been purchased recently or has not had a recent valuation.

How the value has been reduced by damage is even more of a challenge. When works of art or collectable items are damaged, even an experienced general household adjuster is not likely to have the proper knowledge to make such an assessment nor have the appropriate contacts with experts to obtain the best outcome.

When it comes to repairs, inexperienced procedures can do more damage to a work of art than the original incident. Fine art underwriters and their advisers have access to panels of expert restorers for all types of art and materials. These experts can be used to assist the insured in the repair.

When dealing with contemporary art, in some cases it may be possible to arrange with the artist himself or herself to undertake the repair. Many artists see this as part of the life process of the object, and it's likely to mean that there is no loss in its value.

With expert knowledge and advice, fine art insurers can settle claims quickly and with an outcome that the owner likes.



# Specie

We insure valuable property (specie) against physical loss or damage while in situ and in transit anywhere in the world.

Policies can be written via any of our offices worldwide. Our claim team includes specialist specie claims handlers, and we retain recognised experts to assist with security and risk management issues.

We are the world's leading fine art and specie insurer. With the experience and creativity to work with all types of institutions, museums and art foundations. Our specie account is very broad in terms of breadth of coverage and geographical scope. We write business on a direct and reinsurance basis, via brokers and underwriting agents.







# Contact

**Mona Yong**

T + 65 6603 1226

M + 65 9018 8335

[mona.yong@axaxl.com](mailto:mona.yong@axaxl.com)

**Jillian Kwan**

T + 65 6603 1237

M + 65 8809 1642

[jillian.kwan@axaxl.com](mailto:jillian.kwan@axaxl.com)

[axaxl.com](http://axaxl.com)





This document constitutes advertising for AXA XL, its products and services and does not constitute an insurance offer. AXA XL is a division of AXA Group providing products and services through three business groups: AXA XL Insurance, AXA XL Reinsurance and AXA XL Risk Consulting. AXA, the AXA and XL logos are trademarks of AXA SA or its affiliates. ©2023