



## **Marine Forum**

# **Fine Art and Specie – Current Trends, Myths & Realities**

Kieran James – May 2023



# Introduction

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- Thank you for inviting me to join you today.
- Kieran James.
- Tysers Insurance Brokers.
- 6 years experience in Marine Reinsurance.
- Predominant focus on facultative fine art & specie and cargo placements, and traditional treaty programmes.
- Topic today:
  - Fine Art and Specie – Current Trends, Myths & Realities.

# Agenda

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- Fine art and specie, what are we talking about exactly?
- Recent trends
- What's keeping insurers up at night?
- Myths
- The reality
- What next?

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# FINE ART & SPECIE

.....what are we talking about?

# Fine art....largely obvious



# Specie of old

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- Insurance of animals....?

**No**

- Latin meaning:  
*Coin, as distinguished from bullion or paper money as a medium of exchange*

# Specie as we now know it

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- *Anything which has intrinsic value such as gold, silver, gemstones, cash or stamps.*
- In London the class is broken down into 3 distinct Lloyd's audit codes:
- CIT, JB & GS

# Specie in London

- London capacity (approximate):
  - Static / Premises - USD 4 billion
  - Transits – USD 1 billion

CT - Cash in Transit			FA - Fine Art		
Year of Account	Lloyd's Gross Net Paid Premium (GBP)	Lloyd's Inc Claims (GBP)	Year of Account	Lloyd's Gross Net Paid Premium (GBP)	Lloyd's Inc Claims (GBP)
2017	58,917,229	53,713,105	2017	161,810,070	83,930,542
2022	58,310,996	11,861,913	2022	183,316,604	48,451,972
GS - General Specie			JB - Jewellers Block		
Year of Account	Lloyd's Gross Net Paid Premium (GBP)	Lloyd's Inc Claims (GBP)	Year of Account	Lloyd's Gross Net Paid Premium (GBP)	Lloyd's Inc Claims (GBP)
2017	100,226,633	37,489,742	2017	114,628,267	86,103,793
2022	171,684,630	53,472,543	2022	94,681,877	72,700,304



# Recent trends – the art market

- Global art sales increased by 3% to an estimated USD 67.8 billion in 2022. (Art Basel & UBS Global Art Market Report)
- Driver of the growth are sales in the high end of the market, a segment starting with works priced at over USD 10 million.
- Typical clients have always been wealthy and successful individuals.
- Billionaire wealth has doubled in 10 years and more than a 1/3 since 2019.
- Steady influx of new, younger buyers.

# Recent trends – gold



<https://www.gold.co.uk/gold-price/5-year-gold-price/>

# Recent trends – the insurance

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- Increasing sums at risk.
- Max value of a painting 5 - 10 years ago = USD / EUR 250m.
  - 2023 = comfortably USD / EUR 450m.
- Mona Lisa in excess of USD / EUR 1bn.
- Transit limit = USD / EUR 250m.
- Effect of inflation?

# What's keeping insurers up at night?

## Major accumulations

- Port Franc
- Geneva Freeport
- Mobel Transport
- John Paul Getty Museum
- New York Met.
- Various CBD's
  
- SA – mines & refineries....?

# What's keeping insurers up at night?

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## Major accumulations

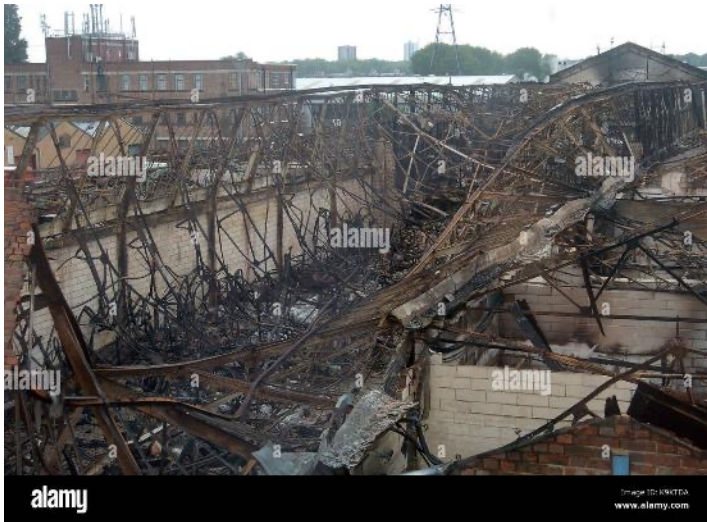
- Limits in excess of USD / EUR 1bn tend to get layered.
- There is a glut of capacity available but at different prices and at different attachment points.
- Substantial capacity tied up in broker facilities.
- Reinsurance costs and retentions have increased.
- Brokers need to be thoughtful and tactful.

# What's keeping insurers up at night?

## Major accumulations

When it goes wrong....

**Momart, East London – May 2004**



EUR 50m

**Hochgurgl, Austria – Jan 2021**



EUR 18m

# What's keeping insurers up at night?

## CAT events

- Hurricane Sandy (29-30 October 2012).
- Economic damage – USD 68.7 billion.
- Largest Atlantic hurricane, and most destructive to hit New York and New Jersey on record. Seventh costliest hurricane in U.S. history.
- DTCC - Depository Trust & Clearing Corp.
- Anywhere between USD 40 - 70 trillion of stocks and bonds stored.
- 1.3m – 1.7m physical stocks and bond certificates.
- Fortunately, just replacement cost was claimed rather than full value – so a larger loss was avoided.

# What's keeping insurers up at night?

## Heists

- The Green Vault, Dresden – November 2019 (USD 113m)
- Leview – July 2013 (USD 136m)
- TEFAF Maastricht – June 2022 (EUR 27m)  
[https://www.youtube.com/watch?v=M\\_JAWu\\_Vb1E](https://www.youtube.com/watch?v=M_JAWu_Vb1E)
- Toronto Pearson Airport – April 2023 (CAD 20m - approximately)



# Myths

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## Why is art stolen?

- Stolen to order?
  - Collateral in criminal activities?
  - Resale on the black market?
  - Pass on to a collector?
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- The Art Loss Register (ALR), founded in 1991 as an international database of stolen works of art, antiques, and collectables.

# Myths

## Why is art stolen?

- Henry Moore 'Reclining Figure' – stolen in 2005.



Weight = 2.1 tons

Length = 3.6 metres

# The reality – infidelity and fraud

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- Poor handling
- Fakes & forgeries
- Frauds & dodgy provenance
- Mysterious disappearance & substitution / sleight of hand
- Infidelity

# The reality – moral hazard



- A messy divorce.
- Personal collection in excess of USD 4bn.
- Initial claim close to USD 1bn
- Settled for USD 141m
- Currently suing for USD 410m



# Emerging threats

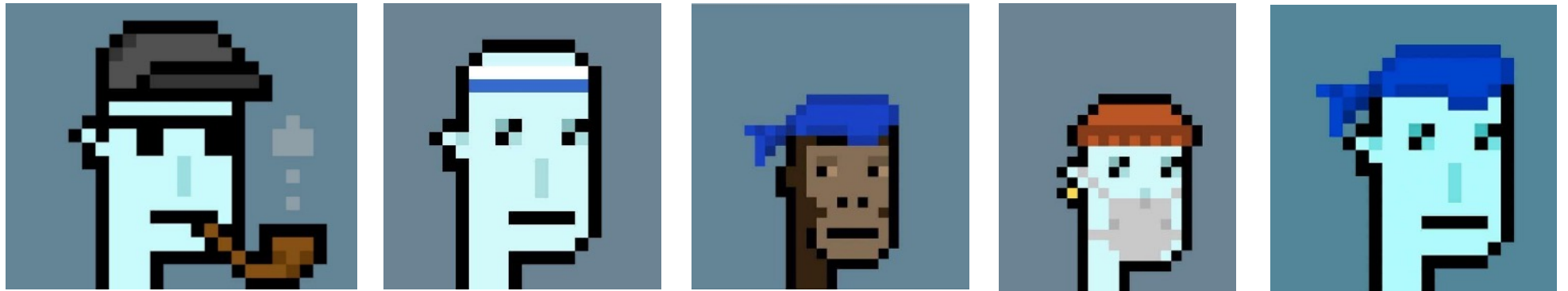
- Reduced availability of cheap terrorism capacity.
- Environmental, social, and governance (ESG).  
<https://www.youtube.com/watch?v=Ctb3xSp3Ajo>
- Malicious and systemic cyber attacks.



# What next?

## NFTs

- A digital asset that links ownership to unique physical or digital items.
- Interest is waning, faster than anticipated.
- At the beginning of 2021 and into 2022, NFTs seemed to be on track to take over the world. In March, Bored Ape Yacht Club founders Yuga Labs acquired CryptoPunks and Meebits, creating an NFT behemoth. <https://www.artsy.net/article/artsy-editorial-5-trends-defined-art-market-2022>



- Rapid rise, even faster fall.

# What next?

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## Blockchain

- Although cryptocurrencies crashed in 2022, it would be presumptuous to say interest in blockchain has in tandem.
- Artist who can't find a gallery.
- Buyers who can't afford traditional fine art.
- Reducing the administrative burden on artists, museums and galleries.

# What next?

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## Lego

- Mass produced, industrial product.
- Cheap, basic quality.
- Narrow range of colours.
- Anyone can play and create with it.



# What next?

- Lego version of Monet's 'Water Lilies'



Ai Weiwei, 'Water Lilies' – 650,000 Lego pieces, 22 colours, 15 metres long!

# What next?

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- The original and template for Ai Weiwei is hanging in the MoMa



Claude Monet, 1920-1926 'Reflections of Clouds on the Water-Lily Pond', Museum of Modern Art, New York

# What next?

## ESG

- Gallery Climate Coalition (GCC).
- More than 600 galleries, art fairs and auction houses are members, including - Christie's, Sotheby's, Art Basel and Gagosian.
- What is the biggest environmental challenge?
- Air-freighting of artworks worldwide.
- This accounts for approximately 85 per cent of galleries' emissions.
- The alternative? Switching to road or maritime transport. Another insurance headache!
- Insurers are alert to this topic....

<https://www.artforum.com/art-market-predictions-2023/>

# What next?

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- Collapse of major banks
  - Credit Suisse
  - Silicon Valley Bank
  - New York Signature Bank
- Banks play major role as sponsors for major art fairs and museums.
  - Credit Suisse - major sponsor of the National Gallery in London.
- Cost calculation for international art fairs:
  - One third paid by exhibitors / galleries.
  - One third financed via ticket sales.
  - One third financed by sponsorship.

# What next?

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- Fewer art fairs?  
Possibly
- Fall in total art sales?  
Probably
- Decreased valuations?  
Unlikely

# Summary

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- The art market is changing.....
- Values and limits will continue to increase
- Climate change and severity of CAT events will get worse before they get better
- New forms of art will enter the market
- Gold and jewellery thieves will continue to hone their craft
- There are emerging, new risks to the art itself
- Reinsurance structures, costs and wordings have changed
  
- Brokers and Insurers are adapting
  
- The days of non specialists 'playing' in the FA/GS market are fading.



Any Questions?



# THANK YOU!



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