

Fine Art Insurance

Market – Risk – Underwriting

Tobias J. Braun

Fine Art Insurance

- ❖ Art
- ❖ Market
- ❖ Evaluation
- ❖ Risk
- ❖ Cover
- ❖ Summary



Art

- ❖ Fine Art – paintings, sculptures, installations
- ❖ Porcelan
- ❖ Classic Cars
- ❖ Collectibles
- ❖ Musical instruments
- ❖ Jewellery
- ❖ Specie & Valuables



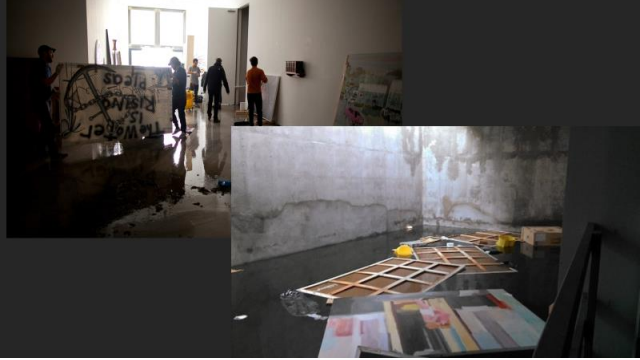
Market

- ❖ Art market volume: \$ 35bn in 2016
- ❖ Museums & Exhibitions
- ❖ Private collections
- ❖ Dealers & Auctioneers
- ❖ Galleries & Fairs
- ❖ Storage facilities
- ❖ Transport providers



Evaluation

- ❖ Global non-regulated legal market
- ❖ Primary market prices based on:
 - ❖ Age of the artist
 - ❖ Gallery
 - ❖ Exhibitions
 - ❖ Supply and demand
- ❖ Secondary market prices based on
 - ❖ Auction history
 - ❖ Supply and demand
 - ❖ Closed Oeuvre
 - ❖ Museums and collections



Risk // Flood

- ❖ Flood and Water is a high risk exposure
- ❖ Insufficient humidity may have similar impact
- ❖ Majority of claims going to be a total loss
- ❖ Very difficult to restore
- ❖ Accumulation of claims is likely



Risk // Fire

- ❖ Obviously a massive risk exposure
- ❖ High likelihood of total loss scenario
- ❖ High accumulation of risk
- ❖ Fire protection/fighting may increase the loss
- ❖ Smoke detectors should be compulsory
- ❖ Fire protected segments in Storage facilities



Risk // Storm

- ❖ Limited risk exposure
- ❖ Mostly sculptures and installations at risk
- ❖ Often connected with high sums insured
- ❖ Most claims are restorable



Risk // Transport

- ❖ Major exposure
- ❖ Cover extension of a static risk
- ❖ Avoid art in transit stand-alone
- ❖ High additional premium / deductibles
- ❖ Specialized art forwarder only
- ❖ Packaging and climate control is essential
- ❖ Preferable air freight

Risk // Theft



- ❖ High risk exposure
- ❖ Art in transit is over proportional exposed
- ❖ Dealers, Fairs & Galleries
- ❖ Art Loss Register
- ❖ The vast amount of stolen art will be recovered
- ❖ Selling stolen art is nearly impossible



Risk // Art Napping

- ❖ Exists
- ❖ High values
- ❖ Mostly very well insured
- ❖ Easy to hide
- ❖ No feeding required
- ❖ Ransom will be paid by insurer



Risk // Fraud

- ❖ Massive issue linked to old masters paintings
- ❖ Very difficult to detect/analyse
- ❖ Used for money laundering
- ❖ Insurance fraud is an actual topic
- ❖ Done by professional networks



Risk // Accumulation

- ❖ Fine Art storage facilities e.g. CFASS, MOMART
- ❖ Fairs & Exhibitions
- ❖ Auctions – Christies, Sotheby`s, Phillips
- ❖ Very difficult to control
- ❖ Non-transparent risk exposure
- ❖ Free flow between storage and risk location

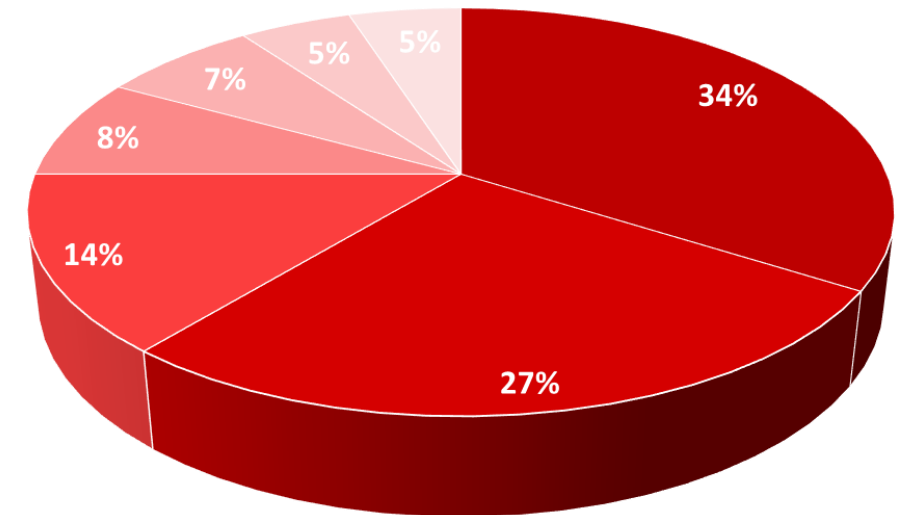


Cover // All Risk vs. Named Perils

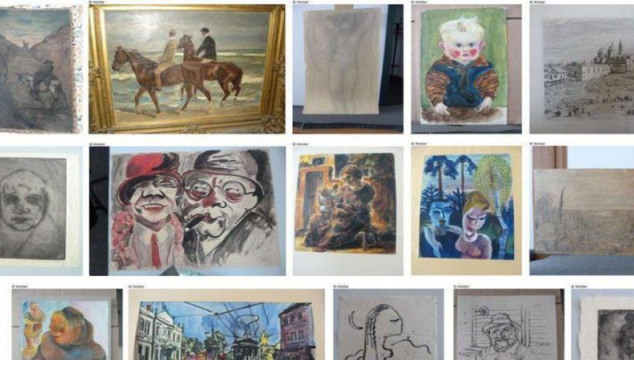
- ❖ Gross Negligence
- ❖ Accidental Damage
- ❖ Agreed Value
- ❖ Adjusted Value
- ❖ The Unforeseen

Fine Art Claims

last 20 years

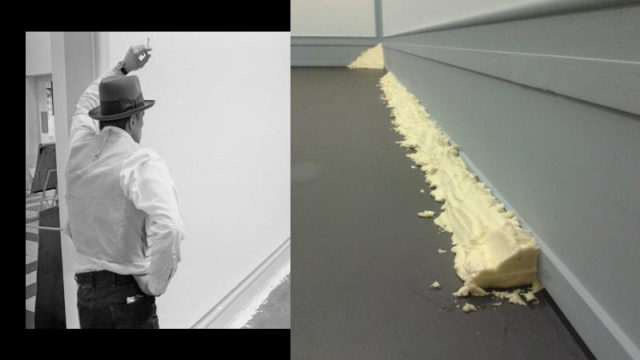


■ Accidental Damage ■ Theft ■ Fire ■ Flood/Water ■ Lost ■ Storm ■ Other



Cover // Defective Title

- ❖ Provenience of art could be legally affected
- ❖ Legal costs covered
- ❖ Reimbursement after restitution
- ❖ Loss of value as a consequence included



Cover // Restauration

- ❖ Not always possible
- ❖ Should be included
- ❖ Client has the choice:
 - ❖ Restore – loss in value is covered
 - ❖ Replace – if possible
 - ❖ Reimburse
- ❖ Cover is given for the restauration work



Cover // Security

- ❖ Compulsory: high standard mechanical security
- ❖ Electronical security systems highly suggested
- ❖ Listing of insured objects and their values
- ❖ GPS Tracking – Art in transit
- ❖ Insurance consultancy
- ❖ Location survey



Cover // Deductible & Pricing

- ❖ Agreed value – static risk globally insured
- ❖ Repair, replace, adjusted value, reimburse
 - ❖ Annual premium: 0,10% – 0,15% of the value
 - ❖ Deductible depends on risk structure
- ❖ Art in transit
 - ❖ Non-fragile: 0,01% – 0,15% of the value per way
 - ❖ Fragile: 0,03% – 0,45% of the value per way
 - ❖ Deductible should be compulsory



Summary

- ❖ Premium of art insurance 2016: abt. \$ 3bn
- ❖ Growing segment
- ❖ Pricing under pressure
- ❖ Only specialised underwriting leads to profit
- ❖ Evaluation is a challenge
- ❖ Major loss exposure due to high item values
- ❖ Accumulation management is problematic



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Tobias has 15 years of marine risk experience especially from the underwriting perspective. Prior joining **Hanseatic Underwriters** as Business Development Manager in the first instance and becoming Managing Director 2015, Tobias was employed inter alia with Hiscox and Rantzau Group/Deutsche Afrika Linie.

At Hiscox he worked in the field of Fine Art Insurance as Underwriter Hiscox Retail Germany, Lloyd's Underwriter for the Hiscox Syndicate 33 and Product expert Fine Art Hiscox Europe.

Since 2012 he is responsible for the business development, underwriting and general management of the Lloyds Coverholder **Hanseatic Underwriters** - a brand of the Zeller Associates Group. Hanseatic is an independent marine insurance MGA offering P&I and P&I related products globally. Tobias is based in Hamburg, Germany.

He is an educated Shipping Merchant (Hamburg) and he is holding a MBA in Economics & General Management (Dipl. Oec.) and a Bachelor of Art degree in Philosophy, Culture and History of Art (BA).

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