

Insuring your Fine Arts

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Christine G. Barlow CPCU

The world is full of beautiful things: paintings, sculpture, glass works, textiles, figurines, jewelry, and other items. Many people collect such things, many of which are known as fine arts. However, the category isn't as straightforward as it seems. Is the china a bride receives for her wedding a fine art that should be scheduled on the homeowners policy? What about baseball cards? Are they fine arts or collectibles, and should they be added to a homeowners schedule? There is no set definition of what is a fine art, and that adds to the confusion. The Scheduled Personal Property Endorsement, HO 04 61, does not define fine arts, leaving the category open for anything that does not fall into the jewelry, furs, cameras, musical instruments, silverware, golfer's equipment, postage stamps and rare and current coins. Does everything have to be separately scheduled, or will some things be covered under personal property? Fine arts always generate a lot of questions and even disagreements between underwriters.

What is a Fine Art?

In general, a fine art can be defined as a genuine work of art with some historic or artistic significance that required specific fine skill to create and is often rare and unique. The painting I made at a Painting with a Twist event is indeed a painting, but as I have no skill, it certainly is not a fine art. Nor am I an established artist, another thing that must be taken into consideration. The painter/sculptor or creator of the work must be established to some extent in the art world, and not just his immediate community.

Collectibles are those things that are mass-produced and appeal to a broad audience. Those baseball cards, for example, even if there is a limited number in existence of a certain player and even if that fetches a significant sum of money when sold is a collectible, and not a fine art. Some carriers will allow an insured to schedule collectibles, as many are valuable. This however continues to muddy the fine art waters; the cards are not a fine art but are valuable, and should be scheduled. The most expensive baseball card is a Honus Wagner card that sold for \$3.12 million in 2016. The HO 04 61 has a space to list an article or property with a description without listing it in a particular category. Items like this, and the growth of collectibles with significant has made having the ability to schedule items not traditionally fine arts important.

Coverage

Once it is determined whether an object is a fine art, it must be determined how the property should be insured. The insured has a few options. There is coverage under the standard homeowners form without a schedule, but a few things need to be remembered. While there is coverage for personal property, in the standard ISO HO 00 03 personal property is on a named perils basis. There are sixteen named perils, and if one of those does not damage the property, there is no coverage.

While there are special limits, most do not apply to true fine arts. Coins have a special limit, as does silverware, goldware, platinumware including tea sets, gold, silver, and platinum, although some may not actually be fine arts. It's going to depend what exactly the item is. So theoretically, an insured could have an expensive baseball card and if it burns in a fire, there is no exclusion. There is no special limit for such an item, so it is covered to the full limit. However, the insured could immediately exceed his policy limit for coverage C, and either replace the card and no belongings, or replace his belongings and not the card. This highlights the importance of making sure coverage C is sufficient to cover all personal property.

An alternative is to use an HO 00 05, the Homeowners Comprehensive Form. This form provides open perils for even personal property items. However, this policy has the same special limits as those listed in the HO 00 03. However, with open perils, that baseball is covered if damaged by anything unless it is excluded. Coverage amounts are still an issue.

The best option however is to schedule the property onto the homeowners policy with the Scheduled Personal Property Endorsement. This allows the insured to list particular items, insure those items for a stated amount, and pay the correct premium for the item. Coverage is open perils, and the exclusions include wear and tear, deterioration, inherent vice, insects or vermin, war, and nuclear hazard. There are specific exclusions for fine arts, and those are repairing, restoration and retouching, breakage of art glass windows, glassware, statuary, bric-a-brac, marble, porcelains and other fragile items. An exception is made for breakage if it is caused by standard perils such as fire, lightning, explosion, aircraft, collision, windstorm, earthquake or flood, malicious damage or theft, derailment or overturn of a conveyance. Property exhibited at a fairground or other exposition is not covered. Postage stamps and coins have their own specific exclusions due to the nature of the property. Fading, creasing, denting, scratching, disappearance unless specifically scheduled or mounted in a volume where the entire page was lost and similar damages.

The endorsement has some special provisions for the handling of fine arts, types of postage stamps covered, what is covered under golfer's equipment and other provisions. Loss settlement has its own provisions. The endorsement is a benefit in that it allows the insured to specifically name an item, describe it, and attach a value to it. Fine arts are covered at the agreed upon value, and other property types have some specific provisions. Appraisals and documentation are required.

Christine G. Barlow, CPCU, is the managing editor of *FC&S Online*, the authority on insurance coverage interpretation and analysis for the P&C industry. It's the resource agents, brokers, risk managers, underwriters, and adjusters rely on to research commercial and personal lines coverage issues. She can be reached at cbarlow@alm.com.