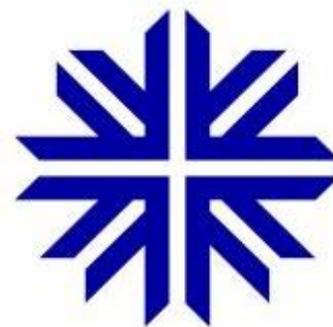


Inception, perception,
and exception: Fine
art insurance from
start to finish



IUMI
International
Union of
Marine Insurance

Julia Ries (ARTE Generali GmbH)
Aliette Fenton-Sharp (Sedgwick)
Grace Best-Devereux (Sedgwick)



Overview

- Introductions
- Fine Art and Specie Trends
- Claims Handling Case Study
- Claims Loss Adjusting Case study
- Questions and Answers



Presenters



Julia Ries
Head of ARTE Generali
Germany



Alette Fenton-Sharp
Claims Underwriting Director,
Major and Complex Loss
Division, Sedgwick



Grace Best-Devereux
Executive Adjuster – Fine Art,
Jewellery, Specie, Major and
Complex Loss Division, Sedgwick

What is art?

The ultimate question generations have debated about



What is Art?

Art is what is beautiful or meaningful... and what finds a buyer on the art market

“Savior of the World”

(oil on canvas, >500 years old)



„Salvator Mundi“

painting representing Jesus
(attributed to Leonardo da Vinci ~1500)

What do these objects have in common?

- both depict 'Saviors' - however 500 years apart
- both are extremely rare
- both achieved record prices at auction
- both are valuable
- ... and qualify for art insurance



“Savior of the Universe”

(plastic, 40 years old)



„STAR WARS Darth Vader“

figure with double telescoping light sabre
(by toy manufacturer Kenner ~1978)

What is Art?

Art is much more than paintings on the wall – collecting valuable objects is a passion

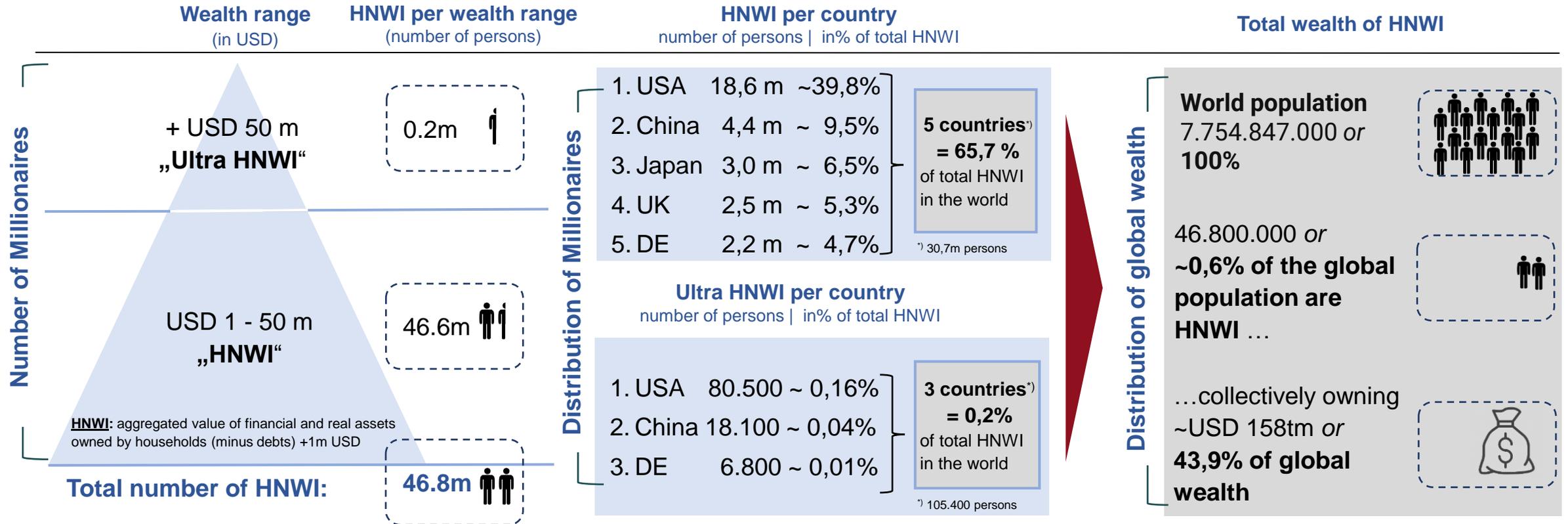


► Besides classic art objects (e.g. paintings, sculptures) there is a wide range of valuable „Collectibles“

Global developments

How capital is distributed: Growing number of wealthy individuals ...and potential art collectors

Wealthy individuals worldwide - „High Net Worth Individuals“ (HNWI) in 2019¹⁾



► The HNWI sector is expected to continue to grow with wealthy individuals looking for profitable investments

1) Credit Suisse – Global Wealth Databook 2019. Credit Suisse – Global Wealth Report 2019.

2) Global wealth in 2019 USD 360 tm (=USD 360 trillions)

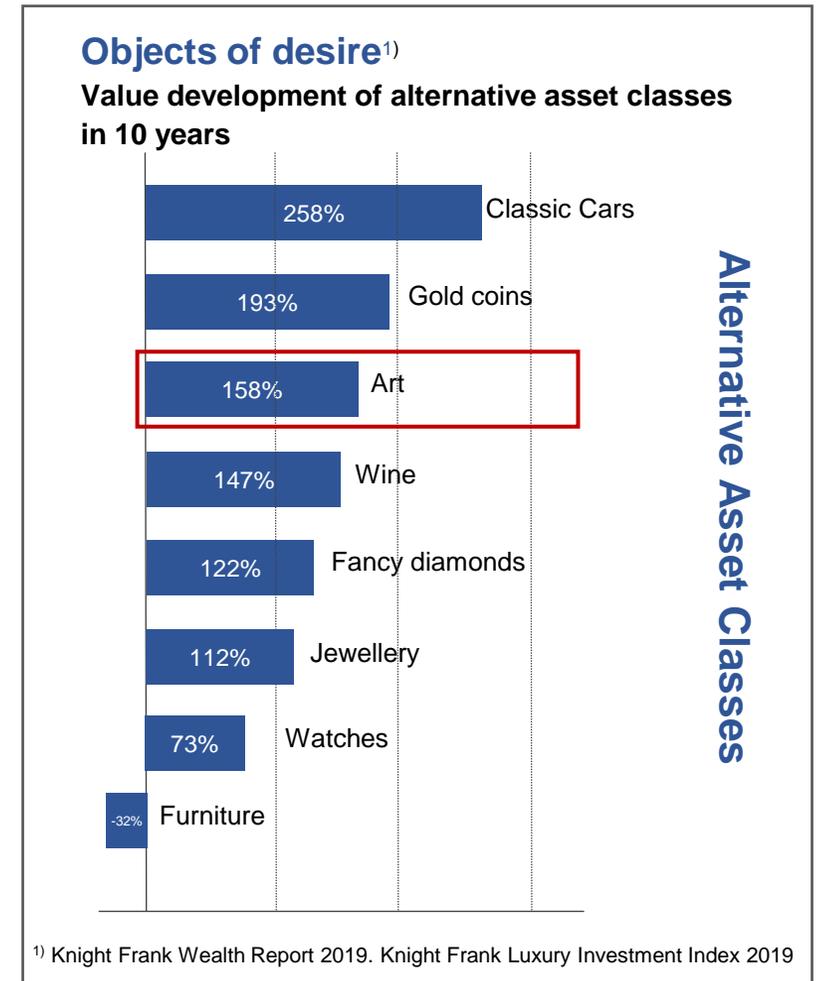
Global developments

Art as an asset - capital in search of profitable investment opportunities

Factors that have fuelled the surge of alternative asset classes

- **Increase of private wealth in leading industrial countries** has resulted in more capital being available to the market.
- **Economic factors:**
 - **Interest rates** have been at historic lows in Europe/US stimulating the search for alternative investment strategies.
 - **Return of inflation** in Europe is fuelling the process with devaluation of currencies and weakening of buying power.
- Capital looking for **safe havens** to yield return:
 - **conventional tangible assets** (e.g. land, buildings, stock market shares)
 - **alternative luxury assets** (e.g. classic cars, precious metals, art, watches)
- Increasing **number of wealthy individuals** and **availability of capital** have contributed to art becoming a **new asset class** – with a value increase of 158% in last 10 years.
- Investment and portfolio optimisation are among the **principles guiding art collecting** in times of economic uncertainty.

▶ **Art has been one of the asset classes with the highest growth rates.**



Global developments

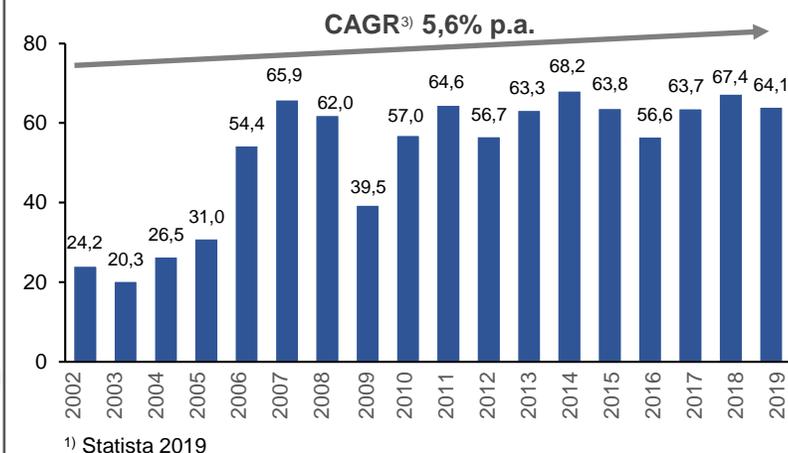
Art investments have contributed to unprecedented boom of the art market over last decades

- **Continuous growth** of the **global art market** since 2002 (5,6% CAGR).
But dependence on economic trends clearly visible.
- **Worldwide art market turnover 64,1 bn USD** (2019)²⁾

# 1 USA	28.3 bn USD (44%)	} 52.7bn USD (~ 82%)
# 2 GB	12.7 bn USD (20%)	
# 3 China	11.7 bn USD (18%)	
# 4 France	4.0 bn EUR (6%)	
# 5 Germany	2.2 bn EUR (3%)	

Sales in 3 largest markets
accounted for majority of
the global market's
total value!

Global art market turnover (in bn USD)¹⁾



- Although Germany is only ranked #5 in terms of art turnover, Germany is the home of the **second largest art community in the world** (>10.000 galleries and art dealers) with US being number one.
- In Europe the **greatest number of art collectors** live in Germany.
- **Collecting art has become a trend** over the last decades leading to an unprecedented increase of art values.

▶ **Market developments indicate a growing potential for insurance solutions – despite recent dip.**

²⁾ The Art Basel and UBS Global Art Market Report 2023

³⁾ CAGR: Compound Annual Growth Rate

Global developments

Art investments have to be protected against loss and damages

Financial risks increase with growing values of art

- loss in value (e.g. resulting from loss or theft)
- diminution in value (e.g. resulting from damage or corresponding restoration works)

Protection and loss prevention is key

- **...of art as a cultural heritage**
 - **physical protection** from external influences (e.g. humidity, temperature, shock)
 - **professional** storage, maintenance, conservation and restoration
- **...of art as an asset class**
 - **individual coverage** for individual needs (e.g. transports from nail to nail)
 - regular **appraisal** of art market values by art experts
 - **risk management** advice as regards loss prevention and protection measures (e.g. security concepts, intervention plans)
 - protection of assets from loss in value by purchasing **art insurance coverage**

▶ **Art insurance takes care of protecting art collectors against loss in value**



Example – damaged painting



Example – damaged sculpture

Global trends

Challenges and opportunities in the art insurance market

CHALLENGES

threats

- Inflation
- War
- Supply Chain interruptions
- Climate Change
- Reinsurance cost
- „Fake News“ (ChatGPT) provenance and authenticity
- Misc. (d.g. crime, cyber crime, climate activism)

} global economic and (geo-)political uncertainty: „Multi Crises“

weaknesses

- Soft market
- International Sanctions
- Cryptocurrency
- Fragility of goods
- Globalisation (worldwide transports / sendings)

OPPORTUNITIES

strengths

- Increasing values (need for insurance coverage)
- Stability of HNWI sector
- Low loss ratio
- Risk mitigation through risk management
- Digitization (processes and value proposition)

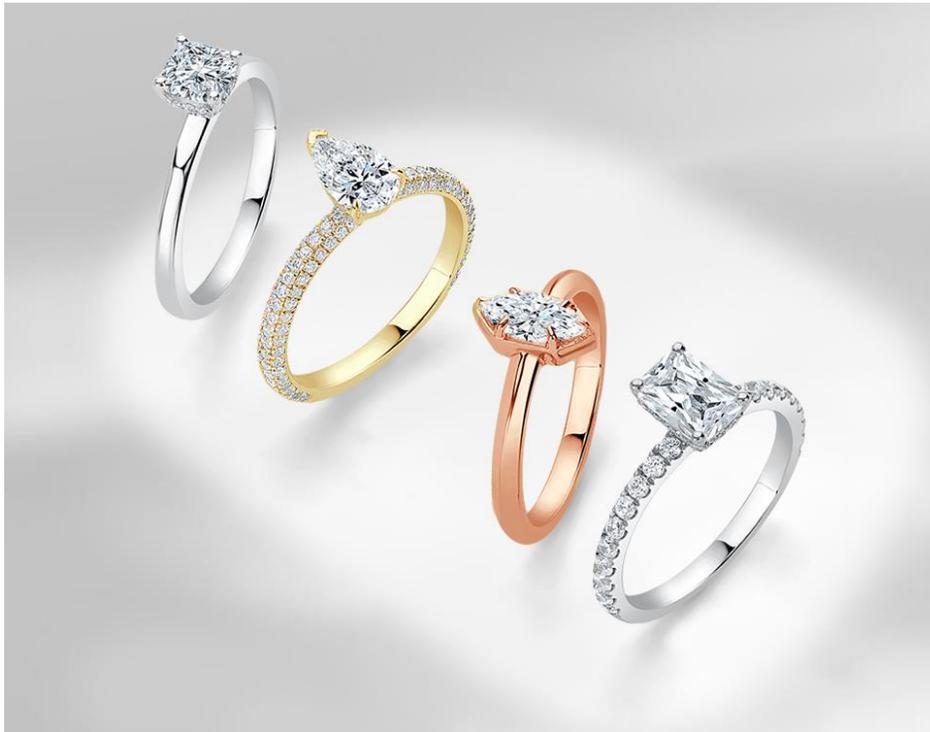
chances

- Interest Rates
- Online sales channels
- Hybrid art market (physical & online sales)
- Sustainability (ESG)
- Digitization and technology
- Artificial Intelligence (AI)



► New challenges and opportunities impact the art insurance market as changes come with unprecedented dynamic

Claims Trends- Courier Losses



Claims Trends- Insufficient packing



Walead Beshty (born London, UK, 1976)

Claims Handling Case Study



Loss Adjusting-

Where policy wording meets real world scenarios

- Example of Policy wordings specific to a FAJS policy:
 - **Extended Replacement Cost**
 - For up to 3 years following a valuation, cover at 150% of the valuation figure.
 - **New acquisitions cover**
 - Covering for up to 60 days after purchase, in case you forget to tell your insurer.
 - **Restoration cover**
 - A claim for partial damage, insurers will pay to restore the item *plus* its loss in market value given the restoration.
 - **Defective title**
 - If a piece of artwork is not rightfully yours, insurers may pay you the value of the item, as well your defence legal fees.
 - **Death of the Artist**
 - If you have to claim for an artwork shortly after the death of the artist, insurers will pay an additional percentage of value.

Loss Adjusting Trends- “Attacks” on Art



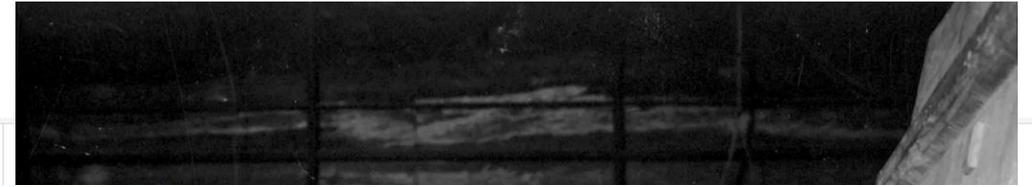
Loss Adjusting Trends- Conceptual nature of Art

- Particularly relevant to Contemporary Art
- Artworks are regularly made with natural materials, and sometimes the natural lifespan of the medium is unknown.
- What if in this example, the work is exposed to excess humidity during transit and the corn husks used start to deteriorate? Is that inherent vice or is that damage in transit?



Forward thinking- Sanctions

- Despite the best efforts of the greater art market, gaps in provenance and unverifiable information often cause legal uncertainty when trading in art objects.
- Early this year, federal prosecutors in New York subpoenaed several auction houses for years of sales records to identify potential violators of Russian sanctions.
- The war in Ukraine has created a multifaceted risk environment
 - Future restitution efforts?
 - Sanctions checks required change based on where one transacts- how does this impact international art fairs?



— Olga Honcharova, temporary director of the Kherson Regional Museum, shows empty display cases in Kherson, Ukraine, on Dec. 22, 2022.

Dimitar Dilkoff / AFP via Getty Images file



Forward thinking- Defective Title

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Stolen Items from the British Museum Worth \$64,000 Offered on eBay for As Little As \$51

BY **KAREN K. HO**  August 21, 2023 5:14pm [f](#) [t](#) [v](#) [p](#)



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Lawsuits // News

Dealer Edward Tyler Nahem sues over ownership of \$8.7m Calder mobile

A daughter of the former owner of the sculpture claims it was stolen from her dying mother; Nahem says she is stalking him and marring his reputation





Ettore Sottsass

1917–2007 – Italian

ETTORE SOTTASS CARLTON BOOKCASE FOR MEMPHIS MILANO

[Overview](#) [Description](#) [Sale Details](#) [Artist Details](#)

25 July 2022 11 months ago

Leonard Joel

Modern Design – [Lot
00001]

est 15,000 - 20,000 AUD

19,000 AUD (H)

est 10,428.25 - 13,904.34 USD

13,209.12 USD (H)

Year of Work 1981

Medium Wood and bold coloured laminate plastic.
Plaque to base

Size Height 196 x Width 190 x Depth 40 cm.
Height 77.17 x Width 74.8 x Depth 15.75 in.

Questions?



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International
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Marine Insurance