

ACE Private Risk Services®

## Does Your Valuables Coverage Meet the Gold Standard?

If your insurance hasn't kept pace with skyrocketing gold and other precious metals prices, your jewelry may be at risk.



## Executive Summary



In the past ten years, gold and other precious metals have appreciated more than most other asset classes, and many experts agree these soaring prices are unlikely to bottom out soon. Unfortunately, many affluent consumers who own gold jewelry and other items made with precious metals have not adjusted their insurance coverage to keep pace with this sharp increase in value. In fact, published research and anecdotal evidence suggests that from **40 to 60 percent of consumers have no valuables insurance coverage for their gold jewelry or other collectibles.**

So, the logical questions are:

- Do homeowners insurance policies adequately protect jewelry and other valuables, if they are lost or stolen?
- Do insurance policies have a mechanism for automatically increasing coverage so it matches replacement cost appreciation?
- How can consumers manage the cost of additional coverage?

In this white paper, we answer these and other questions, review the prices of gold and other precious metals over the past decade, and list steps for ensuring that your precious metal valuables are valued and insured properly.

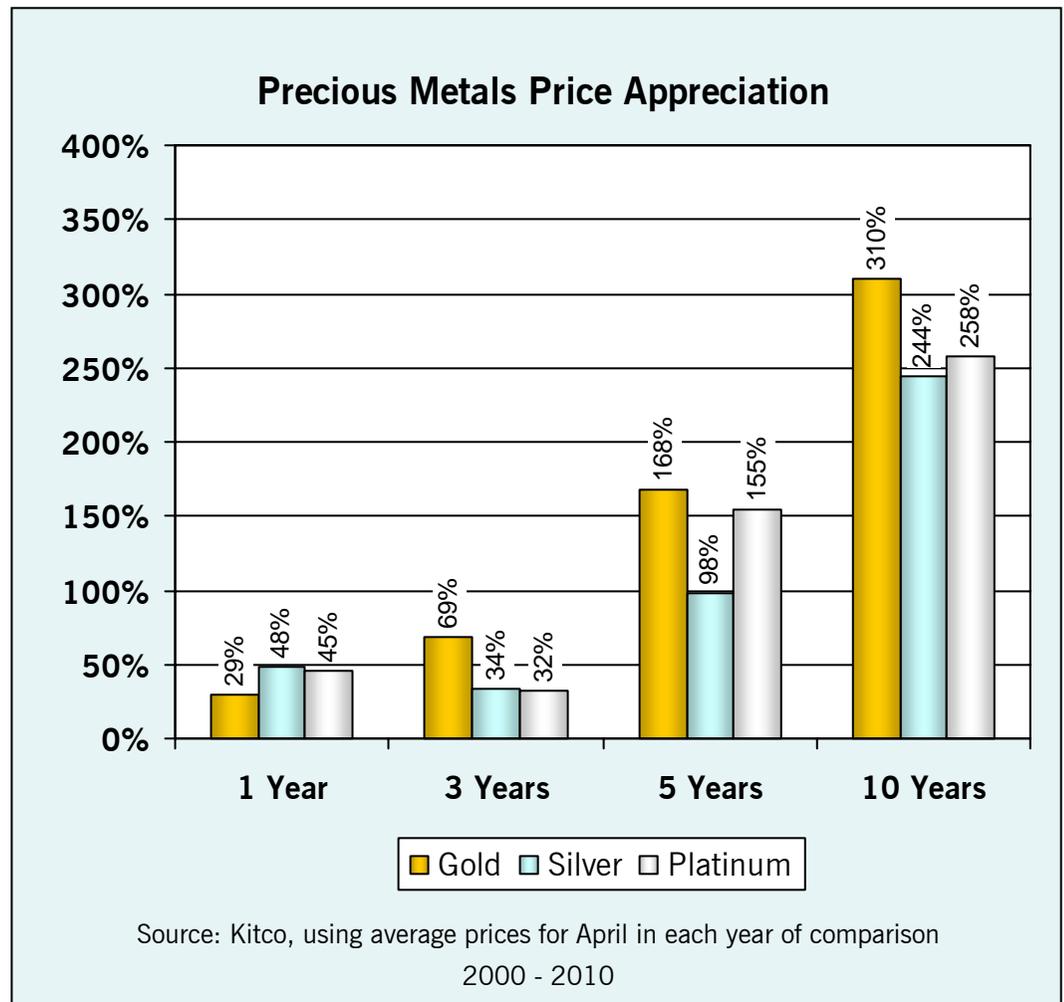
## Precious Metals Price Appreciation and Its Impact on Jewelry Valuation

Prices for gold, silver, and platinum have risen dramatically over the past decade, outpacing many other asset classes. From January 2000 to January 2010, the price of gold quadrupled, and the prices of silver and platinum more than tripled<sup>1</sup>. Moreover, most of the appreciation occurred within the second half of the decade. For instance, gold prices increased 49 percent over the first five years, versus 164 percent over the second five-year period. Similarly, silver prices increased by 27 percent and 169 percent respectively.

“Our thesis for long-term gold appreciation is still in force.”

– *The Telegraph*,  
December 30, 2009

The increase in precious metals prices has been driven by a variety of factors, including the high demand for jewelry in large, emerging-market countries, and greater interest in precious metals as a safe investment during times of economic and political instability. Some experts say a bubble is forming, one similar to other asset bubbles. But other experts say the price of gold has stabilized, and should stay between \$900 and \$1,200 per ounce, possibly reaching \$1,500 per ounce, as part of the current long-term trend<sup>2</sup>.





“One gold jewelry collection increased by 45 percent over two years.”

– Roger Ponn, Chicago Appraiser

While most investors in precious metals may track prices closely on a daily basis, they are unlikely to consider how much their jewelry, silverware, and other collectibles have appreciated in value. Roger Ponn, a well-known Chicago appraiser, who has been in the business for more than four decades, pointed to the example of a long-time client’s jewelry collection that he recently reappraised. In 2004, the collection was valued at \$384,000. Six years later, its value had risen to \$682,000. The increase was simply the result of price spikes in precious metals and diamonds over that period.

Ponn cites another example, that of a high net worth family in Wyoming who saw their jewelry collection of more than 400 pieces increase in value by 45 percent over two years. The high quality of the jewelry made the value rise more than it would have for most collections.

“Quite a few of their handmade pieces were 22- and 24-karat gold, with 24-karat, of course, being pure gold,” explains Ponn. “Higher karat content means faster price appreciation, when precious metal prices rise. This is similar to what occurs with gold bullion and gold coins, which appreciate more rapidly than most gold jewelry, simply because they are made of pure gold.”

## The Insurance Gap

Because most people haven’t realized how much their jewelry and precious metal items have appreciated, they have not adjusted their insurance coverage to reflect the higher values. The rapid rises in the prices of gold, silver, and platinum have therefore created an insurance gap. A heavy gold necklace or an heirloom silverware collection acquired years ago may be insured for only a minor fraction of the cost to replace it at today’s prices.

“We have seen clients underinsured across all categories of valuable articles, including jewelry,” explains Gerald Escobar, principal of Asset Archives, a global appraisal firm based in Atlanta, Georgia. “Historically, clients who do not proactively manage their valuable articles can be underinsured by up to 40 to 60 percent.”



“A recent survey found 47 percent of those with valuable collections did not have special insurance coverage for them.”

– Trusted Choice, an agent organization

The problem gets worse when consumers do not protect their valuable items with a valuables insurance policy, also known as “scheduling” items at specific values. Nearly half fail to do so, according to one study. An insurance organization survey of those owning a valuables collection, such as gold jewelry, fine art, or antiques, found that 47 percent did not have special insurance coverage for their collectibles.

These consumers risk being significantly underinsured because homeowners’ policies limit the amount the insurance company will pay for jewelry, money (including gold coins), silverware, and other collectible items. For instance, standard industry policies typically have a \$1,500 limit on jewelry, and a \$200 limit for gold coins and other forms of money. Superior insurance policies have higher limits, such as \$10,000 for jewelry, but affluent consumers are likely to have collections worth far more than that.

Thus, affluent consumers should consult with their agents about supplementing their homeowners’ policies with special valuables coverage. If they already have valuables coverage, they must make sure that the coverage amounts reflect the cost of replacing their valuables at today’s prices.

## Three Steps to Protect Your Jewelry and Other Precious Metal Items

### 1. Update your inventory.



An image inventory helps you remember what was lost, and assists you in obtaining a quick and accurate claim settlement.

A current inventory is not only critical when losses occur, or when a major move is planned, it is imperative if it's been several years since your gold necklaces, watches, and other precious metal items have been appraised.

- **Photograph or video each item in your collection.** Your agent or risk consultant may suggest that you scan photographs of your valuables, take new digital photographs, or use your camcorder to videotape your collection. It's a good idea to keep digital and physical records of your valuables, both in a bank safety deposit box and at home. In the event of a loss, an image inventory helps you remember what was lost, and assists you in obtaining a quick and accurate claim settlement.
- **Estimate current values; have exceptional items appraised.** While purchase receipts and a rough idea of appreciation might suffice for many items, your agent may suggest using an independent appraiser for high-value items. A good appraiser will ensure that your valuables receive the documentation they need to satisfy insurance requirements for determining replacement value, should they become damaged, lost, or stolen.

Fast, cheap, and easy appraisals do not work, according to Roger Ponn. For example, this description of a wedding ring—"2.15-carat diamond in a yellow gold setting"—is inadequate for assessing retail or market value, and determining how much it would cost to replace the ring. Such a description can be interpreted in many ways, few of which would benefit the owner.

The description should be thorough, including its history of ownership, and address such questions as:

- How old is the diamond ring?
- Is the diamond a flat cut? (If so, it is worth more.)
- Is it yellow or white gold, antique, pre-World War II or modern?
- How much does it weigh?
- Did you inherit it?
- Was it part of a famous estate that adds to its value?
- Where was the ring purchased—at an auction house, or at a retail shop?
- How is its replacement value being determined?

"This last question is difficult to answer, and can be interpreted in many ways," says Ponn. "Keep in mind that if you purchased the wedding ring at Harry Winston's in New York, but you live in Lincoln, Nebraska, the ring's replacement value should be determined by the price paid at Harry Winston's, not what a 2.15-carat diamond ring may cost in Lincoln, Nebraska."

## 2. Review and adjust your existing policy.

Compare the values in your updated inventory with the coverage limits in your existing homeowners and valuables policies. Remember that homeowners policies have special limits on the amount they will pay for jewelry and other collectible items.



Annual rates for jewelry are typically \$1 to \$2 per \$100 in value depending on where the items are insured.

- **Increase coverage if valuations have risen significantly.** The cost of increased coverage on a valuables policy is generally a small fraction of the value of the jewelry. Annual rates are typically \$1 to \$2 per \$100 in value depending on where the items are insured. If you have a jewelry item valued at more than \$5,000, you should strongly consider scheduled as opposed to unscheduled coverage.
- **Make sure all valuable items are covered.** Many affluent consumers might schedule specific items worth several thousand dollars but neglect many less expensive pieces. In total, these pieces often exceed the limits in the homeowners' policy, leaving them underinsured if the entire collection is stolen. To make the process of insuring these pieces easier, some insurance companies also allow groups of similar items, such as jewelry or art collections, to be covered on a "blanket" basis. With the blanket approach, you set a coverage amount for the entire collection, and don't need to estimate the value of each item. Exceptional items, however, should be scheduled individually, since blanket coverage often will not pay more than a certain amount per item in the collection. For instance, the limit for each item might be \$10,000.
- **Use safety deposit boxes to manage cost.** Many people don't realize that it can be five to six times cheaper to insure jewelry stored in a bank safety deposit box than at home. If you own items that you wear infrequently, keep them at the bank. You can still take them out. Just notify your insurance agent or company when you do. Insurers normally place some limits on how frequently the valuable items can be removed from a bank vault.

## 3. Repeat steps 1 and 2 as part of an annual insurance review.

The best and easiest way to keep your valuables—not to mention your family's home and other substantial assets—well protected is to partner with your insurance agent once a year for a review of your insurance needs. The review would include any significant purchases or sales made during the year that should be addressed in your valuables coverage. If appraisals for exceptional items are three to five years old, your agent may advise you to have them updated. Some insurance companies require recent appraisals prior to insuring your valuables, particularly if jewelry exceeds \$100,000 in value, or a piece of artwork is worth more than \$250,000.

## Know How Different Kinds of Valuables Coverages Work

Only a few companies such as ACE Private Risk Services offer valuables insurance policies geared specifically to affluent consumers, who often purchase more jewelry and other types of valuables than the average consumer. These specially designed policies offer several advantages over the industry standard.

- **Protection against market value appreciation:** Top quality policies will pay market value up to 50 percent more than the scheduled amount to replace an item. While this benefit acts as a buffer against temporary price increases, it should not cause complacency about long-term appreciation. As the rise in the price of gold illustrates, the 50 percent buffer can be exceeded over the course of just a few years.

- **Blanket coverage:** As mentioned earlier in this article, a few carriers such as ACE provide the ability to cover groups of items, such as a jewelry or art collection, on a blanket basis, in which an overall coverage amount is set for the group. This approach eliminates the tedium of trying to estimate the value of each individual item, and makes the overall policy easier to manage.
- **Loss prevention:** Companies providing superior coverage typically offer specialized services to prevent loss, as well. For instance, they can bring in experts to identify the need for security systems and in-ground vaults. They may offer access to screening services to prevent the hiring of household staff who have a record of theft. They may also be able to assist in the evacuation of precious items from homes caught in the path of a hurricane. The affluent consumer, who is often an avid collector, appreciates the prevention of loss to the original piece much more than being adequately reimbursed to replace it.

To learn more about the benefits of valuables coverage, please read or download ACE's information sheet at the link below:

[http://policycenter.aceprivateriskservices.com/brochures/ACE\\_ValuablesQA\\_070708.pdf](http://policycenter.aceprivateriskservices.com/brochures/ACE_ValuablesQA_070708.pdf)

You can also contact an independent agent or broker representing ACE Private Risk Services. To find one near you, use the link below:

<http://policycenter.aceprivateriskservices.com/agents/agencylocator.cfm>

## References

1. Kitco, <http://www.kitco.com/charts/historicalgold.html>;  
<http://www.kitco.com/charts/historicalsilver.html>;  
<http://www.kitco.com/charts/historicalplatinum.html>
2. Commodity Online, Gold to be appreciated, dollar to dip further in 2010, 1/16/10.

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## About ACE Private Risk Services

ACE Private Risk Services is the ACE Group's high net worth personal insurance business, which provides specialty coverage for homeowners, automobile, recreational marine, umbrella liability and valuable collections insurance for affluent individuals and families. Additional information can be found at: [www.aceprivateriskservices.com](http://www.aceprivateriskservices.com).

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Important Notice: This white paper contains only a general description of the insurance coverages provided by the ACE Platinum Portfolio. Coverage terms are subject to change and can vary by state. The white paper does not include all of the benefits and limitations found in the policy. The insurance policy itself, not this white paper, will form the contract between the policyholder and the insurance company.

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