Not Properly Insuring a Collection

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This is Part 8 in a Series of the Top 10 Mistakes Made When Planning for Art and Other Collectibles: A Guide for Professionals and Their Clients.

Accidents happen—whether a piece of artwork or a collectible is damaged in shipping, affected by fire or water or even knocked over by Steve Wynn's elbow. Having the right insurance in place can help mitigate financial losses and protect a client's investment. Without proper coverage, even a minor incident could result in significant economic consequences.

When insuring a collection, there are three primary options:

- Including it as part of a homeowner's policy,
- Scheduling individual items separately, or
- Obtaining blanket coverage.

For clients with valuable or extensive collections, we often recommend the additional effort and cost of scheduling items separately. This approach typically requires obtaining a qualified appraisal to establish fair market value at the time of coverage. To ensure continued protection, these appraisals should be updated regularly so that coverage reflects the collection's current worth, rather than its purchase value.

Total loss claims are rare. More often, insurers assess the damage to determine if an item is salvageable and provide funds for repairs or restoration. Unfortunately, this can lead to a loss in value that remains unquantifiable until the item is sold. To best protect collectible assets, clients should seek insurance from companies specializing in the relevant categories of items, even if it comes at a higher upfront cost.

Additionally, different policies may be necessary if parts of a collection are housed in multiple locations. Are the items in a private residence, a storage facility or on loan to an institution? Are they owned directly by the collector or held within an entity or trust? Understanding these nuances ensures that each piece remains properly protected.