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Value covers for invaluable goods

In case of items that are banned now, insurance will be possible only if there is a government certificate

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Paying ₹50,000 annually to insure a 75-year-old tiger skin may be chicken feed for a collector. The trouble: There is a danger of landing up in jail, as tiger skins are banned in India now. The way out is to get a certificate from the government that the skin is from an earlier period and, hence, does not come under the current banned list.

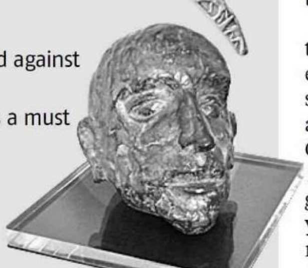
But as Kapil Mehta, founder and chief executive officer (CEO), Secure Now, found out, insurers might still be unwilling to provide cover because of the government ban. Mehta cites the case of one of his clients who wanted to get his tiger skin worth of ₹5 lakh insured but it wasn't easy despite the government certificate. The premium, too, was higher because it was difficult to value, and risks were high. "Tiger skins, even if they are family heirlooms, are almost impossible to insure because insurance companies fear they could get into trouble. Ideally, they should get insurance after they have been given a government certificate," says Mehta.

Other valuables, such as paintings, heirloom jewellery, artefacts, sculptures, antique or first-edition books, personal collections like stamps, coins or locks, crystals, porcelain and so on are much easier to insure.

The cover for such articles basically comes under the fire policy because it is part of one's assets, or home insurance because it is usually kept at home. They are insured against fire, theft, damage while being transported, natural perils, etc. Anything other than gross negligence or fraud is usually covered.

"Whatever is part of an individual's personal collection and he sees value in keeping it, we can provide cover for it," says M Ravichandran, president-insurance, Tata AIG General Insurance. Here is how you should go about getting your precious items valued and insured.

PHOTO: Kamlesh Pednekar



FOR QUICK CLAIMS

- Antiques and valuables can be insured against fire, theft, damage and natural perils
- Valuation by government-approved valuer is a must
- Customer has to pay for valuer's service
- If the article is not preserved correctly, claim could be denied
- Get valuation done every two-three years

Finding the right value: This is the most complex part of getting insurance for such valuable items. Valuation is done on an agreed value basis. The customer is expected to get the valuation done from an independent agency or a government-approved valuer. Insurance companies help in finding valuers. The valuation report is a must. Most valuers are usually associated with galleries and museums. For paintings, the valuer may charge ₹1,000-1,500 per item. The customer has to pay for this expense. "There are specialised valuers for different categories of antiques. The customer can suggest the valuer but the insurance company will check his bonafides. We prefer government-licensed valuers because in the event of a claim we are bound to pay the entire amount and cannot dispute the claim amount," says R Suresh Nair, head-product development, Bajaj Allianz General Insurance.

The premium is charged at a defined rate. It is usually a percentage of the value of the article — generally 1-1.5 per cent. So, if it is a painting by M F Hussain worth ₹1 crore, the premium will be ₹1 lakh annually. Premiums are re-insurance driven covers for these large-ticket items. Since these are antique pieces, the value could go up. For instance, if the painter has suddenly come into limelight, the value of the painting may go up. Ideally, one should get a valuation done every three to four years.

Another way of doing the valuation is to try and find benchmarks, especially if there was an auction or sale. This works for articles like stamps and coins. For stamps, the Stanley Gibbons stamp catalogue is an international benchmark that can give a good estimate of the current price."If you give an outrageous article it may not get insured," says Mehta. Since companies rely on government valuers who are licensed to do the valuation, chances of fraud are less but cannot be ruled out. Companies can also ask for second opinion if they have a doubt about the valuation.

"Some sort of standard is usually available, especially if it is an artwork by a known painter," says KG Krishnamoorthy Rao, managing director and CEO, Future Generali India Insurance. In fact, before underwriting the risk, the company underwrites the person. "We choose the people we want to cover," says Ravichandran.

If an artwork is found to be fake after it has been insured, the company will pay only the lower amount, says Mehta. For instance, you had paid ₹50 lakh for a Raja Ravi Verma painting, but after two years you discover that it was a fake and worth only ₹2 lakh. In case of a claim the insurance company will pay only the lower value.

All-risk protection: These articles are insured on an 'all risk' basis, except for gross negligence or fraud. Typical claims are for fire, or damage or lost in transit. During the Chennai floods many paintings were damaged because water had risen to six or seven feet and insurance companies had to pay the full agreed value. Sometimes, companies also help in restoring the article or repairing it. Ravichandran cites the example of one client who had a 90-year-old Royal Oak watch which got damaged when he dropped it accidentally. The company sent it to Singapore and got it repaired. It was done out of the claim money.

It is also important to preserve your articles in the right manner. The insurance company will include these conditions in the policy. So, if your valuable was not stored in the right manner, there are chances that the claim may not get paid.

Vintage cars: Vintage cars also come under this category, provided they were manufactured before 1941. They must be certified by the Vintage and Classic Club of India as belonging to this category. "Like curios and works of art, valuation is done by an approved valuer," says Nair.

The cover for vintage cars is a comprehensive cover because sometimes they are taken out on the road. In case of damage, the total loss is paid, since they are difficult to repair, says Rao.

Offbeat valuables: Collectibles like expensive whiskeys and wines, too, can be insured if they are for collection but not for consumption, says Ravichandran. Items like ivory that are banned or illegal cannot be insured. "When something becomes illegal, whoever has possession of it is asked to surrender it or take permission from an authority. If there is permission, then it becomes legal and can be covered," says Rao.