

WEBINAR | EXPERT INDUSTRY PANEL

Fine Art & Collectibles Insurance

TRANSCRIPT + FAQ



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Ritchie Vener:

Hi everybody. We still have a few people logging in, so we'll give another minute or so for everyone to get settled, and then we'll get underway.

Okay, I think we are ready to go. Hello everybody, and thank you for joining our webinar, "Fine Art and Collectibles Insurance – Ask the Experts." My name is Ritchie Vener, and I'm the Chief Marketing Officer of Distinguished Programs. I'm very excited to be leading the discussion today with members of our new Fine Art and Collectibles program. We pride ourselves on having the experience, flexibility, and depth of expertise to help brokers get the deals done, and this team really exemplifies that.

After the webinar, we'll send all registrants a copy of the slides, the webinar recording, and a PDF with the questions and answers from today's session. If anyone has a question during the presentation, please use the Q and A button on the bottom of your screen. We had quite a few questions sent in ahead of time, so time permitting, I'll get to them, and if not, we'll answer them afterward and put them in the materials that we're going to send out after today's webinar.

Just a note, we will send all registrants a copy of the slides, the webinar recording, and a PDF with the questions and answers from today's session. If anyone has a question during the presentation, please use the Q and A button at the bottom of your screen.

Distinguished Programs is a leading national insurance program manager providing specialized insurance programs for real estate, community associations, hotels, restaurants, fine art and collectibles, and environmental and construction professional. Are you ready to be the go-to expert for fine art and collectibles insurance? Let's get started.

Joining us today are Patrick Drummond. Patrick has 25 years of experience in specialty insurance, including as head of fine art, specie, and bloodstock for the Americas at AXA XL. He has held various leadership roles in underwriting, sales, marketing, product management, and claims and is a passionate collector himself, as you can see by the guitars behind them.

Erika Witler is also with us today. Erika blends her valuable experiences in the art world with an insurance background, including her 16-year tenure at a specialty insurance carrier and her additional time working as a fine art niche broker. Her perspectives from within the art world include museum internships, working in galleries, and spending time at an art conservation center.

To ground the conversation and also to cover a lot of questions that were sent in ahead of time, let's run quickly through some of our Fine Art and Collectibles insurance program basics before we get to additional attendee questions.

Patrick, I'm going to address this first question to you. It's so broad. What is fine art and collectibles insurance?

Patrick
Drummond:

Perfect. Well, first of all, 25 years in the business just sounds like a really long time, so I need to come up with a new pitch. I'm getting old. But it's exactly what it sounds like. We're insuring things of high value, things that are precious, and collectibles that people prize, whether it's personal value or of cultural significance. So fine art, any type of collectible, we'll look to ensure it, so that exactly like it sounds.

Ritchie Vener:

So maybe if you could go into a little bit further, what types of items can we insure? Could you give us some examples?

Patrick Drummond: Sure. We do a little bit of everything. Fine art, obviously, is in the name, but sports memorabilia, entertainment, wine, and spirits are very popular today. Antiques, antique furniture, stamps, comics, manuscripts. The list goes on and on. If it's collectible and we can establish a value i.e., it can be sold in a secondary market, because obviously, we need to know what value we're insuring it for. Then we'll look at insuring it. There are so many things that fall in the collectible category, from fishing lures to decoy duck collections up to some of the largest art collections out there. So it's a pretty broad category.

Ritchie Vener: Okay, thanks Patrick.

Hey, Erika. Patrick was just talking about the stuff, but what type of events can fine art and collectibles insurance cover?

Erika Witler: Well, really, this is an inland marine property form, so we're looking at an all-p coverage form for physical loss or damage where a section of the policy will have specific exclusions listed. So keeping that in mind, this policy is really designed to cover losses during shipping for accidental breakage. We will cover water damage and oftentimes temperature fluctuations, anything like fire, and smoke damage from events where you have a fire involved. Vandalism and malicious mischief will come into play a lot of times for outdoor sculpture, and we cover that. All kinds of natural disasters, theft, again physical damage policies.

Ritchie Vener: Okay, I mean, it sounds like it covers a lot, but just as important is, what doesn't it cover?

Erika Witler: There are things that aren't covered. When you're looking at the fine art and collectibles policies we're offering, there are certain situations that we're not going to be covering. One of which is inherent vice. These are qualities and characteristics of an art or collectible item that make it prone to damage or deteriorate over time. So if you're thinking about maybe rust on a corten steel sculpture, things like that where it's expected degradation and certain kinds of plastics also will fade or become sticky or degrade over time. So we're not going to cover things like that.

Erika Witler:

Wear and tear. The policy is not going to cover wear and tear, something that happens when there's regular use or just in the natural course of aging.

Third-party liability, again, it's not a liability form, so there may be parts that we'll cover for defense costs, but third-party liability is not covered.

Intentional destruction. If someone intentionally harms or damages what we're covering, that's not covered. Arson's not covered. Things like that will also not cover situations where the owner knowingly converts the item for personal gain, business, or enterprise or fails to authenticate the item properly to bring it into their inventory or their collection. That's not going to be covered.

Something else another topic that we encounter in this type of insurance is authentication questions and title. There's no coverage for those, but again, there may be opportunities for defense cost reimbursement when we're talking about that, but it really depends on the situation and the artwork. So please don't hesitate to reach out to us and talk over something specific you want to round table and talk about if it has to do with authentication and title.

And then, of course, large events that are catastrophic, like war and nuclear, are not going to be covered either.

Ritchie Vener:

Okay. All right. Thank you, Erika. Patrick, who typically purchases this type of insurance?

Patrick
Drummond:

Well, you can really bucket this insurance into two categories from an insurance standpoint – personal lines and commercial lines. So first being private collectors, all the way from a private art collector to somebody collecting comic books or guitars. This is the first and probably the largest area of what we do, but museums and institutions, obviously lots of artworks, sculptures, universities, exhibitions that go along with those museums and institutions, corporations.

Most major corporations have some form of corporate collection. We love those, whether it's hotels or restaurants, major banks, et cetera. Law firms and architectural firms are actually other areas where you see a lot.

Dealers galleries, so art dealers, galleries, as well as some other dealers. So we will look at insuring dealers that sell various other collectibles, maybe sports memorabilia, a good example.

Artists, artist foundations is something that's fairly common that we will insure. Municipalities, lots of municipalities we've insured historically have statues, artwork, valuable papers, et cetera. And I mentioned universities, so it's a pretty broad group, and I guess anybody, whether it's a commercial entity or an individual that has something of collectible value, we'll look to ensure.

Ritchie Vener: Okay. Hey Patrick, I've got another one I'm going to ask you. We've got this from quite a few of the participants sending it in ahead of time. How is this different from a homeowner's policy?

Patrick Drummond: Yeah, the first, and I think the most important difference is you get a specialized expert underwriter. My colleagues have all been working in this space. We live and breathe the art and collectible world every day. We're passionate about it; we love it. We see all kinds of various collectibles and artwork come across our desks. So you're not going to get an underwriter that is used to underwriting your home, your auto, in general contents, so we understand the collection. You're getting somebody who's specialized and does this day in and day out.

Your client may need specialized valuations or a basis of valuations on how we will settle, whether we're doing blanket coverage or we may be doing an agreed amount for an item, so that's something also different. You get automatic coverage for newly acquired property. Specialized claim service – that's another really important one.

In the event of a loss, I'll use artwork, for example; we don't see a lot of total losses in artwork. Oftentimes we see artwork that is damaged that can go to a conservationist and be repaired, or maybe if it's a living artist, the living artist can actually repair it. Now, we're looking at a loss in value claim and not knocking a homeowner's company. They don't have the expertise that our claims and underwriters have and the extensive relationships we have in that space.

I'd also say flexible deductible options. And then one last point I would make is what's nice about our policies is if you have a loss with us, it doesn't impact your homeowner's insurance. The homeowner's insurance market is becoming extremely tough. I'm sure a lot of the people on this call in certain areas of the country know exactly what I'm talking about, and a loss with us is not going to impact the homeowner's policy or jeopardize the loss of the homeowner's policy.

Ritchie Vener: Okay, thanks, Patrick. Yeah, that helps a lot. Erika, where is our coverage available right now for Distinguished?

Erika Witler: Well, we're excited to announce that we are currently launched in several states, and we're planning to expand to all 50 states and Washington, DC, but we are just pending regulatory approval on the remainder. We'll put this information up on our website so you can check it out there, and we'll keep it up to date as we get those approvals on an ongoing basis.

But if you have questions in the meantime, don't hesitate to call any of our team members and ask specifically if, say, Pennsylvania or Utah, or California is up and running. We'll be quick to respond.

As a side note, Ritchie, all of our policies will be and are on admitted paper. I know we've been getting that question a lot.

Ritchie Vener: Okay, and what is the capacity right now?

Erika Witler: Our capacity is \$55 million right now, and within the next couple of weeks we're anticipating increasing that to a \$100 million, so we're just finalizing some details. Also, right now, which is an added bonus, is we don't have any aggregation issues. So if you're looking to place a risk in a state or location, we're all kind of familiar where there might be some tight aggregations. We don't have that challenge right now, so please give us a call. We may be able to help you. We don't have restrictions on where we can or can't write business, so if it's a good risk, we can look at insuring it.

Ritchie Vener: Okay. All right, great. Thank you, Erika. Patrick here's another one for you. I know it's quite important to a lot of the brokers when you're talking to the customers; what factors go into determining cost?

Patrick Drummond: There are a lot of factors, and one of the things that I love about what we do is we still are very much doing the art of underwriting. We don't plug things into a computer system, and it spits out; here's what you should charge, and here's the coverage. It's really the underwriter getting an understanding of the risk, what's the collection type, the size, scope, makeup, and fragility. Where's it stored?

Spread of risk, deductible, and other types of hazards that may be associated with it. Transit, which I think Erika will hit on shortly, but we see one of our top causes of losses is transit. So are they shipping a lot of their collection? Obviously, as Erika mentioned, there's no place we can't go. Pending regulatory approval, we can write in all states, so there's no place we can't go, but it has an impact on our appetite potentially and what we may want to do in a state.

The location could have a factor in determining that cost. Loss history, of course. Best practices, one of the things that we like about collectibles is that people have a passion, and they show extra care in their collections. They have a passion for it. We'll want to know, and as much as you can tell us about the client and their collection management practices are going to help the underwriter get more comfortable with the risk and have an impact on that. And then, like I said, the frequency of transits is probably the most common one that we see as far as losses.

Ritchie Vener:

Okay. Great, thank you. All right, so I'm going to shift a little bit. We were talking about some of the basics of the program and answering questions that were sent in regarding those basics. Now I'm going to go to some of the more specific questions that were sent in ahead of time via email, and when I finish with that, if there's time, we'll go to the live questions that have been coming in. So the first one, and I'm paraphrasing because it came in a bunch of different ways, why Distinguished or what's the Distinguished difference? Patrick, maybe you could talk about that a little bit.

Patrick
Drummond:

It's really the people. We love art, and we love collectibles, we collect. I think most of the team has an art or a passion for some type of collectible. So we get super excited when something comes across our desk. It's not just, hey, it's a new risk. We know the artist. We have an appreciation for the collection that somebody has. And I think that's really important in how we underwrite and how we work with our brokers.

And to that point, that expertise can translate. You don't have to be an expert. If you're on this call and you have clients, but you don't know much about insuring their collection, that's fine. We will help you. We'll work with you very closely and help make you that expert to make sure that you're providing comprehensive coverage for your client's needs.

Client forward service. I like to say our motto is 'We want to be super easy to do business with.' Doesn't always mean we'll be super cheap. We're going to ask good questions, but you can have confidence in knowing that we have excellent underwriters that are going to dot the I's and cross the T's.

When you place a risk with us, you're not going to see fluctuation in pricing every year. You're not going to see us knee-jerking in appetite. We know what we're doing, and once you place it there, our goal is that you place it there, and it stays there to meet your client's needs. But again, we want to be super easy to do business with.

I mentioned passion and flexibility. I think that comes from a lot of areas. One – flexible payment plans. We can do agency bill or we can do direct bill with various payment options and deductible options.

Because everything we see nothing is alike, the underwriters have the flexibility to look at and make sure that they're applying the right types of coverage and making any adjustments or endorsements to a policy to meet the specific needs of the client. And lastly, connection. We very much live and breathe this business. So we have deep relationships in the collecting and art community, whether it's conservationists or appraisers, we have those relationships. In the event of a loss, we can help make sure that we get it to the right people, whether it's looking at the value or potential loss in value or we're looking to repair the item. We will help you through that entire process.

Ritchie Vener: Okay. Patrick, I've got another one for you. I think it builds on what you were talking about, and again, it's sort of a paraphrase. Whom will I be working with at Distinguished? How do I know I'm going to get somebody who knows what they're doing? Am I just going to get an assistant underwriter, or do I get someone who's a real expert? So who would I be working with at Distinguished?

Patrick Drummond: Yeah, so rule number one for me is always to surround yourself with really smart people, and we have extremely talented underwriters here that, like I said, have extensive experience. Right now, you can see we're trying to work in regions. So Erika is central Midwest, Skyler's doing the Southeast, Allison is in the Northeast, Nonie is in the West, and Michelle Stegmann is doing our claims. However, we're still waiting on regulatory approval in some states. I think we're 26 states commercially, fewer states personal lines, and we'll post that after this so everybody has that. And that's changing daily. So depending on where we might be getting business, you could get any of us working on your account, but in general, we will more than likely be geographically.

But you can call any of us anytime, and if you don't know, call me. I'm happy to talk about it and make sure that it's the right person. It also could be who may have a passion and understanding around it. Obviously, I know guitars and musical instruments. Skyler's is sports memorabilia, very passionate about those types of things and toys and other types of collectibles. Allison has an appraisal background in fine art, and Erika and Nonie have a very deep fine art background. So we may shift it based on the expertise of the underwriter just to make sure that "Hey, you know what? They really understand this better than I do. Erika, I want you to help me out with this."

Ritchie Vener: Okay, that's great. All right. I'm going to shift gears to a completely different sort of question. Erika, how do you handle appraisals and valuations?

Erika Witler: Well, really, when we're looking at a risk that's coming in, and you have a client that you're looking to help, we would like to see as much documentation as you currently have. We don't need you to advise the client to run out and get appraisals, but just go ahead and send us any inventories or list that the client's able to provide you and any supplemental appraisals, bills of sale, receipts, any relevant documentation that the client has gathered or that you can get them to send you is extremely helpful because we can gauge basically, the extent of the collection, what Patrick was alluding to about who's best to handle this and who knows maybe more about this particular kind of art or collectible. And then, we want to make sure that the agreed value and the total amount of the collection are right on target.

We don't want to under or over-insure anything. So we want to best advise you on those types of coverage and policy limits. Also, we refer to the documents so that we can get an accurate description. Sometimes it's not just that it's a photograph by this artist, but we need to know, was it done posthumously? And who printed it? Things like that. So the details are very important for coverage and for policy limit purposes.

Ritchie Vener: Okay. All right, thank you. Erika, what is the top cause of loss?

Erika Witley:

As we mentioned earlier, our top cause of loss is transit-related incidents. So whether it's a bit of a transit heist, if criminals think maybe they're getting some electronics out of the back of the trucks or it's just damage, things were not packed adequately enough that we're going to see breakage, which would again, be a partial loss situation. When we're transporting fine art and collectibles, there's just a number of things that they're exposed to, and we want to make sure that everything arrives safely that departed from a pickup to the destination.

We do advise that people use specialty fine art shippers and packers. These are professionals that have expertise and knowledge throughout the packing, handling, and transportation. We have freight forwarders and international freight forwarders who deal with this specifically are specialized, and they know who to subcontract to and how to do it.

So again, packing techniques and securing the right transportation method, be it airplane, boat, or ship. If you're sending sports cards, comic books, or sports memorabilia, there are more cost-effective ways, but sometimes there are better ways to make sure that things arrive in one piece and that they arrive entirely.

Many losses aren't total losses. When we're working with partial losses and values, we're definitely involving appraisers and our specialty adjusters, and our head of claims to help out with those situations. So again, just reach out to our team, and we can talk about how to advise on packing, shipping, or anything like that.

Ritchie Vener:

Okay, all right. Thank you, Erika. So Patrick, if a broker wants to submit business, how hard is it? How do they go about it?

Patrick
Drummond:

It's pretty easy. I guess the first step is we need to make sure that you're a registered broker with Distinguished Programs. And that's very easy to do. You can go onto the website and register your agency. Literally, if you go in to register today, you'll be in our underwriting system tomorrow.

Ritchie Vener: And then, for any business that you have to submit, you can submit it to the website here, submitFAC@distinguished.com, or you can call any one of the underwriters. We will take an ACORD app. We may ask for a supplemental. We have also our applications, which would be preferred, but we want to be easy to do business with. You can also find those on our website. When you go to submit business, you'll find our applications there for you to complete. But that's it, really simple, and then we'll take it from there.

Ritchie Vener: Okay, great. And if someone submits something, what's the average turnaround time?

Patrick Drummond: Right now, we're expecting one to two days, but we do realize sometimes, in our business, we get those rushes. We've gotten those phone calls where somebody needs coverage, and they need a quick turnaround. We can do that. But one to two days is what our service standard is. But again, if something comes up and you need something sooner, call us. We'll work with you.

Ritchie Vener: This question's actually for both of you. What's the weirdest thing that you've seen?

Patrick Drummond: I'll go for it. I don't know if the weirdest, I got a ton of weird ones, and I know we're about out of time, but I'll say the coolest things, maybe. I certainly love musical instruments, so I've had to see many guitars owned by or previously owned by famous musicians, those types of things. Some really cool sports memorabilia.

I collect bourbon, so I've seen some really, very cool bourbon collections. And then again, duck decoys and fishing lure collections would be some of the other ones I've seen. But again, you name it; we've probably seen it. Erika, what about you?

Erika Witler: I think it was surprising, but when you wrap your head around it, like vintage computer equipment, like cutting edge at the time, the 1970s and 1980s technology that are institutionalized is something that we need to preserve and learn from.

Also, things that are organic, like chocolate, soap, and edible candies, where you leave the wrappers. I mean, there are so many fascinating things out there that we can incorporate into our policies. I love seeing those come across my desk.

Ritchie Vener: Oh, very interesting.

Patrick Drummond: I think we did a hair museum once too, which is probably why we have a hair photograph.

Ritchie Vener: All right, so it looks like we're just about running out of time. There are a number of questions that came in, so I just want to assure everyone who submitted a question we're going to answer all of them. So everyone on the call will get answers to the questions that people have submitted online.

We'll send all the registrants a copy of the slides, the webinar recording, and a PDF with the questions we answered today and the ones that we didn't answer today. Feel free to reach out directly to Patrick or Erika; they'd be happy to speak to you and answer any questions directly.

If you enjoyed today's webinar, stay up to date on our latest events by following us on social media. We post about insurance market insights and industry news, and you'll find out the latest free webinars, eBooks, and case studies from Distinguished. So I want to thank everyone who joined us for today's webinar and our panelists, Patrick Drummond and Erika Witler, for sharing their valuable insights. We hope you found this information useful and that you'll now be better equipped to navigate the world of fine art and collectibles insurance. Remember, our underwriters will be available to answer any follow-up questions you may have. Thank you for joining us today, and we hope to see you at the next webinar.

Webinar Addendum

Below are additional attendee questions we could not address during the session.

Appraisals and Valuations

Q: Do all carriers require an appraisal? How can this process be made easier for clients?

A: No, not all carriers require appraisals, but most do for certain items such as high-valued items, items purchased many years ago, or items with volatile market values. We consider appraisals, receipts, invoices, and schedules from prior insurers for other items. Our experts can also conduct value reviews. If additional information is needed, we recommend local appraisers to examine specific items or the whole collection.

The most effective approach is for the client to provide us with all relevant documents and information they have regarding the item or collection. We will then review these materials to determine if any additional information is needed. If further details are required, we can recommend local appraisers who can examine specific items or the entire collection, as needed.

Q: How do you determine the value of sports card collections at the time of loss? What proof is needed?

A: Scheduled sports card collections are valued at Agreed Value. For blanket limits, we assign Current Market Value at the time of loss, with a maximum per item limit. Active collectors may provide a top items list and details on their collecting philosophy. We tailor our approach to each unique collection.

Q: Do you have relationships with appraisers to help clients get valuations?

A: Yes, we have relationships with many appraisers and can recommend specialists in your client's area or for specific collection items.

Webinar Addendum

Below are additional attendee questions we could not address during the session.

Coverage Details

Q: Does this program cover high-value jewelry?

A: We don't write standalone jewelry but insure jewelry if we also insure art or other collections.

Q: Do you assist with updating the value of insured art pieces?

A: Yes, we are happy to review values on art collections and recommend appraisers.

Q: Is this program available in Pennsylvania?

A: Not as of 8/7/23, but please check our website or call for updates.

Q: Do you insure in coastal areas like FL, AL, MS, LA, TX?

A: Yes, we consider offering wind and water for exceptionally protected risks, excluding within 10 miles of the coast or in flood zones.

Q: What are the appraisal requirements for new business?

A: It depends on the collection. We may not require appraisals for some items, while high-value single items will need an appraisal or purchase receipt. We can also accept valuation letters from sellers.

Q: Is this a stand-alone product?

A: Yes, this is for the collection only.

Q: Where is the fine art and collectible coverage available?

A: As of 8/7/23, commercial coverage is available in AK, AL, AZ, CT, DE, FL, IA, KS, ME, MI, MN, MS, NC, NJ, OH, OK, RI, TN, TX, UT, VA, and personal coverage in AK, AZ, DE, IN, ME, MS, OH. Keep checking for updates on availability, as we are receiving approvals to operate in new states on a weekly basis.

Q: Do you insure fine art statues located outside a Condominium Building?

A: Yes, we insure outside sculptures.

Q: Do you have a market for baseball collectible cards and Star Wars items?

A: Yes, we insure sports memorabilia and collectible toys. Please contact us if you have a collection to insure, and may the Force be with you!

Webinar Addendum

Below are additional attendee questions we could not address during the session.

Coverage Details

Q: What is your maximum capacity for personal vs. commercial risks?

A: As of 8/8/23, \$55M in capacity per risk, expected to be at \$100M soon.

Q: Is all your paper admitted?

A: Yes, we write on Starstone National Insurance Company on admitted paper.

Q: What about CA EQ and Coastal wind/hurricane appetite?

A: We consider offering wind and water for protected risks and provide EQ in CA. Contact your underwriter for individual risk assessment.

Q: Will any states not be approved before 09/01?

A: State rollout will continue throughout 2023. Check back for availability.

Policies and Procedures

Q: What's the minimum premium? Is direct bill available? Who handles the filings? Is this for dealers or private collections or both? Do exhibitions/fairs need to be scheduled?

A: Minimum premium is \$1000, with some exceptions. Direct bill is available with payment options. We are the authorized underwriters for StarStone Insurance Company on admitted paper. We cover both dealers and private collections, and coverage for exhibitions/fairs depends on the client's needs.

Q: Are you writing any coastal exposures?

A: Yes, as described above.

Q: Do you have a specific application or schedule form?

A: You can use our applications on our website or submit an Accord form with a supplemental application.

Webinar Addendum

Below are additional attendee questions we could not address during the session.

Policies and Procedures

Q: Do you insure gun collections?

A: Yes, for historic, collectible, sporting arms, war memorabilia, and related items.

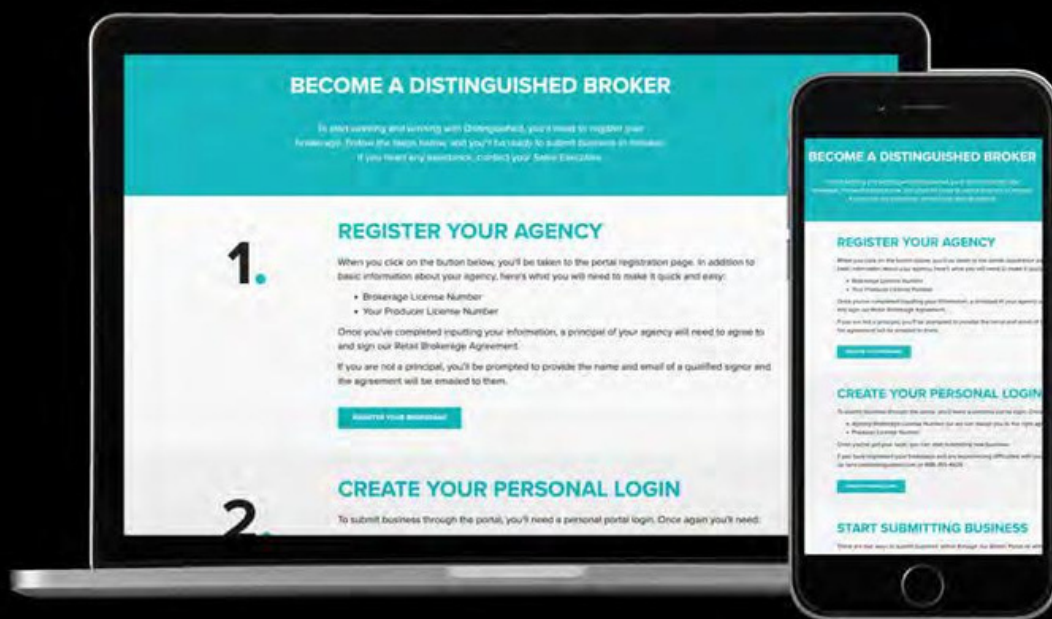
Q: Do you insure jewelry?

A: We insure jewelry if we also insure art or other collections, but not as a standalone.

Q: Is there any underwriting information available on the new Valuables program?

A: Please visit our website or contact your underwriter for more information.

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Learn more about our quick online registration process

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