Property Casualty 360

Contents Claim Solved: The Case of the Cibachrome Print

Agreed Value v. Stated Value Makes $215,000 Claims Difference

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One of our contents specialists recently provided assistance with the valuation of a Cibachrome photographic print. Cibachrome is an older, non-digital photo print process. Production involves a slide negative and special photo paper, resulting in some of the most beautiful color prints in all of art photography.

As background, many elite photographers work in very small editions. Andreas Gursky, for example, often produces editions of six prints; Cindy Sherman has been known to produce ten in an edition. The Visual Artist's Rights Act (VARA), which protects artists' rights in the United States, only considers editions of 200 or fewer to be worthy of legal protection.

In this particular case, a policyholder owned a large-scale Cibachrome, or "C-print," by a photographer who creates dramatic color landscapes. As much as I admire many of the photographer's images, which are truly spectacular, I am also in awe of his business model. He sells his photography in the swank galleries he owns. All of these galleries are located in glitzy locations, such as Las Vegas, Hawaii, New York City, Miami, and Aspen—to name but a few. By selling his photography exclusively through these galleries, he retains absolute control over the retail pricing of his art photography. All of the sales personnel are also the photographer/owner's employees, meaning that he ultimately controls the manner in which sales approaches prospective buyers and leverages various sizes and editions of the same prints to control the value of the prints.

It is not uncommon for this particular photographer to produce editions of nearly 1,000 prints in just one of the several sizes in which one of his images may be available. Combining all of the various editions in numerous sizes can result in many, many prints being available of a specific image.

A case involving one of his damaged prints reminded me of the delicate balance between the roles of underwriting and claims. Underwriting's role is to weigh risk and then issue policies accordingly, preferrably when elements are favorable. Underwriting determines which policies will be written, while claims manages the consequences. The claims department handles losses that occur based on the terms and conditions of the policy in force.

In this instance, the insured's print was part of an edition of the largest size available, which totaled 200 prints. These were sold framed for approximately $15,000. In addition to this standard edition, there is also an "artist proof" edition of 20 in this size, priced substantially higher, in the mid $30,000 range. To complicate matters, there are additional editions in various, smaller-sized formats of this same image.

When this policyholder approached the gallery for a "current" replacement value in order to schedule his photograph with his insurance carrier, he was in for a surprise. Staff informed him that prints like his—from the edition of 200—were completely sold out, except for print 1/200. The photographer makes it a practice to retain print #1 of all of his images. The gallery indicated print #1 was available for just over $230,000. The underwriter accepted this letter and scheduled the insured's photograph for nearly a quarter of a million dollars.

Now think about it. With 200 prints, at an initial cost of approximately $15,000 each, the entire edition sells for $3 million. If each of the 200 print owners each secured coverage based on the gallery's asking price of print #1, the "value" of this 200 print edition balloons to $47.5 million.

What Happened Next

The insured's print fell off the wall and incurred damage. The artist's gallery would not assist with a repair or agree to produce a replacement print, stating that doing so would be contrary to the photographer's guarantee to collectors of his works.

Our contents consultant found the artist's gallery still had one of the 20 "artist proofs" of this image, a more costly print compared to the insured's damaged print, but nevertheless available for $33,000. Despite the methodical research, underwriting had issued an "agreed value" policy, which required that claims essentially write a check for $230,000+ and "call it a day."

Would the outcome have been different, were a "stated value" policy in place? With a "stated value" policy, the value is not agreed when writing coverage. Rather, value is determined at the time of the loss. Had such coverage been extended to the insured's artwork in this case, I suspect the correct number would have been around $15,000.

So what is the moral of this case? Always know exactly upon what you are agreeing.