

Property Casualty 360

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Jewelry May Come with a Price after Valentine's Day

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While a box of delicious milk chocolates in a shape of a large heart has long been the default gift to loved ones on Valentine's Day, nothing screams "I love you" louder than a diamond ring or luxury watch—or so advertisements would have us believe.

Based on a longstanding tradition, jewelry is a durable staple of February 14. In fact, the National Retail Federation estimates that 19 percent of consumers will spend as much as \$3.9 billion in total on "something sparkly" this year. Moreover, the Insurance Information Institute (I.I.I.) didn't miss a beat, recently alerting the public about the importance of safeguarding jewelry gifts this time of year. In doing so, the I.I.I. cited how losses of rings, watches and other jewelry are "among the most frequent of all home insurance content-related claims."

"The word 'insurance' is not likely to be the first word on many lovers lips this Valentine's Day," says Jeanne M. Salvatore, the I.I.I.'s chief communications officer. "However, if an expensive gift of jewelry is lost or stolen it can certainly soothe the sting of losing a cherished gift. Your first step after receiving a valuable engagement ring—well, maybe your

second after saying yes!—should be to call your insurance professional."

Certainly where contents are involved, our own data shows that burglary claims are increasing in frequency and value, with the average claim now topping \$4,000.

Jewelry is a category leader, with rings being the most claimed item. Looking at Enservio data for 2013 alone, more than 46,000 types of rings were identified by claimants. Everything from 10 karat gold high school class rings, to baby rings, to ruby rings with 20 points of set diamonds. These represented a replacement cost value (RCV) of \$64.8 million.

For policyholders who have collected a drawer of Valentine's Day jewelry items, it can be a challenge to know whether or not every single piece is covered by a property policy for its current value. The TV show *Antiques Roadshow* gives viewers a classic case of 'perceived values.' When it comes to assigning value to a piece, in many cases the policyholder's perspective does not align with that of a professional appraiser's. A disparity exists between perceived value and actual value.

To ensure that jewelry items receive their proper RCV, policyholders are typically advised to begin by establishing a catalog of what items are in the home. Taking the time to inventory and record exactly what is at stake, and even adding photographs for special valuable pieces, is probably the best thing policyholders can do to protect their assets. Insurers will love them for it, and the settlement will go smoothly.

Questionable Claims Values

But what about protecting insurers from questionable claims values?

According to Enservio data, insurance claims for burglary losses spike during the holidays, tax time and back-to-school season (December, April and September). For category leaders such as jewelry, apparel and electronics, settlements are often paid at more than twice the average retail value of the stolen item. We have also seen burglary claims jump 15 percent in volume over a three-year period.

Looking again at the jewelry category, 2013 Enservio data showed the average claim for rings at \$1,400. Yet, the approximated average retail price for a ring is about \$350.

Although the NRF reports that this year's total spending on Valentine's Day is expected to reach \$17.3 billion, when it comes to questionable claims, the cost to insurers is not so sweet.

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