

Property Casualty 360

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Analyzing Art Losses

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To save or not to save? This is often the question asked after a piece of artwork has been badly damaged. The answer may not be clearly apparent to the owner or claims handler. A damaged item that may appear "hopeless" to the untrained eye may actually be an excellent candidate for conservation. While other items that do not "look that bad" do not justify conservation efforts.

Let's take a closer look for direction on when it is or isn't worth conserving an art object.

Is the damage to the art covered damage?

The most common perils resulting in an insured loss to art are from fire, smoke, water, flood as well as handling and shipping damages. There are many non-insurable damage situations such as, craquelure, paint loss, UV damage, acidity deterioration; other age related deterioration as well as inherent vice. Conservators, gravitate to their profession because of their love of the objects they work upon. They often want to conserve any and all flaws they may find. It is critical for the claim handler to verify the damage identified in the conservator's condition report is from a covered peril. If the claim handler is unfamiliar with art, then an art consultant should assist with this determination.

What elements are considered when analyzing an art loss?

Art comes in many forms, involving both two and three dimensional objects made with innumerable methods and materials. Some are one of a kind unique creations, such as a painting, drawing or carving, while others are from an edition or series consisting of multiples of identical items, such as a print (lithograph, etching, engraving, linocut etc.), or photograph.

When an art object becomes damaged, there are key factors that must be determined in order to decide if the object should be conserved or considered a total loss. Here is a list of considerations and a suggested method to make a proper decision.

1. The first question is can the object be conserved? As the children's rhyme suggests, sometimes all the king's horses and all the king's men couldn't put Humpty Dumpty back together again. This is unfortunately also true of some damaged art and makes your decision easy, clearly total loss
2. Just because it is possible to conserve an object, it does not necessarily mean it should be conserved. Ask a qualified conservator for a condition report that projects the cost of conservation, excluding treatment of any pre-existing condition issues. Ask the conservator for their opinion as to the likely success of their proposed treatment and also ask that their condition report comments on the preloss condition of the art as well as any prior conservation treatment the object has been subjected too.
3. What is the value of the art? Remember, conservators are experts in the treatment of damaged art, not appraising art. Knowing how to repair damaged art does not make a conservator an expert on value. If a conservator renders an opinion of value of art they are proposing to conserve, then it creates a conflict of interest. Rely on an art appraiser to determine the item's value immediately prior to the loss, reflective of any pre-existing damage or past conservation identified in the conservator's condition report.
4. It is very important to secure pre-treatment images at a minimum, as well as any pre-loss images, if available.
5. Will the suggested conservation result in post conservation diminution of value? This is a critical element to the puzzle that often overlooked.
6. Diminution of value is the difference in market value of the item, comparing its preloss value to its post conservation value.
7. Conserved art objects may experience widely different acceptance in the art market based on a number of factors. Buyers of Old Master paintings, which are hundreds of years old, anticipate these painting will have had conservation during their long life and are far more accepting of conservation. Items which have been previously conserved will not suffer significant diminution from current conservation treatment. The works of a living artist, as well as prints on paper are severely punished in the art market when they have condition issues or have been conserved.

Damage in the center of a painting has much greater negative impact on value than conservation of the periphery. Determining diminution requires an appraiser who is in tune with the art market. They should examine the conserved art and judge the level of success of the conservation and determine if any diminution of value has occurred and if so, express the diminution as a percentage of the objects preloss market value.

8. True diminution of value can only be determined by examining object post conservation. However, in order to make the decision if conservation should proceed, we will need to project the diminution of value based on the conservator's belief as to their likely success, the object's past conservation history and our appraiser's opinion of the preloss market value and the art market's likely response to the object post conservation.

9. If the combination of projected conservation cost and the projected diminution of value are equal to the objects preloss market value, it make no economic to conserve the art. In fact, if the combination exceeds 80 percent of the pre-loss market value, it is usually wise to "total loss" the object and sell the salvage instead of risking a potential conflict and dispute with the insured over the actual diminution of value once the conservation is completed. If the policy involved is an agreed amount policy, then the process is the same however you may need to weigh these factors against the agreed amount of insurance, and not the actual market value.

Whenever there is doubt about the value of a particular item, bringing in an expert to assist is the decision making process is the wisest, and safest, way to proceed. The danger of damaging a valuable piece of art, or settling a claim for an amount far greater than a restoration fee; far outweighs the cost of a bringing a conservator into the process.

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