

# Property Casualty 360

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## Contents Claim Solved: The Case of the Expensive Smoke

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March 21, 2013 • Reprints



A contents consultant was recently asked to help establish the value of a cigar collection. To be clear, this was not just any collection. It was thought to be of the Cuban variety, and therefore this project had several interesting implications.

Widely considered the best in the world, Cuban cigars command top dollar. Although current and recent crops of Cuban cigars are readily available throughout Europe, Canada and in other areas around the globe, much to the dismay of American aficionados, they have been long banned in the United States.

### An Embargo Begins

Understanding why this precious commodity is illegal in the U.S. requires revisiting a troubling time in American history. The 1950s are among several decades of sustained tension between the United States and the Soviet Union, commonly referred to as the "Cold War." With the tension of the Cold War as a backdrop, an armed revolution occurred in Cuba, just about 90 miles from the coast of Florida. The pro US leader was displaced by a

communist leader. That new leader was Fidel Castro, and the year was 1959.

The United States responded. One of the elements of that response was the Cuban Trade Embargo. It was introduced in stages, culminating in the banning of all trade in 1962. Consequently, the only Cuban cigars that are legal to possess or sell in the United States are those that can be *documented* as having been imported prior to the embargo.

This obviously presents the consultant with a dilemma.

Because appraisals are based upon *legitimate sales*, the fact that new or recent-crop Cuban cigars are illegal to own or sell in this country means such cigars have *zero* legal value. The use of "black market" sales is completely inappropriate. A situation like this is not exactly unique for adjusters, contents specialists or other appraisers, as they may also encounter illegal drugs, ill-gotten cultural antiquities, or items containing products from endangered species.

### Pre-Castro Cuban Cigars

So what happens if the appraiser finds that incredibly rare pre-Castro (as in pre-embargo) cigars do, in fact, comprise the insured's collection? For such cigars to be legal to own and sell, the insured would need to possess indisputable documentation showing the cigars entered the country prior to the embargo. This burden of proof raises a completely different challenge for the consultant. It bears mention that almost no verifiable pre-Castro cigars have appeared at auction within the last 10 years.

The pre-Castro cigars that *do* sell often change hands *privately* among a small group of well-heeled collectors. Because such dealings are not public record, securing sales information requires discussions with reputable tobacco dealers, cigar collectors and connoisseurs.

*Click to the **next page** to compare the value of a "Clear Havana" to a pre-Castron Cuban cigar.*

This particular collection proved to be neither. The cigars were found to be "clear Havana" cigars. In layman's terms, a clear Havana is a cigar made either prior to or immediately following the embargo.

To produce this specific type, legally imported *pre-embargo* Cuban tobacco would have been hand-rolled by a Cuban immigrant cigar maker here in the United States.

"Clear Havana" cigars are not worth as much as a pre-Castro Cuban ones, the latter of which can set you back \$450. However, Clear Havanas are highly prized, and in their original cellophane wrappers were valued at \$110 per piece.

The lesson here is that documentation is critical when accurately valuing collectibles. The date of importation is absolutely crucial when appraising items that may fall under embargo, endangered species, or cultural artifact laws, as is a consultant who is versed in these laws, and fully aware of the ramifications.

If the cigars in question had been pre-Castro cigars, then the potential value could have been four times the value of the Clear Havana cigars the insured owned. So unfortunately in this contents case, it was close, but no cigar.

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