

# Pricing the priceless - Valuing irreplaceable works of art

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Painted curtain of Pablo Picasso for Parade, ballet of Jean Cocteau and Erik Satie (1917) displayed during the exhibition at the Centre Pompidou-Metz, Metz, France.

Ripped from the headlines – a wealthy art collector reports an original Picasso painting stolen. The FBI initiates a search for the criminals, the press speculates on who might have stolen such a high-valued work, and the insurance company has the difficult task of reimbursing their insured for lost value.

Fine art appraisers specializing in insurance claims are sometimes called upon to help establish value for those items that are often referred to as “priceless.” The logical question then becomes, “How do you value irreplaceable, ‘priceless’ works of art?”

The answer is simple in theory and difficult in practice; while most works of art are in fact irreplaceable, almost everything has a value. For appraisers, that value is most often determined by comparing like kind and quality items that are for sale or have recently sold in the market.

To elaborate, let's take the example of the stolen Picasso discussed here. While these paintings are definitely irreplaceable, they are not necessarily “priceless.” Because Picasso’s paintings and paintings by other high-caliber artists are often traded in the auction market at Sotheby’s and Christie’s, prices for these paintings are established semi-frequently in the market and become a basis of value for these particular artists’ work.

To value the Picasso, we would compare the insured's painting to other Picasso paintings which have sold at auction. To complete this task we would consider the year of creation, canvas size, subject matter, medium, style of painting, and other determining factors which would affect value. We would not directly compare a Picasso Cubist abstract to a Picasso Blue Period portrait for a value. Instead, we would compare like kind and quality works as well as how the market is currently responding to Picasso paintings in general. When Picasso's *Nude, Green Leaves, and Bust* Cubist painting broke an auction record in 2010 for \$106.5 million, it set the standard of value for other Picasso Cubist still life paintings.

This scenario holds true with other seemingly priceless paintings by masters such as Van Gogh, Monet, and the like. As long as there is an auction market for an artist's work, a price can be established. It is often the case that private dealers and realized auction prices are very similar. This is particularly true of higher end art.

However, a work that has come up at auction over and over again and has been seen frequently by the public may be considered "stale" and not as valuable in the short-term as a work that has rarely been seen. For this reason, it is also important to have an awareness of the recent visibility of both the subject property piece and the works to which it is being compared.

Appraising high-end art is challenging, especially in the event of a loss and damage insurance claim. If the piece was damaged, an adjuster will often ask for help to secure restoration estimates and compare those to the replacement value. If the cost of restoration plus the cost of the estimated diminution of value is less than the replacement cost, an item will be recommended for restoration.

When collector Steve Wynn (the billionaire Las Vegas hotelier) accidentally elbowed his Picasso, leaving a silver dollar-sized hole in the canvas before trying to sell it, his insurance company was notified immediately. Most likely, if the painting was scheduled on Wynn's insurance policy, they footed the restoration bill, raising the question as to whether the damage and subsequent restoration affected the value of the painting. The answer is yes, there would be a diminution in value to the piece in comparison with other Picasso paintings that have not been restored.

Whether or not a piece has been restored in the past is something appraisers need to take into consideration; the condition of these paintings plays a major role in determining value.

Along with condition, provenance also plays a major role in the valuation. Provenance is the successive history of ownership of a work of art and it is one of the factors that helps establish the authenticity of a piece. If an important work of art does not have a paper trail it can be a red flag.

While appraisers are not authenticators, there are a number of things they look for to complete due diligence and help establish value. Most major artists have a catalog raisonné to reference. A catalogue raisonné (French meaning "reasoned catalog") is a comprehensive list of artworks by an artist, describing the works so that they may be reliably identified by third parties.

Appraisers reference the artist's catalogue raisonné in search of the painting being appraised to make certain it is listed. Also, the owners of the painting, if authentic, would most certainly have purchase documentation, auction house records, previous insurance appraisals, and/or insurance schedules to accompany their piece. In the event the authentication of the piece is questionable, there are experts to call on for assistance. The estate of the artist or the artist's foundation can assist with recommending authenticators of their work.

For insureds who are art collectors, it is advisable to have them schedule their fine art separately on their insurance policy with an accompanying certified appraisal. This appraisal should be updated every two to four years, since many changes in the market can occur in this time period affecting the value of the artwork: the death of the artist, a record-breaking auction sale for the artist, and an increase in the art market in general are all factors that can increase value.

When dealing with irreplaceable, "priceless" works of art in an insurance claim, a certified appraiser qualified in the realm of fine art can provide invaluable counsel.