

Property Casualty 360

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Protect Your High-Net-Worth Buyers From Art Ripoffs

Art fraud is at an all-time high. Learn from a producer of "Antiques Roadshow" how an art advisor can help protect your clients.

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Affluent individuals seem to be favoring art as an important "asset class" right now. A Picasso painting recently sold for \$106 million, a Rothko for \$89 million, a Lichtenstein for \$43 million--and even Warhol prints (not paintings) have sold for upward of \$500,000. *Antiques Roadshow* regularly turns up artworks and antiques worth hundreds of thousands of dollars that were inherited from grandparents or bought at yard sales.

Hedge fund managers buy "trophy" art at Sotheby's and Christie's, but perhaps your high net worth clients are not at quite that income level. They're well educated, successful, have good taste and money in the bank. But they don't really have the time to research and more fully understand the glamorous, if mysterious, world of art. And they're especially vulnerable to art purchases if they're on vacation.

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Art fraud, forgery and crimes are rising to unprecedented levels. European police officials estimate that as much as 50 percent of the art now selling in the marketplace is fake, stolen, altered or illegal to sell.

Here are three real-life examples of how art buyers can get ripped off on vacation:

1. The Naïve Navigator

Your high net worth client is on board a luxury cruise ship heading into the Baltic Sea. The champagne is flowing, the art on the walls is beautifully framed and well lit, and there are a number of attractive women and elegant men hosting this reception who are eager to answer his questions.

The art is for sale--and there's an auction starting right there in another hour. Your customer recognizes the artist names-- Picasso, Dali, Chagall. Your client is bold and aggressive in business--why not here? He ends up buying two signed and dated Picasso prints for \$20,000 each--less than half of the auction company's "appraised value."

Once your customer gets home and hangs the art on his office wall, he's happy. His art major daughter tells him they're legitimate and known Picasso prints--but then she tells him he could have bought them for about \$8,000 each at the New York art gallery where she has been interning.

What can your customer do now? Nothing. There's no law against overpaying--or overcharging. The check has cleared and the invoice says all sales are final.

2. The Trusting Tourist

In another instance, a partner at a law firm tells a story about his dream vacation to Italy: driving through the countryside in Umbria and Tuscany, staying in luxurious villas and roaming through charming little villages. He and his wife came across a little antique shop and found a luminous Renaissance-era painting of St. Catherine of Siena. They were told it came from a local church that was badly damaged in the prior year's earthquake and the shop owner is selling it on behalf of the church to help pay for repairs. The shop owner is only asking €15,000--it really should be two or three times that much for such a rare painting, he says, but the village needs the money and the shop owner will give the full amount from the sale to the church.

They arrange to have a wire transfer done and pick up the painting two days later. Back home, they mention their good fortune to the director of the local art museum, who is as anxious to see it as they are to show it to him. Everyone agrees that it is beautiful, but the museum director has to tell them it's a modern fake, made deliberately to look old and deceive the buyer.

3. The Duped Dentist

And then there's the eminent oral surgeon who recently approached a professional appraiser to get a formal appraisal of the Amazon Indian feathered headdress that he bought while on vacation in Brazil. He needed the appraisal to insure the piece, for which he paid \$10,000.

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The appraiser told him that he can't do an appraisal for him. The headdress contains feathers from a scarlet macaw, a bird on the endangered species list and protected under the Migratory Bird Act of 1918. It was actually illegal for him to have imported the headdress and it's now illegal for him to possess it. He can't legally sell it or re-export it. It can't be appraised because its only value would be a "black market" value and the appraiser can't ethically research or cite such a value.

Tips for agents

Whether your high net worth customer is new to collecting or already the owner of many works of fine art and collectibles, working with an art advisor can help him or her avoid some common but costly mistakes. An art advisor takes the guesswork out of the purchase, and can simplify the entire collecting experience. Generally, they will have a strong knowledge of art and art history, as well as the current marketplace, where art values can be quite volatile.

Advisors know the current marketplace and can negotiate on your customer's behalf. They can educate them about the process, and make the experience simple and rewarding. Advisors also make sure the buyer has the appropriate documentation and knows the appropriate factors regarding provenance, quality and historical value, both for new purchases and ones they already own.

Suggesting to your client that bringing an art advisor into the equation before they buy can avoid some very costly mistakes. The advisor can coach the client in collection management, as well as insure that appraisals for their current items are kept up to date.

Choosing the best art advisor for your clients?

- Always opt for an advisor who is certified by a national appraisal association, such as the Appraisers Assn. of America (AAA), American Society of Appraisers (ASA), International Society of Appraisers (ISA), or have experience in the major auction houses.
- Communication between you and your advisor is key, so make sure you choose someone you are comfortable with, as well as having mutual trust and respect.
- If you have a particular period or style in mind for your collection, choosing an advisor with specialties that match the era is also beneficial.

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