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Press Release

Fall Art Season Breaks Records; Experts Warn of Escalating Risk for the “Under Appraised”

NOVATO, Calif., Nov 27, 2006 – With record-breaking prices marking the recent wave of contemporary, modern and Impressionist art auctions, insurance and art appraisal experts stress the importance for art collectors to have their works re-appraised.

Sales at both Sotheby's and Christie's art auctions in New York produced breathtaking prices – several works fetched over \$30 million each. Works valued at \$1 million and higher were “unbelievably strong at auction” and mid-level works priced from \$10,000 to \$300,000 were stable, according to Elizabeth von Habsburg, president, Gurr Johns Masterson fine art consultants. Von Habsburg, a consultant to Fireman's Fund Insurance Company, who advises high net worth individuals with art collections, recommends that owners review their art portfolios each year to be sure they are adequately insured.

Frequently, von Habsburg finds that collectors whom she consults for the first time are significantly underinsured. She notes that one collector, who purchased a Picasso 15 years ago for \$1.5 million and hadn't had it reappraised, found that the value is now \$9 million. Likewise, a collector who acquired a Jeff Koons painting at auction in 1992 for \$55,000, realized that after re-appraisal its value was over \$1 million.

According to Artprice.com, during the past year alone, fine art prices in the United States have risen 32 percent. Over the past five years, fine art prices have climbed 65 percent and the trend is expected to continue. Hot art categories include Chinese and Indian contemporary art, contemporary photograph and Russian art work as well as the highest levels of contemporary, modern and Impressionist art.

“You used to see the surge in art sales coincide with a strong stock market, but today it is considered an independent asset class,” said Chris Heidrick, vice president of Personal Insurance at Fireman's Fund. “And, interestingly, the downturn in the real estate market hasn't affected art sales.”

An insurance policy written especially for art may cover up to 150 percent of the current insured value, but with today's skyrocketing art market, that still may not be enough. “Keeping appraisals current and insuring your art to value will help protect your investment, and help to retain the true value of your collection,” adds Heidrick.

“As the art market escalates, so do the risks for art collectors,” says Theresa Lawless, a property product manager experienced in insuring art for Fireman’s Fund Insurance Company. Yet, Lawless finds that even the most avid collectors have excuses for not updating their appraisals:

- *“Having appraisals updated is costly and time consuming.”*

The cost of an appraisal can save you a lot if you do have a loss, so it’s important to keep them updated. But there are ways to simplify the process. Customers can benefit by developing and maintaining a relationship with an appraiser. Updates to appraisals previously done by the same appraiser may not require an onsite visit and are not as costly. In addition, some appraisers will advise clients when there is a significant change in the market for an artist in their client’s collection, which helps identify what items need to be updated.

- *“All the appraisers I know seem to inflate the cost.”*

Lawless recommends working with a reputable appraiser, noting that there is a difference between auction and retail values (the cost to buy a piece at a gallery). Insurance appraisals are based on retail value. Ask an independent insurance agent for recommendations on reputable appraisers when re-evaluating insurance requirements. Many agents can make the experience turn-key.

- *“I’m already insured for more than 100 percent of value anyway.”*

Even the best policies only cover up to 50 percent above agreed value. From 2001 to 2005 the art market doubled in value, leaving collectors who had not recently appraised uninsured for an estimated 25-50 percent of the current market value.

- *“My insurance company automatically increases my values.”*

While there are inflation adjustments, without a review of the specific components of your collections in a market such as this, collectors are still at risk for being woefully underinsured.

Lawless encourages asking for certification from an appraisal organization such as the American Society of Appraisers (ASA), the American Association of Appraisers (AAA) or the International Society of Appraisers (ISA). These designations help assure a certain level of training and professional standards.

About Fireman’s Fund

Fireman's Fund is a premier property and casualty insurance company providing personal, commercial and specialty insurance products nationwide. Fireman's Fund is a member of the Allianz Group (NYSE: AZ), one of the world's largest providers of insurance and other financial services. For more information about Fireman’s Fund, visit www.firemansfund.com.

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