

## FAQ on Jewellery Insurance and Valuations

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### **Why should my jewellery be documented and valued?**

Two reasons. So that your jewellery can be listed separately on your Contents Insurance Policy if necessary. And at claim time the valuations provide proof you had the item, and evidence of its value.

### **Why are some items listed separately on my policy?**

Most policies have limits for jewellery items that are not listed, usually a figure between \$1000 and \$3000 for each, but some are as low as \$500. There is also usually a total limit for each claim of between \$3000 and \$20,000 irrespective of the number of unlisted items in the claim.

### **What does an effective insurance valuation of my jewellery look like?**

It is a document that contains a good colour photo, a detailed enough description to allow a current value to be calculated without re-examination of your items, and a value or values for each that represent the amount the item should be covered for under the terms of the Policy.

### **Who should value my jewellery?**

Ideally the valuer should not be the seller, or have any other financial interest in the items. If the seller provides a valuation it must disclose that they sold it, and the amount you paid for it. An independent jewellery valuer should be able to accurately identify the gems and metals and provide a good description of their dimensions, weights, and quality. The valuer would ideally be a qualified gemologist and diamond grader but this is not essential as long as they have access to someone who is. Most importantly your jewellery valuer should have a good understanding of the basic valuation principles, methodologies, and ethics that apply to the valuation of any form of property.

### **What types of value are listed on an insurance valuation?**

There are two ways your jewellery may be covered by your policy, which is why many valuations list two insurance values.

One is the Replacement New Value which is the amount necessary for you to purchase a brand new item of equivalent quality.

The other is the Indemnity Value - more recently referred to by insurance companies as "market value", "present day value" and "current value" - this is the amount necessary to purchase an item of similar quality age and condition - ie the second-hand retail value.

### **What happens when I lose the item and file a claim?**

The Insurance Company will require some proof of ownership, and evidence of the value of the item. Once the claim is accepted, the current value or values will be re-calculated from the item description in your valuation. If your cover is for Replacement, you will usually be issued with a voucher to purchase a new item. If your cover is for Indemnity the insurance company usually has the option of replacing as above, or paying you the Indemnity value in cash.

**Doesn't the insurance company have to pay what the valuation says?**

No. When you send your valuation copies in to your broker or insurance company, it represents the amount you want your jewellery covered for, and forms the basis for the premium calculation. By accepting the valuation the insurance company is not promising to pay the valued amount. This is because they are insuring the item, not the valuation - which is why the accuracy and detail of the description in the valuation is so important.

**How do I know what cover I have for my jewellery?**

Read the fine print of your insurance policy or ask your insurance company. Many policies that offer replacement on your contents exclude items such as cameras, sports equipment, and jewellery - paying only the second-hand (Indemnity) value. Most companies offer the option of upgrading to a full replacement policy for jewellery.

**Why shouldn't insurance valuations be used to sell jewellery?**

Because they do not represent the amount similar items are actually selling for. Instead, the values are specifically calculated to ensure that you the owner are adequately covered. Because the values will be the limit of your Insurance Companies liability, they will tend to be on the high side. If the item for sale is second-hand, the situation is even more misleading when the seller is using the replacement new value to advertise the "worth" of the item.

**Are there other types of valuation for jewellery?**

Yes.

A Market Valuation is the one to ask for if you want to know whether the price of an item is fair. It should report the most common price similar quality age and condition items are actually selling for, in the market they are most commonly sold. For most jewellery the most common market is retail, as few sales occur between private individuals.

A Cash Realisation Valuation should give you an idea of what your net return would be when selling the item by the most appropriate means available, and allowing a reasonable time period to effect a sale. This valuation is often used as the basis for estate division.

A Replication Valuation tells you what it would cost for an exact duplicate of the item to be made. Except for one-of-a-kind items this value is always higher than Replacement New Value. Many jewellers and jewellery owners mistakenly believe insurance companies should pay for replication, whereas most replacement policies only allow for replacement with an equivalent quality item.