

Insurance of Jewellery

Jewellery is normally covered by home contents insurance policies. Claims for lost or damaged items of jewellery are significant and represent a substantial portion of home contents claims. Many factors often contribute to difficulty in reaching satisfactory settlement of a claim, including: the emotional connection between owners and their jewellery; no proof of ownership; and no valuations. However, as explained in the following notes, many things can be done to facilitate satisfactory outcomes.

The policy cover and limits provided

Make sure you have a copy of the policy and familiarise yourself with the cover it provides for jewellery. Not all insurers provide similar cover. Make sure the sum insured you choose for your contents, includes the value of your jewellery.

Most policies require that items of jewellery over a certain value be specified, otherwise, in the event of a loss, the maximum which will be paid is the policy limit for unspecified items (usually in the \$1,000 - \$3,000 range). Some policies also place a limit on the total amount which will be paid for unspecified items.

The maximum amount payable for specified items is the sum insured on the policy schedule for each item specified.

- *Make sure the amount of your insurance cover is sufficient to include all of your jewellery.*
- *Check the limits per item or total limits your policy has for unspecified jewellery.*

The changing value of jewellery

Commodity and economic factors, particularly the price of gold and precious stones, can affect the value of an item of jewellery – up and down. Therefore, the value of any particular item can only be given at a specific time, taking into account the current economic and market conditions. Some items will depreciate in value over time, from factors such as age, wear and tear and changing fashion appeal or trends.

For all of these reasons, it is a good idea to have jewellery professionally re-valued every few years.

- *It is important to understand that any claim made will be settled at the specific value at the time of loss, not necessarily on what it was previously purchased for or valued at.*

Specified items and valuations

Items over the policy limit for unspecified items should be specified on the policy schedule and supported by recent valuations, as should items which are unusual or to which you have a special or sentimental attachment, even if they do not exceed the individual policy limit for unspecified items.

Valuations should be obtained from a qualified jewellery valuer and should include a photograph and full description of each item and its replacement value or its indemnity value, depending on the policy type you have. (Replacement value and indemnity value are explained at the end of this information sheet.)

Jewellery purchased or gifted overseas should be valued in New Zealand for insurance purposes when you return. Such items may have been purchased for much less than they are worth in New Zealand.

While there is a cost involved in having items valued, there is a cost benefit to be considered. Valuations can speed up the claim process and can lead to a more favourable settlement. A valuation used to list items with your insurer enables you to claim an item's full value, if the value is over the specified limit.

- *Valuations have numerous benefits, should you ever need to make a claim.*
- *Obtain jewellery valuations for all items over your specified item limit, or for any items particularly special to you.*
- *Use the valuations to specify these items on your insurance schedule.*
- *Keep copies of your valuations even when you have provided copies to your insurer.*

Obligations when making a claim

When you make a claim, you have certain obligations, which are set out in the policy.

You are required to provide a reasonable level of proof of purchase or ownership in support of your claim. Valuations, receipts, credit card statements and guarantees can be provided to support your claim. Photographs are also useful. However, they are unlikely to prove whether your jewellery contained genuine gold or gem components.

The provision of proof of purchase or ownership can greatly facilitate the claim process. When proof is not available, an insurer might not accept a claim and, if it is accepted, it will settle on what it considers is the most likely value, from the description you supply.

- *You will need to provide proof of purchase at the time of any claim. The better this proof is, the more fairly an insurer is able to settle your claim.*
- *Keep all valuations, photographs, purchase receipts etc in a secure place. This should be separate from your jewellery.*

Settlement of jewellery claims

Policies provide details about how a claim for jewellery will be settled. This can involve repair or replacement of the item or a cash settlement based on the item's indemnity value. An insurer has the option of deciding how the claim will be settled and, generally, it prefers to repair or replace items, whenever possible.

If repair or replacement is not possible, insurers will usually make a cash settlement based on the indemnity value of each item. Similar considerations apply where a cash settlement is requested, because the owner does not want to replace the item.

Insurers will not cash settle based on the replacement value of an item and indemnity cash settlements are commonly 50% to 60% of replacement value.

- *How your claim will be settled is determined largely by the terms of your insurance policy. Read your policy to see how any jewellery claim will be settled.*
- *Most insurers prefer to replace jewellery if possible.*
- *An alternative may be to cash settle for indemnity value.*

Insurance values for Jewellery

The two values relevant to jewellery insurance are:

Replacement Value is the cost to purchase a new item of similar quality on the retail market. For production items it is for items of the same production method which are similar, but may not be a replica. Handmade items are valued at the cost to have remade as closely as possible. Antique articles are valued at the cost to purchase an equivalent on the estate jewellery market. Foreign items with no new equivalents, may be marked NA on valuations to indicate an inability to replace in New Zealand.

Indemnity Value, which can also be called market value or present day value, is the cost to purchase an item of the same age, quality and condition in a "fair market" situation. Where few sales of similar items have occurred, indemnity may be calculated at Replacement value less depreciation.

Tips

- *When you purchase jewellery, keep the evidence of purchase.*
- *When not wearing jewellery, keep the items in a secure place.*
- *Have jewellery checked periodically to tighten claws, replace worn clasps or chains.*
- *Make every effort to find lost items before making a claim.*
- *Notify the police immediately of any loss and get written confirmation.*
- *Report any loss to your insurer as soon as possible.*



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