Independent Insurance Agents & Brokers of America

BIG "I"® Virtual University





# Jewelry and the Personal Articles Floater


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**Abstract**
Homeowner carriers often have restrictions and capacity limitations for jewelry. Many carriers are not willing to write higher-value jewelry. It can be difficult to find a policy that adequately covers jewelry and also offers the client a competitive price. A stand-alone jewelry policy (personal articles floater—PAF) addresses the jewelry need without impacting the homeowners policy.

Insurance losses related to jewelry are huge — much more than most insurers realize. According to Department of Justice statistics, 70% of all personal property (contents) theft losses are jewelry. Insurance companies process billions of dollars in jewelry losses each year. Some of these jewelry losses are hidden, because they're reported as "contents" losses under a homeowners policy, rather than as jewelry.

So what? Jewelry claims usually fall below the radar of concern for both insurers and agents because the cost of the settlement is comparatively small. But if that jewelry is on an HO policy, the impact of the claim can be sereious.

Unlike most household contents covered in a homeowners policy, jewelry is small, valuable and very vulnerable. Jewelry is not only stored in the home, it also travels. It's put on and usually forgotten as we go about our business, taken off and left on dresser or sink, regularly exposed to damage and loss. At home or out on the town, jewelry is a magnet for theft and it's particularly prone to "mysterious disappearance."

If that lost or stolen jewelry is on a homeowners policy, it counts as a homeowners loss.

HO scheduled jewelry losses hit CLUE and PILR underwriting reports, so the loss lives on, seemingly forever. Even if the jewelry is found or the claim is withdrawn, the CLUE and PILR listings remain. Because her ring lost a stone, the client loses her homeowners "claim free" rating.

Homeowner policies with losses are much harder to place with another carrier. Many agents already face shrinking sources and rising rates for HO policies, as insurers seek to protect themselves from disasters such as hurricanes, tornados, forest fires, earthquakes, hail storms and ice storms. Prior losses make placing a homeowner policy all the more difficult.

"Mysterious disappearance" claims in particular can kill remarketing the HO policy. These unexplained losses are major red flags.

In addition, homeowner carriers usually have restrictions and capacity limitations for jewelry. Many carriers are not willing to write higher-value jewelry. It can be difficult to find a policy that adequately covers jewelry and also offers the client a competitive price.

A stand-alone jewelry policy (personal articles floater—PAF) addresses the jewelry need without impacting the homeowners policy. You can offer your client the best HO policy at the best price, then offer a standalone policy for jewelry—either from the same carrier or through a company specializing in personal jewelry coverage. Standalone policies may offer higher limits.

Far from being more costly, this solution means savings to the client. Standalone jewelry policies are quite competitive in price, and some insurers offer premium discounts not available on homeowner coverage. In the event of a jewelry loss, the homeowner policy—and the client's claim-free status—are not affected.

A word of caution: Not all standalone jewelry policies offer a cash settlement option. This could have devastating consequences for the agent, even if the agent had only recommended the insurer. Not informing the client that a carrier offers only repair-or-replace settlements (no cash) could leave the agent open to an errors and omissions (E&O) problem. Even short of such an extreme consequence, a client who is dissatisfied at claim time can retaliate by taking all his business elsewhere.

While jewelry is usually a low-premium item, it has great emotional value to the client. Jewelry can be the cornerstone to all your business with that client, both personal and commercial. Rather than simply referring a client to a standalone jewelry insurer, it is better to seek a direct appointment and place coverage yourself. That way you retain control of the account, and also enhance the client's trust and reliance on you.

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