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New Form, New Standard For Jewelry Appraisers

By David W. Hendry, Jr.

Ever wonder what is the largest Inland Marine class of business? The answer may surprise you. It's jewelry. Although jewelry claims average only about $2,000, jewelry settlements create a disproportionately large amount of bad will toward the insurance industry as a whole — perhaps more than most other types of loss combined. And an unhappy customer can mean loss of other business, as well.

Dissatisfaction over jewelry settlements occurs because both underwriters and adjusters often must work with inadequate jewelry appraisals. Customer good will could be greatly improved by higher quality jewelry appraisals. Upgraded professional appraisal standards are the key.

What's Wrong with Current Appraisals?

In an appraisal for insurance purposes, valuation is less important than description. An appraisal should describe a piece of jewelry in enough detail to distinguish it from other pieces similar in appearance. The appraisal should be detailed enough to serve as a basis for valuation if the piece is lost.

A survey of jewelry appraisals taken by JCRS Claim Mitigation in Oakland, CA, found that most appraisals lack information crucial to jewelry insurers. In diamond appraisals studied, for example, even the four C's — clarity, color, cut and carat, essential to diamond valuation — were not covered. Only 61 percent listed color; 64 percent, clarity; 57 percent gave carat weight; and a mere one percent even bothered to mention cut, or the diamond's proportions.

Colored gemstone appraisals fared even worse. Only 73 percent of the appraisals gave even the shape of the stone; 48 percent listed hue; 32 percent gave tone; 24 percent gave carat weight; 5 percent gave saturation; and none mentioned

Gold items and mountings, required by law to bear the manufacturer's trademark, listed trademark information in only 11 percent of the appraisals. Manufacturing technique was mentioned on just six percent of the appraisals. For years claims departments all over the country have been settling losses based on inadequate appraisals, leaving adjusters with little more than a brief description and an unverified valuation. This is no way to price a replacement realistically.

Since many insurance companies do not keep detailed records on their jewelry claims, some are not even aware of their jewelry losses. And an appraisal that includes descriptive information is not necessarily reliable. To illustrate this, a crew of investigative TV reporters went shopping for appraisals on a common diamond ring, which retailed for about $3,000. Appraisals from 14 retail jewelers showed wide discrepancies in quality, and differences in valuations by as much as $3,600.

Solutions Proposed

Some in the jewelry industry have suggested that insurers either hire independent appraisers or have specially trained staff members. From the insurer's point of view, however, this isn't cost effective, since the typical jewelry item has a premium of only about $30.

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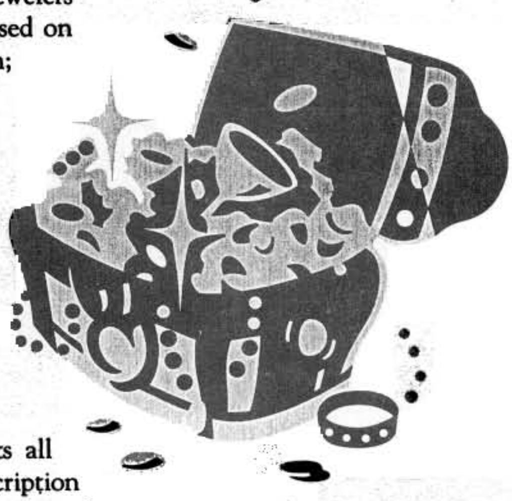
It's also impractical to expect insurance professionals to become jewelry experts who can assess the accuracy of an appraisal. More reasonable would be to expect that, as in other areas of insurance, experts supply insurers with needed information.

The Industry Solution

The insurance community, with assistance from ACORD, recently created its own appraisal standards, which include:

- the ACORD Standardized Jewelry Appraisal Form (ACORD 150);
- training and certification for jewelers in appraising for insurance, based on the standardized ACORD Form;
- a national registry of qualified and trained jewelry insurance appraisers; and
- a continuing education class for agents, underwriters, and adjusters in jewelry basics and jewelry insurance issues.



Standardized ACORD Jewelry Appraisal Form

The new ACORD 150 Form lists all characteristics relevant to the description and valuation of jewelry. When necessary, the agent or underwriter can simply consult a manual (or knowledge-based appraisal software) to learn the characteristics important for diamonds, gold, or whatever is being considered.

The agent then checks to make sure the appropriate Form areas are filled in. It's not the insurance professional's responsibility to determine whether the information given is accurate, only that the appropriate details are included. If a claim is ever made, the adjuster can refer to the same detailed appraisal to describe to a jeweler the replacement needed.

Writing jewelry business may not be an agent's number one concern, but taking care of customers is. ACORD's new 150 Form could mean the difference between good and great customer service.▲

David W. Hendry, Jr., founder of JCRS, Jewelry Underwriting and Claim Mitigation, entered the insurance field in 1974 as an Inland Marine underwriter and has written two books on jewelry insurance. He introduced the standardized appraisal form on which the new ACORD Form is based and also founded the Jewelry Appraisal Registry. Hendry teaches jewelry appraising classes for insurance, and classes for insurers in underwriting, claims, and jewelry basics.