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Liu has built an invaluable network with insurance companies, collectors, institutions as well as art restorers and gallery operators.

AFFORDABLE ART INSURANCE

Paying an exorbitant insurance premium rate for your fine art collection with no recourse to re-negotiate? Two insurance specialists offer their views on how to secure the best protection plan at minimum cost.

By Johnni Wong

Independent art insurance consultant Charles Liu has a headstart when it comes to figuring out what individual and institutional art collectors really need and don't need in order to safeguard their assets.

"I worked in AXA Insurance Singapore Pte Ltd from 2008 to 2013," said the 36-year-old insurance broker with regard to his credentials and added, "I launched its art insurance product and was involved in insuring government-owned art museums, auction houses, galleries and private collections."

Born in Shenyang, China, Charles ventured to Southeast Asia to study arts management at the LASALLE College of the Arts in Singapore and graduated with a B.A (Hons) degree. After leaving AXA, Liu started Charles Art / Insurance consultancy and extended his reach to include Malaysia.

"My role is an intermediary that provides impartial and professional art insurance services to my clients who want to acquire an art policy but are not well versed in policy terms," explained the sharp-witted broker, who earns a percentage of the business that he brings to the insurance firm recommended and accepted by the client.

Obviously, art museums, auction houses, galleries, collectors, conservators and even framers and those involved in logistics such as storage and transit service providers would need specific art insurance coverage.

"A loss or damage may happen during display or storage in home, office, warehouse or during transit such as packing and unpacking, loading and unloading, installation and de-installation, etc. A professional art insurance policy covers fire damage, water damage, theft, robbery, burglary, vandalism, accidental damage during the above-mentioned activities.

"A well-designed art policy protects a collector's interest and gives him peace of mind."

Contrary to the popular notion that art insurance policy entails a high premium rate causing many art galleries and even institutions to forgo such a safeguard, Liu counters that such a policy is “affordable”.

“Depending on security and protection and the art medium, the average premium is about 0.5% of the art collection value. For example, if a collector has 20 artworks worth a total of RM1million, the insurance premium is on average, RM5,000 per annum.”

And according to Liu, acquiring an insurance policy through a consultant is an easy process as he can recommend the right plan based on the client’s specific needs.

Just call and explain to the consultant, what kind of a collection you have, where you keep the artworks and whether there are any security safeguards like a CCTV system. Over the phone, the consultant should be able to explain what type of art insurance you need, and the insurance premium rate.

If you are happy with the indicative terms and premium, you invite the consultant for a site survey and provide detailed information and discuss the value of each artwork to be insured. After that, the consultant should be able to send you a binding proposal in three to five working days. From there, if you can activate the insurance coverage.

Certain insurance companies ask for artwork receipts and they insure the cost of purchase only. But an experienced and specialist art insurance company do not impose this condition and can insure an artwork on the “Agreed Value” between collector and insurance company, using a public auction transaction record as the benchmark.

“I help clients to buy a broader coverage and lower premium policy. I also help clients to itemise their collections and provide valuation services. In addition, I also provide security and protection advice to clients.”

Having visited Kuala Lumpur frequently to meet with clients, Liu observed that the Malaysian art market has been growing rapidly, in particular the frequency of gallery exhibitions and art auctions.

“I would not be surprised that the prices of the first generation Malaysian artists will rise in the international art market between three and five years.”

Liu estimated that in terms of the art insurance market worth in Singapore and Malaysia, he reckoned that the total premium value was between US\$10 million and US\$15 million (about RM38 million to RM57 million) in each country.

Until fairly recently, art insurance was only available via Singapore-based companies. It started with Singapore because the country was considered “relatively low risk” compared to other countries in Southeast Asia in terms of fire, flood, earthquake and rioting risks.

But even now, the typical annual premium rate quoted to new Malaysian clients of art insurers based in Singapore is still comparatively high from 1.5% to 3% or more. And logistics companies involved in moving art also add to the costs involved.

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