

The next 20 to 30 years will see an unprecedented transfer of intergenerational wealth. Consulting firm, Cerulli, is anticipating that \$84.4 trillion will be transferred through 2045, with \$72.6 trillion going to heirs and \$11.9 trillion donated to charities.¹ With families passing along both financial and non-financial assets, art collections may be part of those legacies.

Insurance agents and brokers seeking to build trust and earn the loyalty of this next generation have discovered their priorities and expectations differ from their parents'. For instance, research shows that Baby Boomers are most likely of all the generations to automatically trust their insurance agents, while Generation-Z are the least likely to.² To establish credibility, 73% of Millennials will read social media reviews of an agent before using them, while only 44% of Baby Boomers will.³ And, when purchasing artwork, next generation collectors often view art as both an investment and a passion – purchasing pieces that are socially conscious, or by historically under-represented populations.⁴

Because generational views are often very different, according to Fidelity Investments, up to 90% of children fire their parents' financial advisor after they receive an inheritance. That means, those advisors stand to lose trillions of dollars in assets under management. The same could be true of insurance agents, if they don't understand the differences in generational viewpoints.

To retain this valuable business, insurance agents and brokers can use strategies such as developing a multi-generational engagement team, adding social media and mobile solutions, and enhancing websites and client portals.

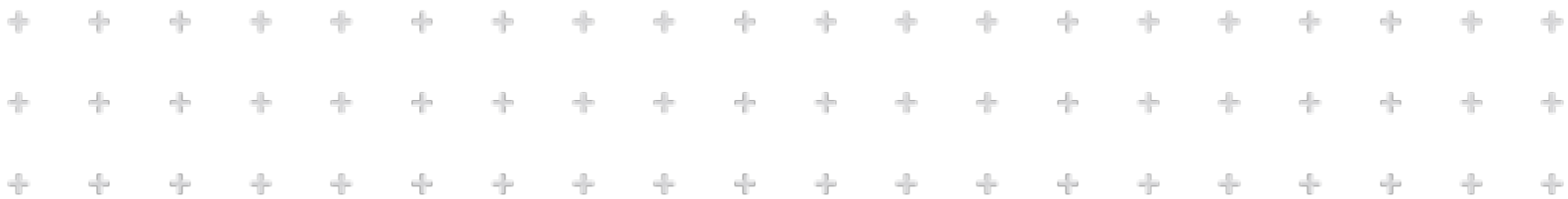
As agents and brokers become more consultative in their approach, understanding how to protect inherited art can play a vital role in their retention efforts. At a time when heirs may be grieving and simultaneously overwhelmed with details, they may also receive a non-financial asset that requires immediate attention to preserve its value. Even if individuals plan to sell or store the collection, they will need to protect it until it changes hands.

What key steps do your new or prospective clients need to take to protect their inherited art?

UPDATE INSURANCE POLICIES

If they don't already have an art collection, this new generation may assume that simply increasing the limits of their homeowners' insurance will be sufficient. Although standard homeowners' policies address losses to the home itself and its general contents they typically don't provide adequate coverage for higher-valued artwork.

Talk to your clients about insurance carriers who specialize in fine art and how to develop a strategy for insuring their collections. A collection of Old Master paintings that may be split between residences and storage facilities demands different coverage considerations than works by Ultra-Contemporary artists that will stay in one home. Questions to consider include whether the art will move between multiple locations and whether to insure each piece individually or in aggregate on a "blanket" basis.



MAINTAIN ALL PAPERWORK

A piece's provenance, the history of its ownership, is central to its value and can help to establish clear title should legal challenges arise. Retaining all documentation related to the authenticity and ownership history of the collection is critical. What should your clients keep? The short answer is, "almost everything." Examples include original invoices documenting the sale of the items, all appraisals describing items and documenting their value, fact sheets that describe the artist or the process of creating the piece, conservation treatment reports, certificates of authenticity, and contact information for those who have provided these details. This documentation may be needed if your clients decide to sell or transfer artwork, or if they ever need to file an insurance claim.

CREATE AN INVENTORY

Whether your clients are starting to collect or adding to an existing art collection, they will need an organizational system to track new items and their location. Inventory management systems range from simple spreadsheets to cloud-based platforms with rich functionality. Your client's needs will depend on the size of the collection and the number of locations involved. If a collection is especially large, a professional collections manager or registrar can be a valuable resource in advising on the specifics. In addition to the benefits of having this information readily available, tracking items, their values, and their locations will help expedite a claim in the event of a loss.

UPDATE APPRAISALS

Certain market segments, like Post-War, Contemporary, and Ultra-Contemporary art, can change value relatively quickly. How recently was the artwork appraised, and what was the purpose of the appraisal? If a collection has been passed down, it is likely that an estate appraisal was completed. Appraisals for estates or donations use the fair market valuation method.

However, insurance appraisals use replacement value, which is typically the highest value of an item.

Replacement value appraisals look at the cost to replace an item in a limited time period with a comparable work and may take into account any associated sales taxes or fees. To maintain an appropriate level of coverage, your client may need to have an updated appraisal completed. Resources for finding a qualified appraiser with experience in the relevant market segment include the Appraisers Association of America, the American Society of Appraisers, or the International Society of Appraisers.

PROTECT AND PRESERVE

High-value artwork requires attention to a range of details. It's helpful to research and engage experts who are familiar with a collection or medium. For instance, if your client inherits an outdoor sculpture, they should consider enlisting a conservator who performs maintenance on similar sculptures. Framers, transporters, conservators, and art handlers are among the other professionals your client may need to access.

Transit and installation are among the biggest culprits in art losses. If artwork is being moved, choosing a professional shipper and installer with expertise in art may potentially avoid significant damage.

A controlled climate is another key to preserving high-value art. Installing artwork away from windows helps guard against fading and keeping it away from air vents avoids the damage that can be caused by micro-climates. Centrally monitored fire detection systems help protect art from potential smoke or water damage from a fire department's response. In addition, water damage from burst pipes or leaking appliances is a significant cause of loss to art collections. Installing a water leak detection system – that will detect a water leak and automatically turn off the water source – can help prevent damage or loss.

If your client does not already have a security system, now is the time to strongly consider one. The FBI estimates that art theft is a \$6 billion business, and less than 10% of works are recovered.⁵ Although high profile museum thefts grab the most headlines, in the United States, the majority of thefts occur at private residences, not in galleries.⁶

73%

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FIRST THINGS FIRST

Inherited artwork often possesses significant emotional and monetary value. Whether your client plans to sell or pass it down to the next generation, immediately taking these basic steps will help keep a collection's value intact. Guiding art heirs to the right actions and resources can be a simple – but impactful – step in relationship building with next-generation clients.

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1 <https://www.cerulli.com/press-releases/cerulli-anticipates-84-trillion-in-wealth-transfers-through-2045>

2 Verint Connect, "Health Insurance Customer Experience: A Generational Breakdown," October 2021

3 Chubb Study: Selling Across Generations, 2022

4 <https://www.forbes.com/sites/korihale/2022/04/26/heres-why-millennials-are-shelling-out-big-racks-for-fine-art-work/?sh=6175ed4f486a>

5 FBI Provides New Information Regarding the 1990 Isabella Stewart Gardner Museum Art Heist; March, 2013; news release downloaded from [archives.fbi.gov](https://www.fbi.gov).

6 <https://www.artdex.com/art-theft-protecting-collection/>

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