The Expert’s Corner
Preparing for the Unexpected

On May 3rd, Nashville’s Cumberland River overflowed and caused severe flooding in 52 of Tennessee’s 95 counties. The Grand Ole Opry House, the Gaylord Opryland Hotel complex and the Schermerhorn Symphony Center were all flooded, including their storage facilities. It was an unexpected and unfortunate event; one that demonstrates the importance of making sure you are properly insured.

A personal property risk assessment can ascertain if you have the proper coverage, so if there is a loss, you are thoroughly protected.

A personal property risk assessment will include:

- An analysis of whether or not the contents of the home or institution are correctly categorized into General Contents and/or Fine Art & Antiques
- An evaluation of the security measures such as the alarm system, locks, storage and smoke detectors
- A listing with photographs of any items valued over $30,000
- A recommendation, if necessary, for those items which require a full appraisal
- An overall determination of whether or not you are insured correctly for the contents of your home or institution

This tool can be used by your insurance broker and carrier to ensure you are provided with a stress-free claims process for your property in the event of a loss.

Anita Heriot
Freeman’s Appraisal Services
aheriot@freemansauction.com

Sam Pugatch
212-297-1493
spugatch@dewittstern.com

Lani Stanbery
212-297-1410
lstanbery@dewittstern.com

Fine Art Issue Contributors
Preventing Your Home and Fine Art Collection for a Hurricane

While there is no perfect solution for protecting your fine art and home from natural disasters, you can take several precautions to significantly reduce damage to your property.

For your home:
1. Identify potential gas, electric, chemical or structural hazards around the house. Mitigate potential damage by understanding how to turn off the gas line.
2. Install storm shutters and ensure all glass windows and doors are hurricane glass to protect against wind and wind-borne debris.
3. Install a fortified waterproof storm closet – a closet or room without windows which has reinforced doors and walls so you have a safe on-site storage area.
4. Keep an emergency list of important phone numbers such as your insurance broker, fine art packer/shipper, etc.
5. Keep fine art or furniture out of windows. Mitigate potential damage by understanding how to turn off the gas line.
6. Wrap outside sculptures in burlap or blankets tied with rope to protect them from debris.

For your fine art:
1. Implement an emergency preparation plan in the event a hurricane warning is issued. Create an arrangement with a fine art storage facility where your collection can be moved if a storm approaches and assist your insurance broker in advance that an emergency storage location should be added to the policy.
2. If any works are left on walls, make sure all hanging devices are secure.
3. Keep fine art or furniture out of windows to a storm closet or a water resistant area of your home.
4. Move objects away from windows to a storm closet or a water resistant area of your home.
5. Glass on framed works can be taped to prevent shattering; Plexiglas should not be taped.
6. Wrap outside sculptures in burlap or blankets tied with rope to protect them from debris.

2010-2011 Dealer Forum Series

All events will be held at The Museum of Arts and Design, NYC at 8-10am.

10/13/10 TSA Certified Cargo Screening Program
11/1/11 Confidentiality and Art Transactions
3/6/11 Health Benefits for Galleries and Museums
5/18/11 What happens when you do not get your artwork or your money?

If you are interested in attending any of these sessions, please contact Mary Pontillo – mpontillo@dewittstern.com.

Covering Your Business Property

As a dealer examining your insurance needs, the first thing you may consider is protecting your inventory. However, your business assets are not limited to your inventory, and there are other items you should consider protecting from loss. While desks, chairs, and carpeting don’t necessarily have a high individual value, the time and expense spent replacing your gallery’s property must be considered.

Three primary kinds of coverage should be contemplated with regard to protecting property:

- Business Personal Property – furniture, fixtures, phones, rugs, etc
- Electronic Data Processing Property – computer hardware, credit card processors, software, etc
- Improvements & Betterments – any property that you have permanently installed in the space including stairs, walls, and flooring

In Manhattan, the build-out cost for galleries averages $500 per square foot. This cost includes all planning, labor, and materials and it is beneficial to keep records of any property you purchase for your business for both insurance and tax purposes. We know our clients put a lot of time, money, and effort into building a space and business they are proud of and this is a major exposure that is easy to overlook, but critically important to protecting your business.

The State of the Market by Skate’s

Skate’s Art Market Research provides wealthy individuals and international investors with reliable and unbiased research regarding art investment decisions. Skate’s Top 5000 is a database of the world’s 5,000 most valuable artworks based on publicly reported auction prices. As the fall auction season begins, we speak with Elena Zavelie, Senior Vice President at Skate’s, about current and historical market conditions.

The art market has been turbulent over the past year or so. Many artists have seen significant reductions in the value of their works. Who are the most valuable artists in the Skate’s Top 5000? The three most valuable artists in terms of total value are Pablo Picasso (371 works; $3.2bn), Claude Monet (225 works; $1.1bn), and Andy Warhol (204 works; $1.1bn). Alberto Giacometti climbed to 9th place (83 works; $630m) with the sale of “Walking Man”. Gerhard Richter is the most valuable living artist (75 works; $307m). Some of the highest average values per artwork are Van Gogh ($18.1m) and Klimt ($21.3m).

What should an investor entering the art market be aware of? Investment returns on Top 5000 are varied. The highest performer this year had a 190.2% annualized rate of return while the lowest performer was -58.8%. Like any investment, there is a possibility for profits and losses. Timing of purchases and divestments is crucial. The returns depend entirely on the state of the art market. Most of the worst returns occurred around 1996 and 2009-10, when there were a greater number of sellers and few buyers. Some of the best returns were seen just before “the bubble” in 2007-08. The top 54 deals, as measured by the annualized effective rate of return over the past 30 years, occurred in 2005 or later. To learn more, visit www.skatelaboratory.com.

TSA Certified Cargo Locations

As of August 1, 2010, any cargo shipped on passenger planes has to be 100% screened. Are you using a TSA Certified Cargo facility/shipping company? For a list of TSA certified locations, go to www.tsa.gov and search for “screening facilities”.