

INSURING PERSONAL JEWELLERY

Frequently Asked Questions on the right of insurers to replace and the importance of valuation

a) ***Why do many insurers insist on settling claims by replacing items rather than paying cash?***

Almost all household policies reserve the right to replace items which are the subject of a claim, rather than pay cash. Many also say they may do so through their chosen supplier. That is generally to the advantage of most insured persons: it enables insurers to obtain a discount from suppliers, and avoids fraud by the small minority who fake a loss as a means of creating cash, both of which help to minimise premiums.

That replacement process works well for claimants who have lost, say, a television where insurers can easily seek an equivalent model. It works less well with jewellery where small differences in quality and style can greatly affect price and your acceptance of the replacement.

b) ***How can I ensure that a replacement item is a fair replacement for the original?***

If the only description you have of your jewellery is that it was "a 3 stone diamond ring, purchase price £750", you may not know whether the quality of the replacement ring offered by insurers is similar.

A professional valuation will provide an accurate description of each item and a measure of its quality in terms of the type of precious metal, the size, colour and clarity of any diamonds, and a description of other stones, as well as an up to date replacement cost. Most valuations will also include a photograph. Such a valuation is a powerful protection against inadequate replacement.

c) ***What can I do if I am not happy with my insurer's offer of replacement?***

If normal negotiation fails, policies set out a complaints procedure. Be aware that the Financial Ombudsman Service, your final protection short of legal action if a complaint against an insurer fails, takes the view that it is perfectly in order for insurers to replace, and to use their chosen supplier, provided:

- it is fair to do so,
- the insurer has taken reasonable steps to explain when you took out or renewed the insurance that they would handle claims in this manner. Given the length of most household insurance policies, the Ombudsman may expect the insurer's right of replacement to be drawn to your attention in a policy summary, but that may not be necessary with a simple shorter wording.
- the replacement item is reasonably identical to the item it replaces. A professional valuation helps ensure the replacement is reasonably identical.

d) ***My insurer has agreed to pay cash rather than insist on a replacement, but is offering less than the replacement value. Is that fair?***

It depends on whether they have met the Financial Ombudsman Service rules. If they have, then they have the right to pay you only what it would have cost them to replace. If not, they should pay the full replacement cost, or the sum insured on that item if less.

e) ***What should I look for in a valuation?***

The valuer should discuss the type of valuation you require for insurance, especially if it is not self-evident from the items concerned. Many insurers apply a "New for Old" replacement clause to jewellery. That may be fine for a modern ring, but New for Old may not be satisfactory for antique jewellery. Valuation practice reflects this with valuations based on New Replacement Value or Secondhand Replacement Value, or other special variations.

f) ***How can I find an experienced valuer?***

The National Association of Goldsmiths' Institute of Registered Valuers is dedicated to ensuring a high standard of valuation. Their website includes a facility to find a valuer near you.

g) ***What should I look for in my insurance?***

Choose your insurance with care, or consult a broker experienced in arranging jewellery insurance.

Many insurers do not ask for any form of valuation in advance of a claim, even for quite high values. Do not be fooled by that. Every insurer is entitled to ask for evidence of value in the event of a claim, unless they have already "admitted values" – where the insurer agrees before a claim to accept a valuation as evidence of the value except where fraud is involved. Nor should you rely on index-linking to keep the replacement value of jewellery up to date; the price of precious stones and metals does not move in line with the general Retail Prices Index. Consider having items revalued every 3 to 5 years.

A few insurers normally settle claims in cash rather than by replacement, but those are often insurers specialising in high value homes.

Where an insurance does not have a "New for Old" clause applying to jewellery, and a valuation has been accepted and hopefully "admitted" by the insurer, the valuation should take precedence and determine the style of the replacement. Some insurers also assist by having a wide range of replacement facilities. That makes it more likely that you can replace through the jeweller you purchased the items from, and that the replacement will be in a similar style.

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