

The True Cost of Outdated Appraisals

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The goal of all insurance carriers is to protect its customers against life's unpredictable occurrences. Insurance carriers do this from the first intake of a new customer at underwriting through the unforeseen impact of the claim. One focus of making this process seamless is having accurate jewelry appraisals on hand and when these appraisals are out of date, it not only costs the carrier, but costs their policyholders as well.

In the past year, 55% of jewelry claims were upside down in coverage where the replacement cost was higher than the coverage limit. A few factors affecting this high percentage are rising inflation costs and also a lack of knowledge for the policyholders to understand that their appraisals should be re-evaluated to keep up with the current market. Many times, policyholders haven't updated their appraisals since the purchase of their engagement ring, inheritance of their family heirloom, or when they received diamond studs as a graduation gift.

5 Considerations for Why Outdated Appraisals are Costing Policyholders & Insurance Carriers:

A vital part of insurance is to accurately underwrite the asset being covered. Carriers go into painstaking details when it comes to underwriting a home or automobile, but there is an opportunity to protect jewelry items in the same way and increase customer satisfaction simultaneously.

- 1. Policyholder's don't have enough coverage to be made whole.** When a jewelry loss occurs a policyholder expects that they've been paying premiums on their item and would have enough coverage to replace the item. Unfortunately, 55% of the time, this is not the case. They are underinsured and cannot replace an item that most of the time holds extreme sentimental value. The result can lead to unhappy policyholders, non-renewals, and headaches throughout the claims organization.
- 2. Insurance carriers are not collecting accurate premiums.** Jewelry, like homes, tend to increase in value over time. Ensuring adequate coverage for the item to be replaced is the first step in paying what is owed. If the policy does not cover 100% of the replacement of the item it does not set up the claims department for success in the event of a loss.

3. **When a policyholder wants to switch insurance carriers, they are required to get updated appraisals.** Policyholders wanting to switch from Y insurance carrier to Z insurance carrier are burdened by requirements to have an appraisal less than three years old. The policyholder spends on average \$150 per appraisal to have it updated. This creates an extreme barrier to entry for insurance carriers and agents trying to acquire new policyholders and ultimately results in the loss of a potential customer that does not want to spend the time or money to update their existing appraisals.
4. **There's a never-ending cycle of aging appraisals.** As appraisals are accepted by insurance companies and the value is not monitored and updated yearly, they continue to grow older. Many carriers do not have a mandate after appraisals are accepted for how often the value should be updated, creating a cycle of appraisals growing older each year. As a result, millions of scheduled items are valued with outdated information putting those items at risk for being underinsured.
5. **Jewelry appraisals often contain missing or inaccurate information.** Jewelry appraisals are subjective and are not governed by an authority to ensure accuracy or consistent valuation. Underwriters are equipped with few tools to assist with gaining the correct insure to value amount and fraud protection measures. At times, appraisals do not even contain the bare minimum details to evaluate the item when a loss occurs. This costs additional money by taking time from the agent, policyholder, and third party vendor to gather the necessary information and scope the details of the loss when it occurs.

How do we, as an industry, resolve this problem?:

Three simple steps to ensure that inaccurate appraisals stop costing insurance companies millions of dollars and policyholders are insured at the right amount.

1. **Ensure all appraisals are valuated and contain the correct information at point-of-sale.**
2. **Actively manage appraisal prices annually to stay accurate based on the current market.**
3. **Review and update existing scheduled jewelry items.**

In working in the jewelry claims space for 20+ years, Artigem recognized how much outdated appraisals were costing insurance companies and created the only solution in the industry to resolve this issue and ensure that appraisals never grow old again through our latest software solution, SpeedCheck. Making sure the appraised value is right at point of sale, actively monitoring prices based on appraisal description yearly, and updating all existing appraisals makes this solution a one-stop-shop in making sure appraisals aren't costing insurance companies anymore.

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