
Beware the One-Page Appraisal



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Insurers are increasingly rejecting one-page appraisals for valuable property such as jewelry, artwork or antiques – and for good reason.

As an insurance advisor, you have likely been presented with a one-page appraisal report for personal property such as artwork, jewelry or antiques. This seemingly simplified form can complicate your life immensely.

Here's a common scenario: a client hands in a one-page appraisal report written by the business where she originally bought her object. The business told her they did appraisals. However, when she submits the one-pager to her insurance company, the carrier won't accept it. Now either she or her insurer are calling us as qualified appraisers.

The value of some fine art, jewelry and other collectibles has increased substantially; for other objects, it has fallen drastically. Given the fluctuation in value, clients need to know that their insurance company will accept their claimed values and that their coverage for treasured assets is accurate.

Insurance brokers and claims adjusters who rely on appraisal reports to make decisions about their clients' futures are insisting on independent, impartial, and objective opinions of value.



WHAT'S WRONG WITH THE ONE-PAGE REPORT?

The industry is increasingly rejecting the one-page report – and for good reason.

The one-page report may not contain the proper description information or include photographs of the object. It may not be signed by the person who created it, and it may not include the credentials of a qualified appraiser.

Using jewelry as an example, the one-page report may not have been prepared by a qualified gemologist, goldsmith, or by someone who was also a qualified personal property appraiser. He or she may not have a solid understanding of appraisal methodology that is backed up with extensive training, accepted standards and rules, and an industry agreed-upon reporting format. Proper jewelry identification is only part of the appraisal process.

In a one-page report, there is often neither a justification for the value given nor a market analysis stating where the value opinions were developed. There may not be an accepted definition of value tied to the purpose of the appraisal. And the desired value definition, if present, may not be correct for the purpose.

Appraisal reports have different purposes. Each purpose requires the use of different valuations, which may in turn require the use of different approaches and markets to estimate the values. Different purposes may result in different estimated values for the same or similar objects. Only a qualified appraiser has the understanding and training to know how to proceed.

praised, wants to charge a percentage of the objects' values, and/or has a current or future interest in the objects valued, unless they disclose their interest or past history with the objects.

Always work with a qualified appraiser and be certain of the value. Save your clients, your company, and yourself time and money.

QUALIFIED APPRAISALS AND APPRAISERS

In the marketplace, the term "appraisal" may be used synonymously with "sales estimate," but it may not be a qualified appraisal report.

If a client needs insurance coverage or must submit a claim for damage or theft

- the date(s) and location of inspection, and the effective date of value; and
- the appraiser's qualifications and signature.

A credible appraisal report will contain the "Appraiser's Certification," which is customized to each appraisal assignment.

As an insurance advisor, you want to make sure that the people performing the appraisals are in fact qualified. This is part of your due diligence and risk assessment, not to mention part of your client customer service. Qualified appraisers have:

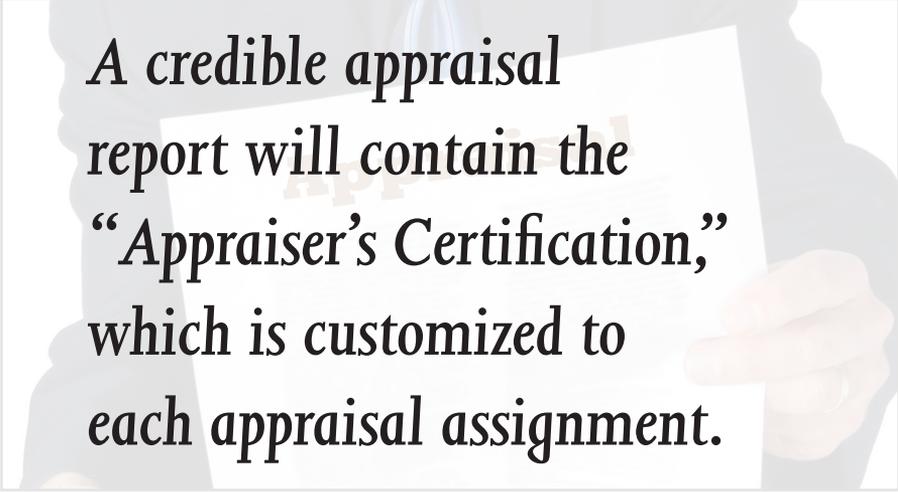
- training in appraisal methodology;
- market expertise and post-secondary education or additional qualifications in their specialty areas;
- years of appraisal experience; and
- hold a current membership in a recognized personal property association such as the International Society of Appraisers (ISA).

A qualified appraiser will offer an impartial and professional market analysis and opinion of value. This means that a qualified appraiser will never offer to buy the appraised object, likely didn't sell the client the object originally, and will not have any reason to provide an estimate that favours the client.

An appraiser develops and reports an opinion of value on a specific type of property. Some personal property appraisers may choose to specialize in just one area of practice, but many appraisers practise in more than one specialty. In addition to fine art and jewelry, specialties also include coins, sports memorabilia, decorative arts, photography, wine, and more.

Qualified appraisers work to the methodology, rules, and standards set out by the Uniform Standards of Professional Appraisal Practice (USPAP). This qualification must be updated every two years. To ensure appraisal experience, look for an appraiser who is a current member of the ISA.

ISA appraisers must prove formal education in their specialty areas and perform a minimum of 75 hours of continuing education and over 700 hours of appraisal-related services every five years. ≡



A credible appraisal report will contain the "Appraiser's Certification," which is customized to each appraisal assignment.

An effective date attached to each appraisal defines the date to which the appraiser needs to focus his or her attention to determine the value. The appraiser might need to understand the market and look up exchange rates from years ago. A one-page report may not contain that effective date, the date the appraisal was created, and/or the date the object was inspected.

Do not accept an appraisal report if it is handwritten or unsigned; if the fee is based on a contingency or upon the value of the property; and/or if the appropriate purpose and assigned use are not stated and defined.

Instruct your clients to avoid a person who claims to be an appraiser who offers to purchase the objects to be ap-

– or if they want to donate to a charity or need to divide their assets because of a death or divorce – they will require a qualified value. And a written, qualified value fills more than one page.

A QUALIFIED APPRAISAL REPORT HAS:

- a cover document explaining in detail what type of value is being sought ("purpose") and how the appraisal is to be used ("assigned use");
- the methodology and resources relied upon, including a market analysis and market(s) selected;
- a complete and accurate description of the property written in such a manner that it can be identified without photos but will also contain photos;