From: Paul Nilsson [redacted]
Sent: Tuesday, 25 June 2019 11:08 a.m.
To: Insurance Review
Cc: playfair@consumer.org.nz
Subject: Incorrect Jewellery Claim Settlements?
Attachments: [redacted]

Dear MBIE

I am writing because it appears that a large number of New Zealand consumers, over the past 15 years, may have been settled incorrectly by their domestic insurance company on their claims for antique/estate jewellery or vintage watches. Because consumers are unaware they may be being short changed they are not in a position to challenge the settlement. By settling incorrectly, the insurance companies concerned may be in breach of their contract with their client.

Up to 70% of all insurance claims for jewellery in New Zealand are valued/assessed for the respective insurance company by one jewellery valuation business, [redacted] Originally operating under the company [redacted] and more latterly [redacted]
[redacted] provide >90% of all jewellery assessments for [redacted], and approximately 60% for the [redacted]

Most domestic policies by these companies state that claims for jewellery and watches will be settled either by replacement with new equivalents, or by payment at the indemnity value (market value) level.
[redacted] after interviewing the claimant and assessing available documentation, provide the claims staff with a report that lists two columns of figures, Replacement Cost & Market Value. See attached examples.

The reports, by all accounts, are interpreted by the claims staff as Replacement for the first column and Indemnity for the second and settled accordingly.
The problem is that for many antique, estate, and vintage items the Indemnity figure is listed by [redacted] in the Replacement column, and for some inexplicable reason, a lower figure listed in the Indemnity column.
Please see three of the attached [redacted] reports attached that illustrate this.
[redacted]
Jewellery Valuation [redacted]
In the [redacted] report items #11,12,14,26 have their "Replacement" amounts notated in small print as "Antique Replacement" or "Second-hand Replacement" – these are definitions of Indemnity, not Replacement.
In the [redacted] report there are 13 items valued like this totalling $13,610 in the replacement column and $7815 in the indemnity column. According to the policy wording the true values should have been approx. $23,000 for replacement, and $13,610 for indemnity.
In the [redacted] report the client would have been disadvantaged by $1700 on their settlement if it weren't for the unspecified item limits – as it was they were still disadvantaged by $200.

We are aware that insurance companies often do not make an adjustment to rectify these anomalies. This means any settlement based on the [redacted] reports cannot satisfy the insurance company contracts. The client is expected to replace with new jewellery at the Indemnity Value, or accept an Indemnity settlement that is well below Indemnity Value.
Some contracts state that if the client insists on cash rather than replacement the settlement amount is proscribed at "Half replacement value or Indemnity, whichever is the lesser". Many consumers would in fact prefer not to replace inherited jewellery and are therefore obliged by the settlement offer to accept half of the true indemnity value of those items.
It could be argued that the individual items in the replacement column are clearly notated as second-hand values and it is up to the insurance companies to adjust the claim accordingly. This may be so but it does not explain the figures in the indemnity/ market value column that are significantly less than indemnity.

In fact, [redacted] also acts as an assessor, or "claims manager" on many of the claims it evaluates, interpreting the clients policy and making settlement proposals.
The attached [redacted] Assess document illustrates – It is based on the [redacted] Value report, summarizes the policy wording, and lists the items that could be replaced through various jewellers – the salient point being that the fact that many of the items were valued at second hand values is now lost.

Efforts over the past 11 years to rectify this situation have failed.
In 2015 The Insurance Ombudsman was finally persuaded to scrap their 2008 jewellery information sheet for consumers which supported this anomaly.
After meetings with, and submissions to The Insurance Council they have provided a Jewellery Valuers Guideline that clarifies the value definitions.
The Jewellery Valuers Society committee accepted the IC guideline and now recommends it to all members.
All of the above appears to have failed to bring about a change in the approach taken by [redacted] and the acceptance of it by the member companies of the Insurance Council.
Perhaps this failure is driven by the possibility that in accepting that a proportion of jewellery claims are being settled incorrectly, the companies, and indeed [redacted], might find themselves liable for the shortfall on 15 years of historical claims?
In fact, I believe that NZ domestic policy holders are owed a review of these historical claims and, indeed, reimbursement of any shortfalls that are discovered.

I would be happy to discuss the above with you.

Kind regards

Paul Nilsson, **FGA (Distinction), GIA Gemologist**
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