

Jewelry Appraisals for Insurance: A CALL TO ACTION

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The jewelry industry's Appraisal Task Force has recently published Guidelines for jewelers to follow in preparing cost estimates for insurance. Under these Guidelines, the document for the insurer is not an appraisal, and the jeweler preparing it is not responsible for its factual content.

These Guidelines do not serve the insurance industry. Insurers should be warned that the Guidelines are being promoted throughout the jewelry industry as a standard. Insurers and their agents must counter this movement by putting forth their own standards, before these substandard Guidelines are lobbied into law.

Poor Insurance Appraisals: An Ongoing Problem

For years underwriting departments have accepted jewelers' appraisals without reservation, and claims departments have settled jewelry losses based on these often inadequate and inflated appraisals. Because the average jewelry claim is only about \$2,000, the problem is often overlooked by insurers. However, if a customer is unhappy over settlement of a jewelry claim—because the appraisal was so misleading and/or incomplete that the replacement does not live up to the original — all the customer's other business with the insurer is threatened.

Since jewelry premiums average only about \$30 per item, underwriters cannot devote more than about thirty seconds to reaching a decision on whether an appraisal

is acceptable. Not being jewelry experts, they must work with whatever appraisals they are given.

A good appraisal for insurance should describe a piece of jewelry in sufficient detail to distinguish it from other pieces similar in appearance. A detailed appraisal can serve as a basis for valuation and replacement if the piece is lost. Most appraisals are woefully incomplete, little more than cursory descriptions along with a price. A recent study by JCRS examined jewelry appraisals submitted to 21 insurance companies over a six-month period. It found that even the 4 C's—color, clarity, carat weight and cut—were not consistently covered, and information on gold weight and trademark were usually left off.⁶ Lack of such crucial information makes it diffi-

cult at best for insurers to price out replacements.

Even when information is given, it's not necessarily reliable. In 1993 a crew of investigative TV reporters went shopping for diamond appraisals with a hidden camera. In establishments that ranged from pawn shops to upscale jewelers, they found appraisals where gem qualities were dramatically misjudged, sometimes by as much as 3.5 color grades. For one item there was a difference of \$3,500 in appraised replacement value by different jewelers. Opinions often differed even on blind reexamination of the same items—one shop examined the same stone on two different occasions and its two appraisals differed by \$1,500.⁷

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The Jewelry Industry's Guidelines

The Jewelers Vigilance Committee, Inc., in the United States, established an Appraisal Task Force (ATF) to address the need for useful jewelry insurance appraisals. (Though the Canadian group is at least a year away from publishing its guidelines, it would be surprising if they were not influenced by developments in the U.S.).

The document resulting from two and a half years of meetings and study is the "Jewelers Vigilance Committee Inc. Appraisal Task Force Recommended Minimum Guidelines for Insurance Cost Estimate Documentation for Jewelers." Oddly enough, the word appraisal is noticeably absent from the body of the Guidelines.

Why did the Appraisal Task Force substitute "insurance cost estimate documentation" for the simple word appraisal? What is the significance of this new terminology for the insurance industry? What do these jewelers' guidelines include and fail to include? And whom do they serve?

A class for jewelers, sponsored by the Jeweler's Education Foundation (JEF) of the American Gem Society and based on the *ATF Guidelines*, sheds some light. The class's course book states that 99% of the appraisals written by jewelers on the merchandise they sell "leave the jeweler with large areas of exposed liability." The course material therefore is designed "to set basic criteria to protect a jeweler's and the client's interest in obtaining insurance protection."⁸

The Jewelers Vigilance Committee, which established the Appraisal Task Force, was formed "to guard against unfair competition" and "to protect industry prestige," according to its brochure.⁹ Membership is open to all dues-paying jewelry retailers, manufacturers and distributors. Thus it is not surprising that the Guidelines would protect jewelers, rather than to provide an impartial guide to producing good appraisals.

The Gemological Institute of America (GIA) is already incorporating these guidelines into a correspondence course it began offering in late 1995. The GIA course has no prerequisites and offers certification based merely on several hours of reading and an open-book exam.¹⁰ "Certification" based on the *ATF Guidelines* muddies the value of the word and makes the insurer's

quest for a good appraisal all the more difficult.

Disclosure Statements

One fourth of the text of the *ATF Guidelines* is devoted to sample disclaimers, which are called "disclosure statements." The wriggling intention of such statements is understood, since the opening paragraph of this section instructs that "Disclosure statements should always be made in a positive manner."¹¹ The new GIA course is also endorsing disclosure statements.

Although the Guidelines recommend a detailed description of jewelry for the insurer, an important disclosure statement relates to accuracy in gem grading. "To protect yourself from claims of misrepresentation," the *ATF Guidelines* advise jewelers, "it is important to disclose that gemstone grading is done subject to an acceptable range of accuracy." They recommend including the statement: "Legitimate opinions of quality and grade may vary upon reexamination or examination by another qualified gemologist."¹²

In fact, there is no agreed upon "acceptable range of accuracy." Trained gemologists grade a gem by comparing it with a standard set of stones pregraded by the Gemological Institute of America (GIA), a lab standard also used by Canadian gemologists. If a stone being appraised is seen as falling between two grades, rather than clearly in one or the other, this can be indicated straightforwardly on the report. There is no excuse for the grading of a stone to vary from one examination to another by the same gemologist. This only opens the door to major fraud and intentional misgrading.

Unfortunately, in its new appraisal course the GIA itself is now endorsing this "acceptable range of accuracy," forsaking its former high standards. Appraisers following the *ATF Guidelines* would be allowed to simply pass on the gem grades given them by suppliers¹³, without even noting on the appraisal that the appraiser had no training or equipment and had not examined the stones.

For the insurer, even slight inaccuracies in grade and weight can be expensive. On a one-carat diamond, a difference of just one grade in color and clarity can mean a \$6,800 difference in jeweler's cost.¹⁴ This difference is compounded when the jeweler adds his markup.

The idea of an "acceptable range of accuracy" is apparently based on a survey the Jewelers Vigilance Committee sent out to its members in 1995, asking jewelers how accurate they thought their appraisals were.¹⁵ That is, the "acceptable range of accuracy" appears to reflect jewelers' opinions of what is acceptably accurate. But grading is more science than opinion. A jeweler trained as a gemologist does not have to take shelter in a subjectivity clause.

Disclosure statements regarding the subjectivity of grading should be seen by the insurer as disclaimers, meant to relieve the person signing the appraisal/report of responsibility for its contents. The JEF class based on the Guidelines underlines the importance of such an escape clause for jewelers. UCC section 2-313 states that a description of goods that becomes part of the basis for a sale creates an express warranty that the goods conform to the description (in Canada, the provincial Sale of Goods Acts contain a similar provision¹⁶); however, says the JEF class manual, "a statement purporting to be merely the seller's opinion or commendation of the goods does not create a warranty."¹⁷

Replacement from Original Seller

One of the most difficult problems for insurers is not knowing the manufacturer and style number of a lost piece. Without knowing the manufacturer it is difficult for the customer to comparison shop, and similarly difficult for the insurer trying to find or make a replacement. The Guidelines suggest that the jeweler may include his own inventory number in lieu of the manufacturer's trademark.¹⁸ The inventory number is, of course, meaningless outside that store.

The Guidelines say that the name of an important designer or jewelry house should be specified.¹⁹ However, since U.S. and Canadian federal laws require that any article stamped as wholly or partly made of gold or silver (in Canada, platinum and palladium are also included) must also carry the manufacturer's registered trademark,²⁰ that manufacturer should be identified on the appraisal. Without crucial manufacturing information, the insurer is often forced to return to the original seller and accept whatever price that jeweler demands or suffer the ill will of its policyholder.

Information left out of the report can be

protected as “confidential,” according to the Guidelines. If the customer does not want the selling price listed, for example, “confidentiality takes precedence” and the jeweler may simply disclose the existence of a difference between the selling price and replacement cost, without stating the amount of the difference. Recognizing the seduction of this recommendation, the Guidelines caution the jeweler that “this situation should not be used as an excuse to puff or inflate the value.”²¹

The Guidelines recommend that every replacement cost estimate contain a disclaimer to this effect: “This document was prepared to provide an estimate of replacement cost through (NAME) Jewelers for the intended use of obtaining insurance. Any other use of this document is invalid and likely to mislead others who might rely on it.”²² Presumably, the insurer may not rely on it for pricing replacements.

Lack of Professional Training

In the underwriting of various insurance classes, insurers look to experts in the field to provide them with useful information. In jewelry, most of the people supplying insurance appraisals have received no formal training. A study by JCRS, covering appraisals submitted to 21 insurance companies in 16 states over a six-month period, found that only 21% of those appraisals were conducted by appraisers who were graduate gemologists and just three per cent had additional appraisal training.²³ Canada is estimated to have a similar percentage of jewelers with gemological training.²⁴

The prevailing view in the jewelry industry has been that success in selling confers gemological and appraisal expertise—at least enough to satisfy insurers. Michael D. Roman, Chairman and C.E.O. of Jewelers of America, jewelry’s largest trade group and lobbying force, has said: “For the average sale I don’t think the appraisal is that important . . . if you have a question about what it is, you can send it to GIA and they’ll tell you what it is. . . . If he’s been in business 20 or 30 years, [the jeweler]’s doing something right.”²⁵ The GIA takes this a step further with their new insurance appraisal course which has no prerequisites and is open to “all sales personnel.”²⁶

The Guidelines deal with the widespread lack of training by making “appraisal” a special word “beyond the scope of these guidelines.”²⁷ They advise advanced gemological and appraisal training only for doc-

umenting “items you do not normally sell and that could not be replaced through your store.”²⁸

The ATF states, in a forward to the Guidelines, that any document represented as an appraisal should conform to the Uniform Standards of Professional Appraisal Practice (USPAP)²⁹, saying this definition is “rapidly gaining acceptance”—but it does not say acceptance by whom. The USPAP are ethical standards, written originally for real estate, and are not universally applicable to personal property, especially jewelry.

Patti Geolat, a member of the Appraisal Task Force and of the Board of Directors of Jewelers Mutual, has co-written *The Professional’s Guide to Jewelry Insurance Appraising*. In it she holds that, since appraisals are legal documents, they should conform to the definition found in Black’s Law Dictionary.³⁰ An independent appraiser herself, she has an interest in not allowing jewelers to write point of sale “appraisals.” But the definition in Black’s—which was also based on real estate—is after all just a definition. It is not the law.

These jewelers do not appear to have consulted insurers for their definition of a jewelry insurance appraisal, which would rely on the Glossary of Insurance Terms³¹ or Dictionary of Insurance Terms.³²

Recognizing that the word appraisal connotes expertise³³, and that about 80 per cent of the jewelers writing insurance appraisals do not have the expertise, the Guidelines substitute the clumsy “insurance cost estimate documentation.” It is likely known that the document will still be read as an appraisal by insurers, yet the jeweler side-steps responsibility.

The GIA course also sees the document as important, regardless of how it is backed up. Since GIA appraisal certification does not require gemological training, however, the jeweler doing the appraisal may not be wish to call it an appraisal. In that case, the text recommends, “You can call it a ‘Replacement Price Report For Insurance Purposes’ or ‘Replacement Documentation For Insurance Purposes.’ But call it something.”³⁴ Whatever they call it, it will be presented to the insurer in lieu of an appraisal.

It’s not that training isn’t available. About 20 per cent of U.S. and Canadian jewelers are graduate gemologists³⁵, having a six-month trade degree (available by cor-

respondence or in residence) from the Gemological Institute of America. A growing number have special training in appraising jewelry for insurance, with certification following a four-day course from Jewelry Insurance Appraisal Institute (JIAI).³⁶ Unlike some of the quick appraisal-training courses that have no prerequisites and give open-book exams, the course offered by JIAI requires that jewelers be graduate gemologists with at least three years’ experience. The course is offered by insurance professionals and leads to a degree as Certified Insurance Appraiser™ in Jewelry. A graduate gemologist with a CIA™ degree has the combination of professional expertise most useful to the insurer.³⁷

Are These Guidelines Good for Insurance?

Throughout the Guidelines and other jewelry industry materials on this subject there is a subtext that the insurance industry is an adversary. The Guidelines state, for example, that failure to “clearly and prominently [emphasis in the original] disclose any variance between the actual price paid and the estimated replacement cost, and the reason for the discrepancy” may result in cancellation of insurance even after a loss has occurred.³⁸ This is not based on legal fact.

The manual for the JEF course based on the Guidelines says that “all customer information is confidential. Get their permission in writing before releasing a new or duplicate report . . . even to their insurance company.”³⁹ The GIA course also discusses the importance of confidentiality. Why this warning, when the insurer was the intended recipient of the report? The Guidelines are sprinkled with misstatements or misconceptions of how the insurance industry operates and where legal recourse is possible. The JEF course uses extreme hypothetical cases in order to strike fear into the hearts of jewelers who write appraisals. The GIA text contains inaccuracies about the history of insurance and the meaning of insurance terms.

Since improving insurance appraisals was the task of the Task Force, one might expect that members of the insurance industry would have been consulted. Forty-one people are listed at the end of the Guidelines as contributing members of the Appraisal Task Force, and all but the president of Jewelers Mutual are jewelry professionals.

Those with insurance affiliations are jewelers working in insurance replacement divisions or are with Jewelers Mutual, an insurance company “founded by jewelers, owned by its jeweler policyholders, and governed by jewelers on its board of directors,” as its newsletter proudly states.⁴⁰ In settling personal jewelry losses under its own version of scheduled insurance, put in force by its commercial Jewelers’ Block policyholders, Jewelers Mutual provides customers only with replacements, never with cash, and replacement is through the original seller, with a predetermined formula for replacement in the event of loss. Thus, values given on appraisals are never subjected to the real-world market.

In its early stages, the Task Force did attempt to address the insurer’s needs. The chairman of the group opened one of the early meetings by reading a passage from John J. Camozzi, Esq., on problems in adjusting jewelry claims. Camozzi, who served as house counsel for Farmers Insurance Group, had suggested that insurers require appraisals from GIA-trained jewelers and that the insurance industry certify jewelers to write appraisals.⁴¹ Over time, the Task Force seemed to shift away from that focus.⁴²

More than a third of the Task Force are independent jewelry appraisers—of which there are only about 200 in the U.S. (In Canada, there are only 20 to 30.) As such, they would have a vested interest in keeping “appraisals” in their exclusive domain. At first blush, an independent appraiser might seem a better choice than a jeweler for writing insurance appraisals. However, an appraisal by an independent is very costly to the insured, whereas the jeweler’s appraisal carries a nominal fee, if any. Also, contrary to expectation, many independent appraisers are actually dependent on large jewelry chains for their business, so they may not be completely disinterested.

Appendix B of the Guidelines lists “Sources of Appraisal Training and Information.”⁴³ Ten organizations are named, none of which offers specific training in jewelry insurance appraising. Not listed is Jewelry Insurance Appraisal Institute, a member of the Society of Insurance Trainers and Educators (SITE) and the only organization that does offer training specifically in jewelry insurance appraising. JIAI was in touch with the Task Force and asked to be included in the list of sources but was not.⁴⁴

Nowhere do the Guidelines address the underwriter’s task of quickly making sense of a jewelry appraisal. They miss the opportunity to promote a standardized insurance appraisal form, which would make it easy for the underwriter to see at a glance whether necessary information had been supplied and to figure insurance to value (ITV), and would allow the claims adjuster to easily determine replacement costs.⁴⁵ Instead, the Guidelines condone leaving out crucial information and advocate “reports” weighted with disclaimers in fine print that are unlikely to be read.

In short, the Guidelines serve primarily to protect the jeweler not trained in gemology or appraisal and to preserve the status quo. They do not promote trained and competent jeweler/appraisers over mere business people. Rather than establish professional standards, they advocate disclaimers to cover uneducated opinions, incomplete information, and questionable business practices.

The Guidelines were designed to be incorporated into courses and literature throughout the jewelry industry. They are being promoted by various jewelry organizations and will probably be lobbied for at state and national levels. Officials within the insurance industry have already put the GIA on notice that its high reputation among insurers is in danger if it continues to disregard the insurer’s legitimate need by endorsing such low standards for appraisals and appraiser certification.⁴⁶

Insurers must not accept or support the *ATF Guidelines!*

Needed: Insurance Industry Standards for Jewelry Appraisals

Unless the insurance industry makes its voice heard now, unprofessional “reports” full of disclaimers will become the established standard. The insurance industry must counter these unacceptable *ATF Guidelines* by coming up with its own standards for insurance appraisals.

Insurers should strongly promote:

1. Appraisals prepared by qualified gemologists who take responsibility for the content of their appraisals.
2. A standardized jewelry appraisal form.
3. Training classes for agents, underwriters and adjusters in insurance issues

and in the basics of jewelry, so they can speak with jewelers in their own terms.

4. Training for jewelers in writing useful jewelry insurance appraisals.

The insurance industry can provide incentives for jewelers to comply with its standards.

Benefits to jewelers include:

1. Customer referrals by insurers to local jewelers who write good appraisals. Including in renewal mailings a list of qualified jeweler/appraisers would be a low-cost way for insurers to put these jewelers’ names in the hands of tens of thousands of potential customers.
2. Increased replacement business, since insurers recognize them as qualified and willing to guarantee the accuracy of their grading, both on appraisals and on replacements.
3. Increased customer trust. Jewelers can use the detailed appraisal to discuss with customers the particular qualities of their piece and how jewelry is valued, and they can point out how such a detailed description is a sign of an open and honest jeweler.

The insurer would be seen as a consumer advocate, for the insurer and the customer have similar interests. An item that is difficult to the insurer is also difficult to the consumer, so both benefit from an appraisal that is detailed and complete.

Benefits to consumers:

1. Knowledge that they have received a fair, uninflated valuation. They would know they hadn’t overpaid on the purchase and they weren’t overpaying on the premium.
2. Reduced rates. Insurers could offer lower premiums for items appraised by qualified jeweler/appraisers using standardized appraisal forms.

Under such standards, the insurance appraisal, rather than being a minimal document done to satisfy a requirement, fosters an atmosphere of trust and openness, and becomes a meaningful record not only to the insurer but for the jeweler and customer as well.

NOTES

1. For a discussion of the JCRS survey, see Theo Balti, "Jewelry Appraisals: Evidence of the Problem and a Practical Solution," *Namic*, September-October 1994, pp.56-68.

2. For more details on the televised expose, see Janet E.H. Wright, ABC, APR, "Romancing the Stone—A whole Lot of Deals and Plenty of Doubt," in *Namic*, September-October 1993, pp. 20, 50. The expose was also reported on by S. Lynn Diamond in her editorial "Appraising on the 6 O'Clock News," in *National Jeweler*, July 16, 1991.

In fact, there have been so many TV exposes recently that *National Jeweler* published a "Guide to Exposes" by Rob Bates, July 16, 1995, p. 137. All the shows exposed over-grading and/or non-disclosure.

3. "Effective Point of Sale 'Appraisals' Reports," (unnumbered p. ii) . All citations of this course material are from Effective Point of Sale "Appraisals" Reports [with the word appraisals emphatically crossed out], 1st Revision, 1995. c by Al Gilbertson, class sponsored by Jeweler's Education Foundation of the American Gem Society.

4. Quotations are taken from the Jewelers Vigilance Committee Inc. brochure soliciting membership, circulated in 1995.

5. The GIA's Insurance Replacement Appraisal course (#52) is outlined in its 1996 Education Catalog, p.30. It is open to "all sales personnel" for \$450. Students are given 12 months to complete the 190 pages of text, which includes open-book test pages and advertisements for other GIA classes and products. If they complete the course within three months with a grade of at least 90%, they will have "With Honors" added to their Insurance Appraisal Replacement Certificate.

6. *ATF Guidelines*, p. 150. All citations of the *ATF Guidelines* are from "Jewelers Vigilance Committee Inc. Appraisal Task Force Recommended Minimum Guidelines for Insurance Cost Estimate Documentation for Jewelers," by Jewelers Vigilance Committee Inc., as published in Jewelers' Circular-Keystone, December 1995, pp. 146-151.

7. *ATF Guidelines*, p.151.

8. Insurance Replacement Appraisal, textbook for the GIA course, sec.5, p.8.

9. The example is based on a one-carat diamond of E color and VVS1 clarity, valued at \$7,2000, erroneously graded as D color and IF clarity, valued at \$14,000. These figures are taken from Diamond Market Monitor, Volume 15, #1, January 1996, published by the Gemological Appraisal Association.

10. JVC Diamond Grading Questionnaire, 1995, was included with News & Views, vol. xxiv, no. 1, Jan/Feb 1995, published by the Jewelers Vigilance Committee Inc.

The questions were primarily multiple choice. For example: "How accurate do you believe your grading of a diamond is when LOOSE [unmounted]? A. Exact B. Within 1 grade C. Within 2 grades D. More than 2 grades difference"

Introductory text assured respondents of anonymity. "Only JVC's legal staff will review [the] information. The results might be released, but only in generalities..." The Guidelines' statement on range of accuracy may be one of those generalities.

11. For example, section 14 of Ontario's Sale of Goods Act provides that where there is a contract for the sale of goods by description, there is an implied condition that the goods will correspond with the description.

12. "Effective Point of Sale 'Appraisals' Reports," p. 6

13. *ATF Guidelines*, p. 149.

14. *ATF Guidelines*, p. 148.

15. National Gold and Silver Marking Act, vol. 15, sec. 297, Chapter 8: "Whenever any person...applies...to any article...any quality mark or stamp indicating or purporting to indicate that such article is made in whole or in part of gold or silver or of an alloy of either such metal...such person...shall...apply...a trademark...which has been duly registered or applied for registration under the laws of the United States within thirty days after an article bearing the trademark is placed in commerce...."

In Canada, section 10(1) of the federal Precious Metals Marking Act, R.S., 1995 c. P-19 makes it an offense for a dealer to omit or neglect to apply to a precious metal article any mark required by the Act or the regulations to be applied thereto. Precious metal article is defined as an article wholly or partly, or purporting to be wholly or partly, composed of gold, palladium, platinum or silver or an alloy of those metals. In

addition to the quality mark, the legislation permits the manufacturer to also apply its trademark in accordance with the Act and regulations.

16. *ATF Guidelines*, p. 150.

17. *ATF Guidelines*, p. 147.

18. Balti, pp. 56-58.

19. Duncan Parker, committee chairman of Jewellers Vigilance Canada, estimates that 20 per cent of Canada's jewelers have advanced gemologist training, with half of them being graduate gemologists and half holding either an FGA or an FCGmA degree.

20. Quoted by David W. Hendry, Jr., in *Jewelry Insurance, The Underwriting and Claims Reference Manual*, JCRC, 1992, p. APR 9.

21. See note #5.

22. *ATF Guidelines*, p. 146.

23. *ATF Guidelines*, p. 147.

24. *Uniform Standards of Professional Appraisal Practices* 1996 Edition, published by the Appraisal Foundation.

25. Patti J. Geolat, C. Van Northrup, David Federman, *The Professional's Guide to Jewelry Insurance Appraising*, Modern Jeweler/Vance Publishing Company, 1994, p. 4. She quotes the Sixth Edition of Black's Law Dictionary, printed in 1990, defining appraisal as "a valuation or an estimation of value of property by disinterested persons of suitable qualifications."

26. *Glossary of Insurance Terms*, edited by Robert W. Osler and John S. Bickley, Ph.D., The Merritt Company, 1994.

27. *Dictionary of Insurance Terms*, Third Edition, Harvey W. Rubin, PH.D., CLU, CPCU, Barron's Educational Series, Inc., 1995.

28. *ATF Guidelines*, p. 146.

29. Insurance Replacement Appraisal, section 9, p.7.

30. This approximate percentage is taken from the findings of the JCRC survey completed in 1994 (see note #1). Canada's percentage is about the same (see note #17).

31. JIAI is a division of JCRC, a jewelry underwriting and claim mitigation service. Its courses are open to jewelers in the U.S. and Canada, and JIAI is considering offering courses in key Canadian cities.

32. Jewelers with at least three years' experience, who have gemological and insurance appraisal training, and who are

underwritten for financial stability, etc., are qualified for listing by JAR, the Jewelry Appraisal Registry.

33. *ATF Guidelines*, p. 146.

34. "Effective Point of Sale 'Appraisals' Reports," p.14

35. Jewelers Mutual Insurance Company, *Jewelers Newsletter*, December 1995, p.1.

36. The following passage, cited with approval at the ATF meeting, is from "Appraisal Valuation Problems Inherent in Adjusting Jewelry Claims," by John J. Camozzi, Esq., in *Jewelry Insurance, The Underwriting and Claims Reference Manual*, David W. Hendry, Jr. & JCRS, 1992, p. claim 13.

If the insurance industry is to control its losses in jewelry claims, it will be necessary to establish reliable standards for underwriting and loss appraisal. The insurance industry may also wish to certify jewelers to conduct appraisals. Underwriting can require customers to obtain an appraisal from a jeweler in the insured's geographical area that is GIA trained and complies with reasonable industry requirements for appraising and certifying gemstone jewelry. At time of loss or damage, the claims adjuster can then reasonably rely upon the

underwriting appraisal for a basis of characteristics for valuation, and in the case of a damaged stone, can require the insured to obtain a damage appraisal from a similarly qualified independent jeweler. The claims representative may then reasonably rely upon the insurer certified appraisal, in conjunction with the report of other independent claim consultants such as jewelry claim specialists, to adjust the claim.

37. A representative of the insurance industry was present at the early meetings and spoke for the insurers' point of view. Eventually, he ceased to be informed of meetings. He was later told by members of the ATF that he was intentionally excluded because if he were present and the insurance viewpoint had to be incorporated into the discussions, the group would reach an impasse.

38. *ATF Guidelines*, p. 151.

39. Larry D. Phillips, chairperson of ATF's Appraisal Subcommittee, called the president of JIAI, offering to list him among the ATF consultants and to list JIAI as a source for appraisal training. Since the president of JIAI had been excluded from ATF meetings and did not approve of the final document, he asked that his name be

removed from the list of contributors; but he did want JIAI, which offers the degree of Certified Insurance Appraiser in Jewelry, listed as a source of appraisal training. Mr. Phillips agreed.

40. Such a standardized Jewelry Insurance Appraisal form is already available from JCRS. Like an ACORD form, it uses standardized wording and is preformatted with areas for all relevant information. When completed for a given piece of jewelry, the underwriter knows the relevant information is there. Such a form also allows insurers to apply conventional claims automation tools, so they can deal with jewelry losses as easily as they deal with losses of autos or consumer electronics.

40. Inland Marine Underwriters Association and the Insurance Bureau of Canada sent a letter to all directors of the GIA, outlining the insurance industry's objections to the content of Insurance Replacement Appraisal course and its inadequate certification. The letter urged the GIA to cease offering the course and to recall any diplomas or certificates that may already have been issued.

Footnotes

6. For a discussion of the JCRS survey, see Theo Balti, "Jewelry Appraisals: Evidence of the Problem and a Practical Solution," *Namic*, September-October 1994, pp.56-68.

7. For more details on the televised expose, see Janet E.H. Wright, ABC, APR, "Romancing the Stone—A whole Lot of Deals and Plenty of Doubt," in *Namic*, September-October 1993, pp. 20, 50. The expose was also reported on by S. Lynn Diamond in her editorial "Appraising on the 6 O'Clock News," in *National Jeweler*, July 16, 1991.

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12. *ATF Guidelines*, p.151.

13. Insurance Replacement Appraisal, textbook for the GIA course, sec.5, p.8.

14. The example is based on a one-carat diamond of E color and VVS1 clarity, valued at \$7,2000, erroneously graded as D color and IF clarity, valued at \$14,000. These figures are taken from *Diamond Market Monitor*, Volume 15, #1, January 1996, published by the Gemological Appraisal Association.

15. JVC Diamond Grading Questionnaire, 1995, was included with *News & Views*, vol. xxiv, no. 1, Jan/Feb 1995, published by the Jewelers Vigilance Committee Inc.

The questions were primarily multiple choice. For example: "How accurate do you believe your grading of a diamond is when LOOSE [unmounted]? A. Exact B. Within 1 grade C. Within 2 grades D. More than 2 grades difference"

Introductory text assured respondents of anonymity. "Only JVC's legal staff will review [the] information. The results might be released, but only in generalities . . ." The Guidelines' statement on range of accuracy may be one of those generalities.

16. For example, section 14 of Ontario's Sale of Goods Act provides that where there is a contract for the sale of goods by description, there is an implied condition that the goods will correspond with the description.

17. "Effective Point of Sale 'Appraisals' Reports," p. 6

18. *ATF Guidelines*, p. 149.

19. *ATF Guidelines*, p. 148.

20. National Gold and Silver Marking Act, vol. 15, sec. 297, Chapter 8: "Whenever any person...applies...to any article...any quality mark or stamp indicating or purporting to indicate that such article is made in whole or in part of gold or silver or of an alloy of either such metal...such person...shall...apply...a trademark...which has been duly registered or applied for registration under the laws of the United States within thirty days after an article bearing the trademark is placed in commerce...."

In Canada, section 10(1) of the federal Precious Metals Marking Act, R.S., 1995 c. P-19 makes it an offense for a dealer to omit or neglect to apply to a precious metal article any mark required by the Act or the

regulations to be applied thereto. Precious metal article is defined as an article wholly or partly, or purporting to be wholly or partly, composed of gold, palladium, platinum or silver or an alloy of those metals. In addition to the quality mark, the legislation permits the manufacturer to also apply its trademark in accordance with the Act and regulations.

21. *ATF Guidelines*, p. 150.

22. *ATF Guidelines*, p. 147.

23. Balti, pp. 56-58.

24. Duncan Parker, committee chairman of Jewellers Vigilance Canada, estimates that 20 per cent of Canada's jewelers have advanced gemologist training, with half of them being graduate gemologists and half holding either an FGA or an FCGmA degree.

25. Quoted by David W. Hendry, Jr., in *Jewelry Insurance, The Underwriting and Claims Reference Manual*, JCRS, 1992, p. APR 9.

26. See note #5.

27. *ATF Guidelines*, p. 146.

28. *ATF Guidelines*, p. 147.

29. *Uniform Standards of Professional Appraisal Practices* 1996 Edition, published by the Appraisal Foundation.

30. Patti J. Geolat, C. Van Northrup, David Federman, *The Professional's Guide to Jewelry Insurance Appraising*, Modern Jeweler/Vance Publishing Company, 1994, p. 4. She quotes the Sixth Edition of Black's Law Dictionary, printed in 1990, defining appraisal as "a valuation or an estimation of value of property by disinterested persons of suitable qualifications."

31. Glossary of Insurance Terms, edited by Robert W. Osler and John S. Bickley, Ph.D., The Merritt Company, 1994.

32. *Dictionary of Insurance Terms*, Third Edition, Harvey W. Rubin, PH.D., CLU, CPCU, Barron's Educational Series, Inc., 1995.

33. *ATF Guidelines*, p. 146.

34. Insurance Replacement Appraisal, section 9, p.7.

35. This approximate percentage is taken from the findings of the JCRS survey completed in 1994 (see note #1). Canada's percentage is about the same (see note #17).

36. JIAI is a division of JCRS, a jewelry underwriting and claim mitigation service. Its courses are open to jewelers in the U.S. and Canada, and JIAI is considering offering courses in key Canadian cities.

37. Jewelers with at least three years' experience, who have gemological and insurance appraisal training, and who are underwritten for financial stability, etc., are qualified for listing by JAR, the Jewelry Appraisal Registry.

38. *ATF Guidelines*, p. 146.

39. "Effective Point of Sale 'Appraisals' Reports," p.14

40. Jewelers Mutual Insurance Company, Jewelers Newsletter, December 1995, p.1.

41. The following passage, cited with approval at the ATF meeting, is from "Appraisal Valuation Problems Inherent in Adjusting Jewelry Claims," by John J. Camozzi, Esq., in *Jewelry Insurance, The Underwriting and Claims Reference Manual*, David W. Hendry, Jr. & JCRS, 1992, p. claim 13.

If the insurance industry is to control its losses in jewelry claims, it will be necessary to establish reliable standards for underwriting and loss appraisal. The insurance industry may also wish to certify jewelers to conduct appraisals. Underwriting can require customers to obtain an apprais-

al from a jeweler in the insured's geographical area that is GIA trained and complies with reasonable industry requirements for appraising and certifying gemstone jewelry. At time of loss or damage, the claims adjuster can then reasonably rely upon the underwriting appraisal for a basis of characteristics for valuation, and in the case of a damaged stone, can require the insured to obtain a damage appraisal from a similarly qualified independent jeweler. The claims representative may then reasonably rely upon the insurer certified appraisal, in conjunction with the report of other independent claim consultants such as jewelry claim specialists, to adjust the claim.

42. A representative of the insurance industry was present at the early meetings and spoke for the insurers' point of view. Eventually, he ceased to be informed of meetings. He was later told by members of the ATF that he was intentionally excluded because if he were present and the insurance viewpoint had to be incorporated into the discussions, the group would reach an impasse.

43. *ATF Guidelines*, p. 151.

44. Larry D. Phillips, chairperson of ATF's Appraisal Subcommittee, called the president of JIAI, offering to list him among the ATF consultants and to list JIAI as a source for appraisal training. Since the

president of JIAI had been excluded from ATF meetings and did not approve of the final document, he asked that his name be removed from the list of contributors; but he did want JIAI, which offers the degree of Certified Insurance Appraiser in Jewelry, listed as a source of appraisal training. Mr. Phillips agreed.

45. Such a standardized Jewelry Insurance Appraisal form is already available from JCRS. Like an ACORD form, it uses standardized wording and is preformatted with areas for all relevant information. When completed for a given piece of jewelry, the underwriter knows the relevant information is there. Such a form also allows insurers to apply conventional claims automation tools, so they can deal with jewelry losses as easily as they deal with losses of autos or consumer electronics.

46. Inland Marine Underwriters Association and the Insurance Bureau of Canada sent a letter to all directors of the GIA, outlining the insurance industry's objections to the content of Insurance Replacement Appraisal course and its inadequate certification. The letter urged the GIA to cease offering the course and to recall any diplomas or certificates that may already have been issued.