

JEWELRY INSURANCE

THE UNDERWRITING & CLAIMS
REFERENCE MANUAL



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ACORD JEWELRY APPRAISAL & CLAIM EVALUATION

DATE

PRODUCER

INSURED/CLAIMANT'S NAME AND MAILING ADDRESS (incl county & ZIP+4)

POLICY #

PRIOR POLICY #

Quick Reference Guide

Click on red links below

CODE: AGENCY CUSTOMER ID

SUBCODE:

CO/PLAN

HOME PHONE #

DAY

EVE

EFFECTIVE DATE

EXPIRATION DATE

BUSINESS PHONE #

DAY

EVE

DESCRIPTION OF ARTICLE(S) Usage: Underwriting Claims Date of Loss: Claim #:

ITEM	OF	CLASS CODE #	CODE DESCRIPTION	AMOUNT
				\$
Mounting:				
Karatage or %	Color	Metal type	Trademark (Mfg & Style#)	Workmanship
If Set with Stone(s): (each stone(s) grouping)		Gender (Ladies/Mens)	Item Type	Size MM Weight (dwt, grm)
# Stones	Set	Shape	Type	GIA Grade: (Cut/Make) Table # Crown Angle Girdle Thickness Pavilion % Culet Size Sym/Polish
MM x MM x MM x MM		Color or (Tone/Saturation/Hue)		Clarity Total Weight Approx? Avg Wgt
Precious Gems:		Colored Gemstones:		
Diamond	Alexandrite	Chrysoberyl	Hematite	Moonstone
Emerald	Amethyst	Citrine	Iolite	Morganite
Ruby	Andalusite	Coral	Jade	Onyx
Sapphire	Aquamarine	Cubic Zirconia	Kunzite	Opal
	Beryl	Fire Agate	Lapis Lazuli	Pearl
	Bloodstone	Garnet	Malachite	Peridot
				Quartz
				Rubellite
				Sardonyx
				Shell
				Spinel
				Tanzanite
				Tiger Eye
				Topaz
				Tourmaline
				Tsavorite
				Turquoise
				Zircon

OPTIONAL DESCRIPTION:

Items requiring special information:

Jadeite	Texture	Transparency	Polish							
Opal	Potch %	Play of Color	Blue %	Green %	Orange %	Red %	Yellow %	Intensity	Pattern	Background Color
Pearl	Nat or Cult	Freshwater or Saltwater	Origin	Shape	Color	Overtone	Dyed (Y/N)?	Luster	Nacre	
Watches	Blamish	# Pearls	Dim (mm x mm x mm)	Fancy Clasp (Y/N)?	With Stones (Y/N)? (If yes, complete mounting and stone information)					
	Mfg	Style #	Serial #	Type	Movement	# Jewels	Features	Options		
	Case:		Mfg		Style #		Serial #			
	Strap/Bracelet:		Mfg		Style #		Serial #			
	Bezel (if mounted w/ stones):		Mfg		Style #		Serial #			
	Dial (if mounted w/ stones):		Mfg		Style #		Serial #			

NOTE: Get full information on case, bezel, dial and strap. Get metal of case and strap (use mounting format above) and stone information (use stone format above).

Appraisal Attached

Sales Receipt Attached

Color Photograph Attached

NOTES:

Underwriter/Adjuster

Interview Date

INTRODUCTION

“Ladies 14 karat engagement ring set with one full cut 1 ct diamond, \$5000”

Insurers’ files are full of simple appraisals like this one, usually prepared by the selling jeweler. The majority of jewelry appraisals have inadequate descriptive information by which to verify the value of the jewelry. If a claim is made, the adjuster has no choice but to pay the limit of liability.

If the value was inflated, if the purchaser overpaid, if the jeweler listed a valuation higher than the purchase price “as a favor to the customer,” for the insurer the result is the same: *overpayment*.

Jewelry, as a class of business, is one of the most hazardous. JCRS’s audits of company claims records show that insurers typically overpay jewelry claims by upwards of 40 percent. Loss ratios are usually under-reported because jewelry losses are often coded as “contents” or “endorsement” losses, rather than as scheduled Inland Marine.

Overpayment of jewelry claims is so widespread because

- most jewelry claims, whether from loss or damage, are total loss claims
- most jewelry appraisals have inadequate information
- values cannot be verified

Jewelry insurance valuations are based largely on the selling jeweler’s appraisal. Underwriters have generally taken appraisals at face value, regarding these jewelry retailers as experts. However, a JCRS study of jewelry appraisals submitted to insurers shows that 78% of the appraisers have no gemological training at all. In fact, no state or industry body establishes qualifications for a jewelry appraiser. Literally anyone can call himself a jeweler and appraise jewelry.

What’s the insurer to do?

Agents and Customer Service Representatives (CSRs) are the insurer’s first line of defense in detecting fraud. Yet these insurance professionals are not jewelry experts. Similarly, underwriters and adjusters haven’t the expertise to evaluate the information

INTRODUCTION, *continued*

provided on appraisals. Until recently, insurance personnel have had to work with whatever appraisal documents came their way.

Now, there are means available for changing this picture. We have descriptive ACORD appraisal forms that call for complete jewelry descriptions, tools for evaluating the usefulness of an appraisal and determining Insurance-to-value (ITV), and ways to recognize competent, trained appraisers.

The goal of this manual is to assist insurance personnel in establishing guidelines for jewelry insurance. It recommends procedures, discusses documents to collect, and suggests how to determine the adequacy of appraisals. It provides abundantly illustrated information about jewelry and explanations of jewelry terminology, to give the insurer a grounding knowledge and comfort in dealing with jewelry and jewelers.

The **Jewelry Insurance Manual** has two major roles for agents and insurers:

1. Ultimate Information Resource for Insuring Jewelry

The narrative chapters cover three aspects of the jewelry insurance process:

- **Insuring Jewelry** discusses essentials of the insurance contract, computing premiums and verification of values;
- **Jewelry Appraisals** covers the appraisal process, recognizing good appraisals, appraiser qualifications, valuations, and the gemstone grading system;
- **Jewelry Information** discusses gems, precious metals and watches; cutting, shaping, setting and grading of gems, the “four Cs”, and diamond certificates. It also has a lushly illustrated catalog with specific details about dozens of the gems commonly used in fine jewelry.

The appendices comprise so many specific and valuable resources that they are the equivalent to another whole book:

- **ACORD Forms:** all the major ACORD forms used for jewelry appraisals and appraisal evaluation
- **Jewelry Inventory and Sales Classification Manual:** a uniform classification and reporting system for the insurance and jewelry industries
- **Gemstone Information Manual:** the gem industry’s guide for information on natural gems, synthetic gems and gem treatments

INTRODUCTION, *continued*

- **Underwriting and Claims Resources:** a selection of recently published articles relating the jewelry insurance
- **Insurance Glossary, Appraisal Glossary, Jewelry & Jewelry Insurance Glossary:** three glossaries, from three sources, giving definitions specific to each field
- ***Jewelry Insurance Issues:*** the monthly email newsletter published by JCRS highlights such topics as deceptive pricing, synthetic gems, bogus diamond certificates, and numerous other timely concerns for agents, underwriters and adjusters. The issues are accessible both chronologically and by subject.

Extensive links provide fluid access to the invaluable information throughout this book. Our aim has been to make this the most comprehensive and easy-to-use tool available for agents and insurers dealing with jewelry.

2. Complements the Jewelry Insurance Workshop

While the Manual is an invaluable resource in its own right, its value is greatly enhanced by the Jewelry Insurance Workshop. This one-day class, a crash course on insuring jewelry, is the only one of its kind for insurance professionals and carries 8 hours C.E. credit. Through lecture, slides and videos, it covers many of the situations encountered in insuring jewelry, as well as providing an opportunity for attendees to bring up specific problems they have encountered.

This Manual is the basis for the Workshop and is included in the tuition. The Workshop provides context for the wealth of information presented in the Manual, information so useful that agents and CSRs will frequently want to refer to this authoritative resource.

This manual is the basis for the Jewelry Insurance Workshop
for agents, underwriters and adjusters.
The one-day class, carrying 8 hours of C.E. credit,
highlights and clarifies many issues
regarding the insuring of jewelry.

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JEWELRY INFORMATION

Precious Metals as Used in Jewelry

When humans began to fashion jewelry, they sought out materials whose beauty would endure. Gold was favored because of its color, luster, availability and durability.



Gold Bangles

Other precious metals were also discovered. Fine jewelry today utilizes gold, silver and platinum. Like non-precious metals (nickel, copper, etc.), they are characterized by various properties, such as:

- Malleability – allows the metal to be worked by hammering or pressure without crumbling.
- Ductility – is the ability of a metal to be drawn out into a wire.
- Tensile Strength – enables a metal to withstand longitudinal stress without cracking.
- Fusibility – means that a metal can be combined with other metals to produce alloys.
- Brittleness – indicates a tendency to sudden breaking.
- Elasticity – allows a metal to return to its original form.

JEWELRY INFORMATION, *continued*
PRECIOUS METALS AS USED IN JEWELRY



Silver Locket



Platinum with colored gemstone

Precious metals in their pure state are seldom used for jewelry, as they are too soft. Gold, silver and platinum are therefore combined with other metals (alloys) to produce more viable metals.

The following terms are commonly used in describing metals.

- Mohs – the Mohs scale is used to rate mineral hardness. The higher the number, the harder a mineral is to scratch. Each mineral can scratch other minerals with equal or lower Mohs ratings. For example, unalloyed gold is 2-2.5 Mohs.
- Specific Gravity – this is a measure of density. (It is the ratio of the density of the subject to that of water at 4 degrees C.) For example, platinum is rated 21.45 S.G.
- Melting Point – melting point is expressed in degrees Fahrenheit.

Weights & Measures

The content of fine jewelry metals is measured generally in one of three units of measurement: pennyweights, grams, or troy ounces. All measurements are based on the troy weight system.



Ancient Scale



Modern Scale

Troy Ounce

A unit of weight used by jewelers for weighing precious metals. The troy system originated in Troyes, France, a major business center during the middle ages. After Mary, Queen of Scots, married into French Royalty, Scotland adopted this weight system. French to English language pronunciation differences resulted in the name being changed from Troyes to Troy.



There are 12 troy ounces to a troy pound (5760 grains). A troy ounce has 20 pennyweight (dwt) or 31.104 grams. The troy pound should not to be mistaken for the avoirdupois pound (most often thought of in the USA) which has 16 ounces, 437.5 grains per ounce and 7,000 grains per pound. Grains are a common weight measure to all three weights: troy, avoirdupois, and metric.

JEWELRY INFORMATION, *continued*
PRECIOUS METALS AS USED IN JEWELRY

Pennyweight

This is one of two units of measure common in expressing the weight of precious metals. Pennyweight is abbreviated (dwt). This abbreviation originates in Scotland coming from the Latin word for a specific coin, the Denarius, which was the same weight as the Scots penny.



Scots penny

Gram

This weight is commonplace in weighing precious metal jewelry. **There are 1.555 grams to a pennyweight.**

Platinum

Platinum (2-2.5 Mohs, 21.45 S.G., melting point = 3,224 degrees F) is often used in combination with diamonds and other valuable stones. Because of its toughness, it provides the most secure jewelry setting material. Since platinum is one of the softest metals, it is alloyed with other metals, normally 10% iridium (6.5 Mohs). This makes platinum one of the hardest metals and an ideal setting for expensive stones.



Platinum with
colored gemstone



Platinum with
diamond

Platinum carries higher costs because it is denser than gold, and it is more difficult to fabricate due to its high melting point and hardness when alloyed.

Platinum's color is white and the novice sometimes mistakes it for white gold.

Gold

In its pure form, gold (2-2.5 Mohs, 19.29 S.G., melting point = 1,945 degrees F) is incorrectly referred to as solid gold. Like platinum, gold is usually alloyed with other metals to increase its hardness and make it suitable for jewelry. As alloys are added, the color of gold changes. Copper adds a reddish tint; nickel and copper with zinc turn gold white.

The term karat (note: Carat is the term used to indicate the weight of precious gems) is used to express the purity of the gold when it is alloyed. Each karat represents 1/24 of pure gold. Thus, the gold content of an 18K jewelry item is 18/24 (or 75%) pure gold. This explains why an 18K gold ring is worth more than a 14K ring. 10K gold is the lowest percentage allowed to be stamped/marked and sold as Karat Gold jewelry in the United States.



Under United States marking laws, items marked/stamped as karat gold (eg. 14K) or sterling silver must include the manufacturer's trademark (hallmark) or company/person responsible for the quality mark. While this is an old law, many jewelry manufacturers are only now beginning to include their trademarks. Underkarating (stating an item is of a certain karatage when its actual gold content is not equal to or greater than the purity marked) does occur and trademarks help trace the item to its source. The trademark can also be of use in adjusting losses and determining value.

Gold-filled

A process whereby a layer of gold is rolled onto and bonded to a non-precious (base) metal. The bonding is done by soldering, brazing, or welding. To be called "gold-filled" the weight of the gold must be at least 1/20 of the total weight of the piece and the quality at least 10K.

JEWELRY INFORMATION, *continued*
PRECIOUS METALS AS USED IN JEWELRY

Gold Vermeil

A combination of gold and silver. The item's base metal is sterling silver, over which a layer (bonded or electroplated) of 24K gold, at least 120/1,000,000 of an inch thick, is applied.

Rolled Gold Plate

Similar to gold-filled, but the weight of the gold is less than 1/20 of the metal used.

Gold Electroplate or Gold Electroplated

Describes articles plated electrolytically with gold or an alloy of gold. The item's marking must be preceded by both the purity of the alloy and a fraction indicating the proportion of overall article weight that is composed of gold coating. For example: "1/40 10K Gold Plated."

Silver

Silver (2.5-3 Mohs, 10.5 S.G., melting point = 1761 Degrees F) is the whitest of the precious metals and the most lustrous. It reflects 95 percent of the light that hits it, compared to 92 percent for gold. Next to gold, silver is the most malleable metal. It can be formed into sheets (or leaves) 0.00025 millimeter thick. It is second only to gold as a ductile metal. A gram of silver can be drawn out in a wire a mile long.



Silver, in its pure form, is almost never used in jewelry as it is too soft. It also has the tendency to tarnish.

Like platinum and gold, silver is also alloyed. The addition of a small amount of copper increases the durability of silver. British silversmiths discovered that an alloy of 925 parts silver and 75 parts copper was ideal, hence the term "Sterling Standard."

Gemstones

Gemstones date back thousands of years. Early jewelers chose gemstones to enhance their precious metal creations. Even primitive man appreciated gems for their beauty and brilliance. More important to ancient jewelry owners were the legendary powers attributed to gems. Some gemstones brought luck. Others were believed to cure disease. Many gems had religious legends about their use. These powers added immeasurably to the value of various gems. The size of a stone also affected its value.

The Phoenicians and Assyrians used gemstone cylinders with engraved figures to serve as printing plates that could roll a message into clay. Both they and the Egyptians used lapis lazuli, agate, and amazonite for this purpose. Greeks and Romans used gemstones often for rings, seals, and carved cameos.

There are about sixty varieties of mineral suitable for jewelry. A few organic materials are also used in jewelry, such as coral, amber and pearl.

Scarcity of the gem material plays a large part in a gem's cost, but desirability, color, durability, brilliance, etc., also contribute to the stone's worth.

Jewelers often refer to gems other than diamond as "colored stones." Gemstones classified as "precious gems" include emerald, ruby and sapphire. Diamond is usually in its own class but is also a precious gem by classical definition.

Other gems were once referred to as "semiprecious," but this is a misleading term that should not be used; they are now simply called "gemstones." These include alexandrite, amethyst, andalusite, aquamarine, beryl, bloodstone, chrysoberyl, citrine, coral, fire agate, garnet, hematite, iolite, jade, kunzite, lapis lazuli, malachite, moonstone, morganite, onyx, opal, pearl, peridot, quartz, rubellite, sardonyx, shell, spinel, tanzanite, tiger eye, topaz, tourmaline, tsavorite, turquoise, zircon, and more.



Lapis lazuli

Identification

There are four basic tests for gem identification. These are:

Hardness

The Mohs scale is used to rate mineral hardness. The higher the number, the harder a mineral is to scratch. Each mineral can scratch other minerals with equal or lower Mohs ratings.

The hardest gemstone is diamond, which scores 10 on the Mohs scale. Second is corundum (ruby and sapphire), scoring 9. This may be misleading, since the difference between 10 and 9 is greater than the difference between 9 and 1 (diamond is about 100 times harder than sapphire and ruby).

Specific Gravity

Ratio of the density of any gem (or any subject) to that of water at 4 degrees C.

Refractive Index

Measurement of amount a light ray is bent as it enters or leaves a gemstone, expressed numerically, comparing the bending power of various gems.

Microscopic Examination

Viewing the gemstone internally from different perspectives (i.e., top and bottom), using a microscope at 10x magnification

Synthetics and Simulants

Not all stones in jewelry are genuine. Imitations, or simulants, may be made from any substance, so long as it resembles the real gem (such as cubic zirconia for diamond).

Reconstructed stones are created by fusing together worthless bits of real gem material to form a bigger, more impressive gem.

Coral (Gem Species: Organic)



Gem Lore

Ancient Romans and Persians cherished this gem. They hung branches of it around their children for protection from harm and evil spirits. Many cultures have ground up coral as a potion for fever, bleeding and barrenness.

Information

Coral (skeletons of marine animals) is one of the organic gemstones. It comes in a variety of colors, including deep red, orange, gold and black. Little fine quality coral is available today, largely due to pollution and over-harvesting. Natural (undyed) high-color coral is quite valuable.

CORAL

Color (hue) range	All
Usual shapes	Beads, cabochon, carving, natural rough
Typical size range	Various
Hardness	3-4
Toughness	Poor to fair
Specific gravity	2.60 - 2.70
Refractive index	1.56
Treatment	White, "COMMONLY" - bleached; gold, "USUALLY" - bleached.
Sources	Mediterranean, South Pacific, Gulf of Mexico
Other facts	Anniversary stone for year 2.
Inherent vice	Color can fade from wear. See below.
Claim Considerations	The price of natural coral is drastically different from that of dyed coral. Coral should be closely examined, as it is subject to wear and tear. It is easily damaged by heat, especially torch heat during setting repair, and by improper cleaning (boiling or chemicals).

Pearl (Gem species: Organic)



Gem Lore

From the earliest civilizations on pearls have been a source of fascination. The pearl is considered a symbol of purity, and poets have romanticized its luster, beauty, and power. Orientals say that wearing this gem brings enlightenment and instills courage.

Information

Pearls are formed by mollusks (oyster, clam, conch). When a foreign body, such as a particle of silt or tiny parasite, enters the mollusk, irritation occurs. To ease the discomfort, a secretion called nacre is produced, gradually covering the irritant. Layer after layer of nacre surrounds the object, resulting in a mature gem. The natural saltwater or oriental pearl is a very rare and costly gem, ranking alongside the finest of diamonds, emeralds, rubies and sapphires.



The vast majority of pearls are not natural but cultured, a process discovered by Kokichi Mikimoto. In usually warmer waters, oysters are raised under controlled conditions. The oyster is opened, and a foreign irritant (called the nucleus) is inserted, after which the pearl grows as discussed above. Cultured pearls vary greatly in price, depending on their characteristics. They are no longer considered inexpensive substitutes. Pearls (natural or cultured) occur in freshwater as well, but these are more commonplace and therefore not as expensive.

Pearls are evaluated on the basis of:

- Shape (abstract, baroque, blister, mabe, rice, round etc.)
- Color (black, cream, pink, white, etc.)
- Overtone (rose, green, silver, etc)
- Luster (bright, dull etc.)
- Nacre (Very thick, thick, thin, etc.)
- Blemish (blemish free, spotted, etc.)

JEWELRY INFORMATION, *continued*
COLORED GEMSTONES

- Millimeter Size
- Strand Length (matinee, opera, etc.)
- Uniform or Graduated.

NOTE: A simulated pearl is not a pearl at all. It is merely a bead that has been covered with a thin layer of pearly-looking substance.

PEARL

Color (hue) range	Most
Typical size range	1-14mm
Hardness	2.5-4.5
Toughness	Poor to fair
Specific gravity	2.68-2.715
Refractive index	1.530-1.636
Treatment	Natural, "USUALLY" -bleached; Cultured, "USUALLY" - bleached and/or dyed, "COMMONLY" - chemical (for gray or black).
Sources	Worldwide
Other facts	Birthstone alternative for June. Anniversary stone for yr 8.
Inherent vice	Softness.
Claim Considerations	Easily scratched by normal wear and tear. Jeweler's torch will burn pearl. Damage by improper cleaning (boiling, chemicals).

