

Note From Our President: Own Books & Records Endorsement

All insurance policies have a section which deals with how and what portion of a value of a claim is paid and the responsibilities of the various parties, should such an event take place. Policies insuring valuables such as art, furs, jewelry and other collectibles have a special way of addressing the basis for values in such an event.

The procedure for the settlement of the claim may be the same but the valuation of the property lost is substantially different from standard property coverage forms. The reason is because placing a value on such items is subjective and will open the door to arguments. The intent of this section of the policy wording is to avoid such arguments. To address this particular area of how the insurer will pay for the damaged or lost property, most policies dealing with valuables have what is commonly called a “valuation clause”.

In the case of art policies, the policy may stipulate that the insurer will pay a certain percentage over what is the cost of the item or a certain percentage under what is the sale price of the item, whichever is higher. In the case of a jewelers block policy, the clause may indicate that the items lost will be paid at replacement cost, at cost or at cost plus a certain percentage to cover the overhead expense to replace the merchandise.

In each and every case there is a need for the insured to produce documents showing the insurer what value was ascribed to the item, in their inventory records, whether cost or sale price. On occasion and depending on who it is, the insurer may want to verify the documents provided by cross checking with official documents such as tax returns filed with the government.

As an example, in a case of total loss, if an insured represents that the last inventory was a certain value, the insurer may seek to confirm that the same value was represented on the tax return filed for that period. There are businesses where for a variety of reasons, business and accounting, these numbers do not coincide and will become a problem and issue which needs to be explained and resolved in the event of a loss.

For such situations it is prudent to endorse the policy with what is called the “Own Books and Records Endorsement.” This endorsement, usually agreed by underwriters with an adequate explanation of the need for it by the insured, will stipulate that in the event of a loss the insurer will be satisfied solely with the insured’s own books and records and will not seek any further verification. You should review your situation and asses if there is a need for such an endorsement to your policy.

JSIS Insurance, May 2008