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To salvage and sell?

The issue of what is done with damaged art raises questions about valuation and the transparency of the art market

By Laura Gilbert. Web only
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Koons's broken balloon dog sculpture was on view at Columbia last month as part of

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the show "No Longer Art" organised with the Salvage Art Institute

After Superstorm Sandy hit New York City last October, the conservator Gloria Velandia's studio was littered with hundreds of damaged works of art. But whether she repaired a work depended not so much on the extent of the damage, but on whether or not she received approval to proceed from the insurance company paying the bill.

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"It's a decision made by the insurance adjusters," Velandia says, and they might decide it's cheaper instead to declare a work "a total loss" and pay out its insured value. Even if the work can be repaired, the client may not accept it back, or the artist might disown it. "One artist, rather than repair a work, destroyed it with a blade," she says. Again, the insurer would declare the work a total loss.

But paying out a total loss isn't the end of the story. "There is a group of collectors who say: 'Let us know if you have damaged work,'" says Christiane Fischer, the president and chief executive of AXA Art Insurance Americas. "Right after Sandy [there were lawyers] who said: 'We have collectors interested in buying works damaged and restored.'"

A grey market

This is the little-known world of "salvage art", which raises a host of questions about valuation, the art market and its integrity.

When the damage to a work is deemed a "partial loss", the insurer pays the cost of repair and also compensates the owner for any loss in value. For example, after the casino magnate Steve Wynn poked his elbow through Picasso's *Le Rêve* in 2006, Lloyd's of London paid \$90,000 in restoration costs and around \$40m in lost value, according to Artnews, citing a source familiar with the case. (Lloyd's would not comment and Wynn did not respond to inquiries.)

But when an insurance company declares an existing work of art a total loss, the insurer compensates the owner the full, insured amount—and

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then it owns the work. Fischer, who estimates that AXA has 25% of the global fine art insurance business, says: “Art that is a ‘total loss’ can still have value. If there’s not an agreement that we shouldn’t resell, the insurance company can do whatever it wants.” The insurer may sell it to a dealer or at auction.

“Total loss is a relative concept,” agrees Christian Scheidemann, a conservator known as the “art doctor” who was profiled in *New Yorker magazine* in 2009. “Some art has several lives. It’s deemed a total loss, the collector gets reimbursed, and the insurance company brings it back to market.”

“Frequently, we’ll try to conserve [the work] first,” says Dorit Straus, the worldwide fine art manager at Chubb, which says it has the biggest market share of fine art insurance. “Sometimes it appreciates. We have auctioned work, and the client bought it back. Sometimes we use a more regional auction house. We try to match with the right buyer pool.”

The salvage art market’s size is difficult to estimate, because the major insurance players do not reveal figures. When asked about the salvage art at AIG—which underwrites approximately \$47bn worth of art for individuals in North America alone and says its clients comprise 45% of the US-based Artnews top 200 collectors—Rand Silver, the national director of art collection management, would only say “usually things go back to clients” and “it’s not an issue”.

But “we don’t have a cottage industry, particularly in the private collection world”, says Chubb’s Straus. AXA manages its salvage art and has warehouses full of it in the New York metropolitan area and elsewhere, says Fischer.

However, the world of salvage art is full of paradoxes and ethical quandaries. Work that is only slightly damaged, if at all, may still be declared a total loss by an insurance company. Work that is severely damaged may be repaired by the insurer and then reappear on the market, with potential buyers none the wiser.

There can be a “corruption of morals on every side of the table”, says Renée Vara, an independent appraiser, a board member at the Appraisers Association of America, and a former national fine art specialist at Chubb, referring to individuals who push their own interests at the expense of the truth. She was speaking as a panelist at a public seminar during a salvage-art exhibition at Columbia University, the first, the school says, to bring this art into public view.

To the outsider, total loss can seem arbitrary. A visitor to the Columbia exhibition would have seen a large, seemingly pristine, Robert Rauschenberg print that had been declared a total loss. “I examined it closely and couldn’t find any damage,” says the conservator Christian Scheidemann. The Rauschenberg is currently owned by AXA, which, says Fischer, may well bring it back to market. (AXA redacted previous owners’ names from the insurance documents displayed with the works.)

Ron Fiamma, AIG’s global head of private collections, says AIG does not declare a total loss when damage is non-existent. When the collector doesn’t want a work after repair, says his colleague Silver, “there’s an opportunity for settlement”.

What is a “total loss”?

Clearer reasons for total loss are destruction by catastrophe. After Superstorm Sandy flooded many of Chelsea’s galleries, says Velandia, “because of a lack of internet and cellphone, we weren’t able to contact the [insurance] adjusters to get the OK to begin work, so something that was salvageable at the beginning, instead of loss of value... there was total loss.”

Art may also be declared a total loss for economic reasons. “If the conservation cost plus loss in value is higher than a total loss [payment], then it’s a total loss,” says AXA’s Fischer. There are many times when a work can be conserved but it is declared a total loss because of cost, says Velandia. “A lot of clients are my friends. I said [after Superstorm Sandy]: ‘I’ll buy the piece from you if you don’t want to fix it.’”

Valuation can be especially sticky. Do clients lie? “Absolutely,” says Straus. “In one case, we knew there was [prior] damage because we paid for it, and then got the same valuation. The appraiser didn’t know about it.” Vara says. “I’ve seen people misrepresent things for sure.”

Then there are conflicts of interest, such as when an auction house gives a valuation for a damaged work it may later sell. “The art world isn’t transparent anyway,” says Straus. “There’s more of a conflict of interest with dealers because it’s a difficult message to give someone that the piece you bought from me is now worth less.” (Christie’s referred inquiries to the insurance industry. Sotheby’s did not respond to inquiries.)

The insurers are quick to state that when they sell salvage art, they disclose everything. Whether that information reaches the ultimate purchaser is another question. When asked whether auction house condition reports match what AXA knows about restoration that’s been done, Fischer says: “What I would say for people who are buying, always ask the questions. Don’t assume things are immediately being disclosed.”

At auction, the insurer is not identified as the consignor, which would immediately raise condition questions. “I know from galleries that they help sell total loss,” Scheidemann adds. “The insurance company has conservation done and then usually goes through a dealer.”

Artists have the final word

All insurers contacted agree on one point—if an artist does not want the work repaired or renounces the work after it is conserved, it is a total loss. Artists can disclaim work under the Visual Artists Rights Act, and “we have to respect that”, says Straus of Chubb, which is involved with “one of the giants of 20th-century art”, who insisted damaged art be destroyed.

Such work doesn’t return to the market, says AIG’s Silver. “If an artist raised rights under the Visual Artists Rights Act, it would be a total loss, and we wouldn’t sell something that doesn’t have market value.”

Artists also cooperate with insurers. For example, AIG has worked with

Koons' fabrication studio in Germany, said Fiamma, and AXA's Fischer recounted an episode where an artist remade a light installation (not by Don Flavin) that had been destroyed when someone bumped into it. "The collector said [the refabrication] is not the same thing," she said. "We said fine and declared it a total loss. We took the work and sold it because the artist said it's good. We declared that it was refabricated."

Chuck Close had quite a different experience with total loss. In 1969, one of his classic portraits, at that time worth about \$13,000, was dropped on top of a Neil Jenney sculpture while on loan to a museum, he says. "It would cost more to restore it than it was worth, so the insurer wanted to declare it a total loss and then sell it. I said no." Close sold it himself to his print publisher, who had it restored and then sold it to a museum for around \$100,000.

The salvage art exhibition at Columbia, "No Longer Art" (14 November-21 December 2012 and 18 February-15 March 2013), brought art deemed a total loss out of its semi-secret world into the open. It was organised by Columbia's Mark Wasiuta and artist Elka Krajewska, who founded the [Salvage Art Institute](#) (SAI) in 2010 after she learned this art was not destroyed but stored in warehouses. Among the three dozen works on show was a Koons balloon dog with its head broken off.

Most works were donated to SAI by AXA. But a few were loaned by AXA and these may ultimately be sold, Fischer says.

Fischer warns of insurance cutbacks in New York because of Superstorm Sandy. "Galleries who went out of their way to protect works will be rewarded," she says. "It will be almost impossible for galleries in Chelsea to get coverage for below street-level storage or an area where water came in very high."

This article was updated on 5 April to reflect a clarification from AIG. Its clients comprise 45% of the US-based Artnews top 200 collectors.





Chelsea's galleries suffered terrible damage as a result of Superstorm Sandy.
Photo: Gwyneth Leech

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