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Putting a Premium On Classic Cars

By M.P. MCQUEEN
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Collecting antique and classic cars is increasingly popular, and car values are zooming. Now, agencies that specialize in insuring these vehicles are watching as other insurers try to grab the wheel. That means more options for collectors shopping for coverage.

Las Vegas car enthusiast Jim Rogers, 69 years old, owns a rare 1956 Dual-Ghia -- just over 100 of them were made. "I have one I paid \$30,000 for [two years ago], but I had to restore it," Mr. Rogers says. "I turned down \$475,000 three months ago" for the car. He pays Warren, N.J.-based **Chubb Corp.** \$758 a year to insure it.



Gianni Cipriano for The Wall Street Journal


Jim Grundy Jr. and his mother, Patricia, with a 1909 Pierce Arrow car.

consumers more coverage choices.

Insurance companies' interest comes as wealthy hobbyists seek out cars that were popular in their youth -- such as the high-powered sports and "muscle" cars of the 1960s and '70s. There are serious collectors like Mr. Rogers, owner of Sunbelt Communications Co., whose stable of 290 vehicles is valued at about \$20 million. But insurers are also targeting less-affluent consumers who may have one collectible car for sentimental reasons.

Long Valley, N.J., resident Suzanne Salisbury owns a 1967 Volkswagen Beetle convertible she bought new for \$1,900 and now has insured for \$25,000. "I never lost my totally irrational attachment to my car," Ms. Salisbury, 63, says. She has been insured with Hagerty Insurance

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Earlier this year, Chubb ended its exclusive arrangement with Grundy Worldwide, the oldest insurance agency specializing in classic and antique cars, and now sells policies directly to collectors as well. To attract business, Chubb lifted a previous mileage restriction on coverage, provides free towing after a breakdown to the garage of your choice and has increased liability limits up to \$50 million. Fireman's Fund Insurance Co., a unit of **Allianz SE**, and **American International Group's Inc.** Private Client Group are two other high-end property insurers expanding into the market. Added to the longtime players in the market, these new insurers -- which are trying tactics like dropping mileage limits or adding extra coverage -- give

Agency Inc. of Traverse City, Mich., for several years and pays \$230 annually for coverage, she adds. "It's cool. I get beeped at by everybody."

In all, there are nearly three million collector cars in the U.S., according to one insurer's estimates. An antique- or classic-car policy usually includes basic coverage that is the same as any standard auto policy: liability, including bodily injury and property damage; collision; comprehensive; uninsured and underinsured motorist coverage; and medical payments or personal injury, according to the Insurance Information Institute, a trade group. (Comprehensive and collision are optional in most states.)

But the specialty policies may provide extra options specific to collectors. Chubb, for instance, offers a complimentary evaluation of clients' garages for collections valued at \$1 million or more. Fireman's Fund recently started allowing owners in 24 states to cover all the cars in their collection with one liability policy -- which can be a big money saver for large-scale collectors. And AIG Private Client Group, which targets the ultrawealthy, promises to provide help evacuating a collection during a disaster, such as hurricane or wildfire. Some insurers also sell policies or endorsements that cover "diminution of value," the difference between the market value of a car and its value after damage and restoration. And specialty policies can also cover unusual expenses connected to touring and exhibitions, such as this week's 30th Annual Meadow Brook Concours d'Elegance in Auburn Hills, Mich.

DRIVING A DEAL

Antique- and collector-car policies can cost up to 35% less than a standard auto insurance policy for similar coverage. Here are some tips when shopping for insurance:

- Find insurers that offer coverage unique to collectible cars, including expenses related to restoration and spare parts and choice of garage.
- Look for a policy that insures a car for the 'agreed value' prior to a total loss. Under this, consumers can increase coverage as the car's value appreciates.
- To qualify, cars must be old or rare and likely to increase in value. Also, they can't be used for daily driving.

Ron Fiamma, director of private collections at AIG Private Client Group, says one client's car was impounded because of a fire on the ship that was transporting the vehicle to Europe for an exhibit. Mr. Fiamma says he paid \$30,000 to get the car off the ship -- even though he says it wasn't covered at the time.

There's also an advantage for those with specialty insurance when it's time to make a claim: If a car is totaled, standard automobile insurance usually pays the "depreciated value" of the vehicle. But classic cars often appreciate, and those with specialty insurance can get coverage for the "agreed value" of the car and buy more coverage as the value increases -- as long as it's done in advance of any loss. Some collector policies pay a "stated value," or a payment to repair or replace the car not to exceed a fixed amount.

Grundy and several other long-established specialty agencies continue to dominate the field. The Horsham, Pa.-based agency was started by CEO Jim Grundy Jr.'s father and has insured 1.5 million cars. It sells insurance underwritten by companies that include Philadelphia Insurance Cos. of Philadelphia Consolidated Holding Corp., as well as Chubb and Fireman's Fund.

Companies define "collector vehicles" differently. Some offer special policies for vehicles that are 15 years old and older, some start at 25-years-old and others define them more generally as those likely to appreciate in value. Most insurance companies require collector cars to be seldom driven and garaged, sometimes under specific conditions.

The value of these cars makes insurance



RM Auctions (above), Productioncars.com

Specialty insurance is designed to cover rare or classic cars, such as the 1961 Ferrari 250 GT SWB California Spyder, above, and a 1976 AMC Pacer.

Automobile Agency Inc. of Upper Darby, Pa., a specialty agency. Hagerty says its average premium is about \$300 a year.

essential. A 1961 Ferrari 250 GT SWB California Spyder, once owned by actor James Coburn, sold for \$10.9 million in Italy in May. Even cars made by now-defunct American Motors Co. -- the Pacer (1975-1980) and the Gremlin (1970-1978) -- now qualify as classics, insurers say.

Despite the high value of the cars, collector car insurance is relatively inexpensive, generally 25% to 35% of the cost of insuring a "daily driven" car. For an antique vehicle valued at \$10,000, a driver could pay as little as \$100 per year for full coverage that includes liability, comprehensive and collision coverage with an average liability limit of \$100,000, said Bob Wallace, president of J.C. Taylor Antique

Automobile Agency Inc. of Upper Darby, Pa., a specialty agency. Hagerty says its average premium is about \$300 a year. That's because collectible cars -- and their drivers -- are a relatively low-risk proposition. Most pamper their cars and take them out only for short rides and exhibitions. Theft, vandalism and fraud also are less frequent, although Mr. Grundy recalls paying a \$3 million claim for a James Bond Aston Martin that was stolen from a plane hangar in Boca Raton, Fla.

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