




Passion Motivated Classic Car Collections Speed On

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Last year shed new light on the spirit of collecting classic cars amongst both enthusiasts and cash-rich investors. While many expert market watchers expressed concern that the sector was experiencing a “cooling off” period, collectors of all makes and models from vintage to modern classic automobiles were determinedly unfettered in their quest for the ultimate luxury vehicle to enhance their prized arsenal. Classic car values are increasing in response to selective demand. Car value of the classics establishes the asset risk and necessary, bespoke insurance coverage.

Car collection cool off observations were probably inevitable. In 2015, the value of the classic car market increased 17%, topping record highs, which exceeded any other luxury asset, including watches, jewelry, stamps and wine, according to the Knight Frank Investment Index.



While market values may not reach double-digit percentage growth rates in the near term, ownership demand has not waned. Last year's dip in overall classic car value has been attributed to high demand being met within a swelling market supply, available through more specialty dealers, private sales and auction houses worldwide. Recently, a rare Ferrari 250 GTO, of which only 39 were produced during 1962-1963, is considered to be the world's most expensive classic car and sells today for prices in excess of \$30m. Car collection has become a buyers' market, reflecting the price point appetite of sophisticated, informed purchasers – amongst both new and serial collectors whose fleets can be upwards of 50 automobiles.

Collectors focus on provenance, rarity and condition. Special model features, engine manufacturer and detailing, such as car finish and specialty one-off additions produced by high end coach manufacturers, can heighten overall value of the automobile. The majority of the highest priced classic cars register low mileage that appeals to car collectors that view the asset as an investment, as much as an enviable means of transport.



Securing insurance coverage for a classic car is entirely distinct from a standard automobile insurance policy. The insurance company and the owner must first reach agreement on the dollar value of the car. "Agreed upon value" is determined through professional consultation, a far departure from book value of standard automobile makes and models. The specialty insurance underwriter must have a deep understanding of specific, class model features to establish the proper valuation at the outset for coverage protection. Notably, classic car insurance policy coverage is for damage only, and does not provide liability cover. Effective repair is essential. Botched repair by an inexperienced automotive mechanic can reduce the automobile's market valuation.

The intended usage of the automobile also is a factor in underwriting customized coverage. Policies often incorporate restrictions on mileage. In some cases, the insurance policy may define driver age requirements. Insurance also can address exposure inherent in the transporting of vintage or historical vehicles for exhibition or event display. For the serious collector of large fleets, garage and/or other storage facilities can be incorporated into the policy coverage and resultant premium.

Classic car collection by passionate enthusiasts and investors shows no signs of slowing. The more rare the vehicle, the more desirable for ownership, thereby triggering higher purchase pricing. Recognized financial worth and desirability of classic car collection reflects the overall trend in the specialist fine art and high value cargo market.

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