

# Sotheby's

AT AUCTION

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COVER STORY: JEFF KOONS

# POSSESSING Peace OF Mind

Three years ago insurance expert Judith Pearson and lawyer Lawrence Shindell pooled their expertise and experience to create a new product that addresses what they saw as the most pressing topic in the art world today: art title risk. The duo's art title insurance company, ARIS, is the first of its kind, offering ownership security and confidentiality to both buyers and sellers.

## What is your background and what led you to found ARIS?

**Judith Pearson, President, ARIS** • I'm from the insurance world where I was both an underwriter and a broker working with Fortune 500 companies. When Larry and I started working together, one of our museum clients approached us. He was advising a patron to buy a French Impressionist painting that was in Europe during World War II, and neither seller nor owner were willing to indemnify in the case of a dispute. Larry and I solved the transaction and realized the scope of ownership risks associated with art, which ultimately led to the creation of ARIS.

## Describe the risks that art collectors need to be aware of.

**Lawrence Shindel, Chairman & CEO, ARIS** • The main categories are theft, whether it be recent or historical, such as a WW II Nazi-era theft; authority to sell; illegal import or export situations and; liens and encumbrances, which could be anything from an IRS lien against a work of art, a bank lien, or an estate tax against the art.

We know that while most people associate art title risk with theft and WW II, if you combine all the theft cases, they account for only 25% of the issues, while 75% of the cases are from liens and encumbrances.

## How does the process work?

**JP** • In the auction scenario, when someone considers consigning a work of art, they can now protect themselves by buying a title policy for themselves as well as on behalf of the buyers (there is no difference in price). The auction house does their research and we do our due diligence, at which point ARIS provides an estimate and the policy is finalized. In an ideal world the policy covers the consignors from the time the work is consigned to the time it goes through the auction, at which point we issue a new policy on the buyers behalf.

## Who are your clients?

**LS** • Our clients range from major museums to art investment companies, to private collectors and the advisor community- tax lawyers, estate lawyers, wealth advisors, the banks who are lending against art, and increasingly the auction houses who are striving to now help their clients to manage this issue more proactively. So it's really each sector of the market, whether buying or selling, lending for exhibition, lending against art financially or those who are gifting a work to a museum or institution.

### What have been the primary concerns that your clients have?

**JP** • It's an interesting question because once they come to us they usually don't have a lot of questions. From the seller's perspective they want to know how to maintain their confidentiality. The way it works is we have a standard term and condition that requires that we keep the info confidential. The buyer will never receive the information that we receive from the seller and likewise, the seller does not know the identity of the buyer.

### How does being ARIS-insured influence the world of auction?

**JP** • We believe that ultimately it increases the value of the work and so not only are we providing a risk management tool for the people that transact art, but in the long term, the value will increase.

**LS** • It was at Sotheby's that we first experienced this. In October of 2008 you auctioned an ARIS-insured work, and the consigning attorneys requested that its coverage be listed in the sale catalogue. At this time, the market was at a 50% buy-in rate and the work sold for 65% above its high estimate. This illustrates that value is based on marketability and perception, and that in turn increases desirability. By eliminating all risk, the work became more valuable.

### What do you think will be the long-term impact that art title insurance will have on the art world?

**LS** • First, increased value and liquidity of art because you can eliminate doubt and risk from the art. This will facilitate what the art market is about- people collecting, buying and selling, and doing so more efficiently with greater value. Second, the works that indeed do have problematic ownership histories will eventually fall out of the market. It is a win-win scenario for good faith buyers and good faith sellers.

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LAWRENCE SHINDELL  
CHAIRMAN & CEO, ARIS

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#### ARIS CLIENTS INCLUDE

- Museums
- Private collectors
- Banks
- Auction houses
- Tax lawyers
- Estate lawyers
- Wealth advisors

#### MAIN RISK CATEGORIES

- Contemporary & historical theft
- Authority to sell
- Liens & encumbrances
- Illegal import & export

For more information visit [aris-corporation.com](http://aris-corporation.com)