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When insurance is a girl's best friend

It's a horrible feeling, that numbing sense of dread that sweeps from head to toe after the shock realisation that you've lost a carat-and-a-half diamond earring. Set in platinum.

Especially if it's the second time it's happened. And especially if you happen to be in Disneyland, as I was, when I found my precious keepsake was gone. Again.

Never mind that it hadn't been a great choice wearing such fine stones in an environment like that in the first place. I just knew that my household insurance wasn't going to cover the loss. Some time ago, I used to have top-of-the-line prestige insurance that covered my jewellery when I was offshore for extended periods.

On changing cities and changing circumstances, somehow I shifted down a gear on the insurance front and now I was coming up seriously short.

On suffering such sadness in the Happiest Place on Earth, I resolved I would change my ways to protect myself against future foolish acts on my part.

But jewellery insurance is a tricky business, full of pitfalls and dangers, inflated premiums and potential disappointment at claim point that convince many people, myself included, not to bother going there. There's a sense that it's just not worth the risk. Funny how losing a big diamond (in platinum!) can change one's point of view.

Sadly, insurance is not simple. So when a product comes across my desk that takes all the guesswork out of a policy and gives straightforward rules of engagement, I react in one of two ways: first, with suspicion (where's the catch, right?); then with a glimmer of hope that my problem might be solved.

So it was, this week, when details of a jewellery insurance program called the Q Report came to my attention.

It purported to offer certainty and security in areas that matter to me that stock-standard high street jewellery insurers find hard to deliver on. Jewellery is emotional, which doesn't fit well with claims departments, whose core aim is to save money. That's why they'll try to replace a piece of jewellery at the lowest possible price, often through a preferred supplier.

That can be problematic for those of us who have long-standing relationships with trusted artisans and jewel specialists. I'd want my guys to get the business, especially if they designed the initial piece.

Anyway, let's get back to this issue of trying to maintain a semblance of glamour while travelling in places other than Disneyland. It's natural to want to have a bit of your best sparkle on board. In fact, I've found that getting the bling on is an almost instant cure for jet lag. It adds to the anticipation and lifts the spirit as one prepares for a fantastic night out.

> *Portability cover tends to confine travel to within Australia and New Zealand.*

Q Report co-founder and third generation jeweller Rami Baron says it covers insured items any time, anywhere in the world apart from the usual war exclusion zones.

Portability insurance offered by generalist insurers tends to confine travel to within Australia and New Zealand, and often for up to 30 days only. The sublimits they include in those policies wouldn't have covered a single-digit percentage of my earring.

If you need to expand on these limits, you might consider high-net-worth individual policies like a Chubb Masterpiece (they underwrite the Q Report), AIG private clients or Mansions. An alternative is stand-alone jewellery cover from broker-accessed Caitlin, a subsidiary or Lloyds of London, which offers unlimited cover up to $200 million.

Be aware that its premiums will include brokerage and state charges, with the bottom line determined by how jewellery is stored and how often it's worn.

The Q Report ensures its client can go back to their original jeweller. And it insures each piece of jewellery for its purchase price.

If you paid $70,000 for a ring, you will get $70,000 back to replace it. In fact, it will be insured for even more.

Say, for example, that in the period since the ring was bought, the Australian dollar has dropped and the price of diamonds (which are generally priced in US dollars) has soared.

Come claim time, that might mean you could no longer replace the gem for the insured sum.

"So our policy has 125 per cent cover on all pieces and, at our discretion, we will call on that extra 25 per cent to make sure we really can put the client back into the same position they were in," Baron says.

This highlights the importance of knowing what a piece of jewellery is worth at all times, especially if there are pink diamonds involved, the prices of which are prone to wild fluctuations.

The Q Report deals with this by annually revaluing each insured piece to reflect the current market rate, using a formula that captures all the components involved in making that piece of jewellery, such as materials and labour.

Anyone buying into this jewellery cover must send original documentation such as the receipt or a recent valuation certificate to Q Report, along with various photos including one featuring the work in front of a current newspaper to prove it exists now.

The premium is 2.5 per cent of the insured value, plus a one-off fee of $115, which covers the production of a hardcover book detailing the cover. Earring-and-necklace sets count as one item for each book, as do wedding ring combinations. Otherwise, clients must pay for a book for each piece of jewellery. In case of a claim, a flat $100 excess applies.

As for my earrings, the father of my children offered to replace them both so insurance wasn't eventually an issue.

But I doubt I'll be a third-time lucky. It may be time to policy-up.

Comprehensive jewellery insurance should cover you for the total replacement value. PHOTO: GETTY IMAGES

Buyer beware

Shanghai Stock Exchange Composite Index (points)

SOURCE: BLOOMBERG

Walk, don't run, into Shanghai stocks

Big picture

Karen Maley

There was a surge of interest in Chinese shares this week after Beijing's decision to allow foreign investors greater access to the Shanghai sharemarket, but some analysts warn investors should take care in wading into what has so far been an inaccessible space.

Beijing's decision allows foreign investors to buy and sell about 560 of the largest companies listed on the Shanghai Stock Exchange directly – known as "A shares" – through Hong Kong brokers. It allows foreign investors a far easier way to get exposure to China's fast-growing consumer sectors such as healthcare, education and tourism. Previously only selected fund managers could invest in Chinese markets through a quota system.

But although investors have responded enthusiastically to the Shanghai-Hong Kong Stock Connect program, analysts warn buying Chinese stocks is not without its difficulties. The Chinese market is still about 60 per cent below its 2008 peak, and is notoriously volatile. There are also question marks over the reliability of the accounts of some Chinese companies.

Scott Powers, the global chief executive of State Street Global Advisers, argues China's strong and steady growth make it an attractive target for investors.

"The Chinese government has been quite masterful in managing through the economic cycles," he said in an interview with *AFR Weekend*.

Chinese annual growth has slowed to a 7.5 per cent clip from the frenetic pace of the past decade because "it's almost impossible to keep recording double-digit GDP growth in a country of the size and complexity of China".

At the same time, China has transitioned its economy away from an export-driven model based on lower labour costs, to one "where local consumers are doing a good job of taking wage growth and translating that into economic growth".

Beijing's move to allow foreigners easier access to the Shanghai sharemarket is likely to further boost interest in the bourse. But Powers says there are still some doubts as to the reliability of Chinese financial data.

"I think one big concern is whether the data on companies is sufficiently transparent and credible for investors to make informed decisions about whether to invest in individual companies in China. I think the jury is still out," he says.

Matt Sherwood, Perpetual's head of market investment research, adds: "Despite having one of the strongest economies over the past seven years, China has had one of the weakest sharemarkets, with the Shanghai Exchange still 60 per cent below its 2007 peak."

On a valuation basis, he says, the Chinese market is quite attractive with its P/E ratio trading at 9.8 times, which is below most other major markets and half its 10-year average.

"The key risk isn't valuation or the price – instead it's the earnings outlook in an economy which has to adjust to a major property downturn, large overcapacity in several key upstream industries, a contraction in China's working age population, an over-leveraged corporate sector and structurally slowing growth. These are no small hurdles for investors to stomach."

But he says there are some good corporate operating models and income growth stories. Investors need to look for companies with a strong balance sheet, a sustainable operating model that generates sustainable income growth, and a price attractive relative to its peers, domestically and globally. "While the burgeoning Chinese [and Asian] middle class can be a source of tremendous wealth for investors in the coming decades, the key is knowing what you are buying and what are the risks," Sherwood says.

GaveKal Dragonomics analyst Thomas Gatley agrees the Shanghai sharemarket offers far fewer bargains than its P/E ratio would suggest.

"Like many emerging market exchanges, Korea and Brazil for example, Shanghai is dominated by a handful of large firms – notably the big four banks, which make up 20 per cent of the market's capitalisation and contribute 40 per cent of its earnings," he wrote in a research note this week.

"The rock-bottom valuations of these institutions – which may be fully justified, depending on the true ratio of bad loans on their balance sheets – drag down the aggregate to a huge degree."

Gatley pointed out many investors are grappling not with whether to buy Chinese shares but the best way to do this. For example, what are the advantages of buying on the Shanghai exchange versus buying Chinese mainland companies listed in Hong Kong (known as H-shares).

He said investors can get access to more companies on the Shanghai bourse. For instance, financials and energy firms account for 80 per cent of H-shares by market capitalisation, but in Shanghai, they account for a little less than 60 per cent of the market. On the other hand, consumer, healthcare and IT firms make up only 6 per cent of the H-sharemarket, but account for 16 per cent of the Shanghai market.

But he warns A-shares are more expensive on a market-cap weighted basis than the equivalent H-share sector in Hong Kong.