

COLUMNS

# Uninsured luxury purchases: The hidden risks for consumers

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*Robert McCarthy is non-executive chair of Embri*

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By **Robert McCarthy**

The allure of owning exquisite items, from bespoke jewelry to high-end watches, is often marred by a critical oversight: inadequate and misunderstood insurance coverage at the point of sale.

Despite the significant financial investment these items represent, many consumers walk away from transactions without the necessary, relevant and comprehensive protection. This oversight leaves them vulnerable to significant losses, and the reasons behind it are multifaceted.

One of the primary reasons luxury items remain uninsured at purchase is the lack of knowledge about the limitations of transitional insurance among both consumers and luxury jewelry retailers alike. Many buyers assume that their existing home insurance policies will automatically cover new acquisitions.

However, this is a misconception. Standard home insurance may provide limited coverage for high-value items, but specific endorsements or additional policies are typically required to ensure full protection. The complexity and fine print of insurance policies can also lead to a false sense of security, where consumers believe they are covered until it's too late.

Additionally, the process of securing insurance for luxury items is perceived as cumbersome.

Traditional models of purchasing insurance post-sale involve complex paperwork, delays and sometimes the need for third-party appraisals, not to mention the headache of actually getting through to a human to provide support. This inconvenience discourages many consumers and retailers from seeking appropriate coverage solutions, leaving valuable items at high risk of total loss in the event of theft.

## **Trends in theft targeting luxury goods**

The risk of leaving luxury items uninsured is further compounded by the alarming increase in theft and crime targeting these goods.

Recent statistics paint a stark picture of a growing menace that spares no geography. Data from Aviva, a major insurance provider, highlights a 43 percent surge in claims related to high-end jewelry theft in 2024. This increase is not confined to one region; it's a global phenomenon.

High-value items, like bespoke diamond pieces and coveted timepieces, have become prime targets for criminals.

Theft methods have also evolved, becoming more aggressive and sophisticated. Muggings, thefts from vehicles and home invasions have become distressingly common, often occurring when owners are on vacation.

A striking example is the rising incidence of watch theft. The Watch Register, a comprehensive database tracking stolen timepieces, reports that over 1 billion worth of watches, encompassing nearly 80,000 pieces, have been stolen. The average value of a stolen luxury watch, in London alone, has risen to 9,000, with thieves specifically targeting prestigious brands like Richard Mille.

Across the Atlantic, the Los Angeles Sheriff's Department reported a 30 percent increase in thefts involving watches valued over \$5,000 in 2022 compared to the previous year.

Such incidents underscore a troubling reality: the theft of luxury items is becoming a common and sophisticated crime.

### **Global hotspots and increasing risks**

Major cities around the world have become hotspots for luxury theft.

In London, nearly half of all reported watch thefts occurred within the city, driven by the high concentration of affluent individuals and luxury goods.

Similarly, Barcelona and Paris have witnessed significant increases in watch thefts, with Barcelona reporting watches accounting for more than 4 percent of violent robberies and Paris seeing a 31 percent rise since the beginning of 2022.

Law enforcement agencies are responding with innovative strategies. London's Metropolitan Police have deployed undercover officers wearing valuable timepieces in identified hotspots, resulting in numerous arrests and convictions.

However, despite these efforts, the threat remains pervasive, and the onus is on consumers to proactively protect their investments.

The combination of insufficient insurance coverage and rising thefts of luxury items presents a pressing challenge for consumers.

The misconception that home insurance provides adequate coverage and the perceived inconvenience of purchasing specialized insurance leave many vulnerable. As theft tactics evolve and become more sophisticated, the need for immediate and comprehensive protection is more critical than ever.

In the second part of this series, we will explore innovative solutions to bridging this protection gap, focusing on the role of embedded insurance in transforming the consumer experience and providing robust security for luxury purchases.