



EDGE

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A SHOW OF
PASSION
Insuring exotic
cars is not for the
faint of heart.



A Show of **PASSION**

Insuring the most exotic cars in the world is not for the faint of heart.

BY CARRIE WILLIAMSON

PHOTOGRAPHY BY EVYNN LEVALLEY



SUNSHINE GLINTS OFF THE LONG, lustrous hood of a 1958 Ferrari 250GT LWB Spyder California, a cherry red sex bomb evocative of one-time owner, starlet Brigitte Bardot. Millionaires mingle with billionaires who mix with celebrities, car nuts and the world's most influential automobile designers. Carmel's bluebird skies provide the canopy, the Pacific Ocean the backdrop, and the storied 18th fairway at Pebble Beach the stage for the dazzling array of marques—Duesenbergs, Aston Martins and the crème de la crème of collector cars.

Welcome to the Pebble Beach Concours d'Elegance, the greatest car show on earth.

The first Concours was held in conjunction with the first Pebble Beach Road Race in 1950. It was a quaint gathering of car buffs in the Del Monte forest with about 30 cars. More than half a century later, the Concours has blossomed into a glamorous, invitation-only extravaganza of nearly 190 rare and classic cars, attracting more than 25,000 spectators and international entries from as far away as Hong Kong.

The total cost of vehicles on display in last year's Pebble Beach Concours d'Elegance hovered near \$200 million. Looking ahead to the next Concours, which will showcase the historic Italian marque Lancia and Italian super sports car Lamborghini—as well as the General Motors centennial—begs the question, just who is insuring this lucrative niche?



FAST FOCUS

- ▶ The crème de la crème of collector cars go up for auction and compete for coveted crowns at the glamorous Pebble Beach Concours d'Elegance.
- ▶ Specialty brokers fit right in with technical expertise and prized collections of their own.
- ▶ An elite group of brokers insures these beauties.

NOT JUST A PRETTY FACE

Bonhomie is in the air. Corporate sponsor tents spill down the hill from either side of The Lodge at Pebble Beach. Ladies wearing flamboyant hats and gentlemen in seersucker suits lounge on blankets spread across the lawn facing the winner's circle. Elaborately catered picnics and buckets of champagne dot the landscape. It is a tony affair, and you never know just whom you might run into.

Pink Floyd Drummer Nick Mason has entered his red 1934 Aston Martin Ulster. Racing legend Sir Stirling Moss is appropriately admiring one of the 17 Ferraris on display. American designer Ralph Lauren attends most years, as does "Tonight Show" host Jay Leno. Leno, who entertains the crowd as guest commentator during the raffle awards, won his class in 2004 with his 1916 Crane-Simplex Model 5 Holbrook Skiff. Upon winning he remarked, "Is this a great country or what? Where a mere millionaire like myself can beat all these billionaires."

However, the celebrity attracting the biggest crowds is not a person at all, but rather the gadget riddled James Bond car of



Donald Orosco celebrates his first in class win with his 1932 Ford Lloyd Bakan 3-Window Coupe.

"Goldfinger" fame, one of five built for the movie. This 1964 Aston Martin DB5 is competing in the Aston Martin Postwar Coachbuilt class, complete with rotating license plates and a bulletproof rear shield.

But make no mistake: Despite the convivial atmosphere, this is a serious competition. According to Matt Shore, executive vice president and curator of the Auburn Cord Duesenberg Museum in Auburn, Ind., "It is not just a car show. It is a show about passion. Collectors spend decades getting here. This weekend is a celebration of this passion."

Vetting is rigorous to say the least. "Winning here means a lot and it is a tough process," says Pebble Beach Concours Chairman Sandra Kasky Button. "Only the most beautiful and rare cars are invited."

The process is twofold: Class judges focus primarily on originality and authenticity, while honorary judges direct their attention to the more subjective task of rating cars for their design, styling and elegance. They determine the winners of many additional special awards apart from the class competition and Best of Show.

To be eligible to win Best of Show at Pebble Beach—the event's top award—a car must first win its class. Class judges evaluate all of the candidates in a particular class to determine if they are correctly preserved or restored. A professional restoration costs \$50,000 to \$500,000 and takes one to two years, depending on the condition of the car and availability of materials.

"By placing this emphasis on originality and authenticity in class competition, the Pebble Beach Concours strives to make a significant contribution to the proper preservation of automotive history," says Ed Gilbertson, Pebble Beach Concours chief judge since 1999.

For the 2007 Concours, the selection committee of 10 judges sent out 1,200 invitations and received a few hundred submissions. After meticulously researching the cars, the final tally hovered around 190 with 24 judged classes and two featured marques—the Auburn Cord Duesenberg group and Aston Martin.

The 1932 Ford, the quintessential hotrod that brought style and performance to the mass market and was immortalized in "American Graffiti," celebrated its 75th anniversary last year. The judges marked this important anniversary with a class of historically significant '32 Ford hotrods, which are always named after the guy who built them or the person who owned the car when it gained most notoriety.

"Our goal each year is to produce a Concours that serves as the ultimate celebration of the automobile," Button says. "We combine the setting with a show that attracts an international crowd and the finest designs from more than 100 years of the automobile, and you've created the Monte Carlo Grand Prix of classic car shows."

Not just a pretty face, the annual affair has raised more than \$10 million for charity over the years and more than \$1 million in 2007 alone.

BUILDING UP TO CONCOURS SUNDAY

The Pebble Beach Concours has grown into five days of official and unofficial events sprinkled throughout the Monterey Peninsula, each one adding to the excitement building up to Concours Sunday.

There is the Concorso Italiano, a celebration of all things Italian but centered around collectible Italian automobiles, motorcycles and boats. The coveted ticket is for The Quail, Friday's "motor-sports gathering" at Quail Lodge, a casually elegant afternoon for connoisseurs of gourmet food, fine

wine, vintage cars, jewelry and watches. Historic automobile races at Laguna Seca driven by racing greats like Parnelli Jones, plus the Rolex Road Rally around the Monterey Peninsula, and the Carmel Vintage Car Parade round out the festivities.

But you needn't leave the Concours grounds at Pebble Beach to have a good time. For the two days leading up to the Concours, there are concept cars to gawk at, automotive collectibles to peruse at Retro Auto, and the official Gooding & Co. annual classic car auction.

Should you really catch Concours fever and have the sudden urge to impetuously purchase a 1956 Lancia, you could be in real trouble. Bonhams & Butterfields, Russo and Steele, and RM all hold auctions on the Friday and Saturday prior. The combined total sales for the 2007 Monterey auctions: a staggering \$134 million.

Due to the logistics of auctioning these pricey and rare cars, it is not for the faint of heart. Despite its \$8 million Monterey sale and the record sale of the 1963 Ferrari 250 GT Berlinetta Lusso, once owned by Steve McQueen, Christie's closed its International Motor Car Department in September. Opened in 1972, it was the longest-standing name in collector car sales.

As Malcolm Barber, CEO of Bonhams & Butterfields, said in an interview with *Sports Car Market*, "Dealing with sale locations away from your showrooms, transportation and insurance, and the potential liability issues involved with dealing in cars is a complex and sometimes difficult task."

COVERING THE COLLECTIBLES

Between the Pebble Beach Concours, the auctions, the road rally participants and the attendees, most of whom drive to Carmel in their own collector cars, just who is insuring all these expensive cars? The small but elite group of insurance brokers includes Hagerty, Grundy Worldwide, Condon & Skelly, Leland West and J.C. Taylor.

McKeel Hagerty owns Michigan-based Hagerty, the largest broker in the collector car market. Hagerty has a lengthy history with the Pebble Beach Concours. He's attended for 15 years and spent seven years as a FIVA judge for the best preserved but unrestored car class. FIVA, the Federation Internationale Vehicules Anciens, is the worldwide authority for historic vehicles.

ATTEND

2008 Pebble Beach Concours D'Elegance

Hagerty now sponsors the FIVA Award, which goes to the best preserved prewar car as determined by a special committee guided by FIVA regulations.

A prime candidate for this year's award is a 1950 Ferrari 166MM Touring Barchetta with only 5,921 miles on it. Found a few years ago hidden under carpets in an Arizona backyard, it is number 20 of 25 ever produced with 2-liter V12 motors. The car is the oldest known Ferrari to be left in its unrestored state.

Hagerty himself owns 10 sports cars, including a 1967 Porsche he restored in his dad's garage.

The collector car insurance business is for the most part a friendly competition. Hagerty insures about 35% to 40% of the cars on display on Concours Sunday, with Grundy a close second. Family-owned Grundy, in business for more than 60 years, is the oldest name in the field. It tends to insure a higher percentage of the more elite market.

"Our average collector owns 2.2 cars, but they are some of the most expensive cars out there," says President and CEO Jim Grundy, Jr.

The Concours crowd is a different story. "A typical Concours entrant owns six cars," says Hagerty. "However, I actually had a client who had 2,700 cars." Another client has his next four years of entries planned out.

Like their competitors, Hagerty insures collector cars, muscle cars and late model luxury cars—basically anything that isn't driven daily. Policies are written with limited usage, usually 2,500 miles per year, although he confesses that they don't normally check the odometer. "We're

Despite the exclusive nature of the event, attending the Pebble Beach Concours d'Elegance is a relatively egalitarian affair. Anyone who can pony up \$150 in advance or \$175 at the gate can buy a general admission ticket, which enables them to park, access the on-site displays and mingle with the moneyed masses flocked around the cars on Concours Sunday. Even for the average car nut, with the wonderful assortment of fairly priced food tents and bartenders shaking martinis and pouring champagne, you will go neither hungry nor thirsty.

You can also purchase a Club d'Elegance package for \$450. Your VIP patron badge buys a variety of perks, including a catered breakfast and lunch, and free-flowing wine. Most importantly, it includes VIP parking—the one irony to this magnificent day.

The real challenge is finding a place to stay. Attendees book for the following year—most at checkout. The Lodge at Pebble Beach and its sister properties, Casa Palmero and the Inn at Spanish Bay, are virtually taken over by the Concours staff, judges, entrants, corporate sponsors and other "dignitaries."

The best advice: Start looking now. Waitlists do clear, and there is also an excellent local booking service, Resort 2 Me (www.resort2me.com or 800.757.5646), that can be particularly clever in securing rooms at most of the hotels and inns on the Monterey Peninsula. Even at a glorified motel, the parking lot will still be chock-full of everything from Bentleys to DeLoreans.

not going to object to someone taking their car on a car tour." They also require the car to be stored in a garage with an alarm and sprinkler system. Cars are insured for fire, theft, accident and liability.

So what differentiates collector car insurance brokers from an every day consumer car insurance agent? Price and key technical differences about the definition of the value of the car—"agreed value" versus "actual value" versus "stated value."

Traditional car insurance premiums can cost up to five times more on a collector automobile than those offered by a specialty program like Hagerty's. For example, Hagerty can cover a stock vehicle valued at \$10,000 for as little as \$110 per year. This may be puzzling when one considers that the price tag on most of these rare beauties is

in the hundreds of thousands of dollars. However, this is not a hobby for most collectors. It is an obsession. Avid collectors build warehouses to stash their booty of vintage automobiles. They hire mechanics to regularly tune, tweak and polish. Sometimes they don't even drive them. Ergo, the risk is relatively small.

Jim Schneck is a perfect example. Schneck won his class for his flashy, original, periwinkle blue, 1919 Pierce-Arrow Model 66A-4, formerly owned by the equally flashy, infamous carouser and \$5 million movie star, Fatty Arbuckle.

"I always wanted an Auburn 1935 Speedster," he says. "I just thought that one car would make me happy and fulfill a dream. So I bought one and guess what: 25 years later I'm still collecting cars." Grundy insures his collection.

Unfortunately, uninformed collectors may think it is easier and less expensive to simply add their vintage car on to their regular policy. Any specialty broker will tell them that this is a losing proposition.

Determining the value of a car is a major issue for brokers who specialize in insuring collector cars. The "agreed value" insurance policies offered by the specialty companies guarantee that a collector will receive the fully insured value of their vehicle in the event of a total loss. There is no depreciation of a vehicle's value with an "agreed value" policy, unlike an "actual cash value" policy offered by traditional car insurance agents, which

The 2007 Best of Show winner is a 1935 Duesenberg SJ Special owned by longtime collector Harry Yeaggy of Cincinnati, Ohio. Also known as "the Mormon Meteor," this amazing car is a supercharged speedster that was raced by Ab Jenkins, the former mayor of Salt Lake City, and then driven on the city streets.



depreciates the value of a car as it ages, or a “stated value” policy, which generally requires an insurer to pay only “up to” the stated amount.

“Steve McQueen’s car sold at the Christie’s auction for a record \$2.3 million even though it is actually worth \$700K to \$800K,” Hagerty explains. “However, we write a custom policy reflecting the agreed upon amount and fully insure it for that amount. We pay up without question for that amount, and there is no deductible.” A scary thought when one considers that Hagerty once insured a 1962 Ferrari 250GTO for about \$15 million.

This is good news for Michael Marix, the current owner of Brigitte Bardot’s Ferrari, who also owns four other Ferraris and some Woodies. “The chick magnet,” as his son calls it, is insured with Hagerty for \$2 million. “But,” Marix says, “one just sold at the RM auction for \$4.5 million, so what is mine worth now? I don’t think McKeel is going to want to hear that.”

Hagerty also has relationships with most of the automobile auction houses. They actually set up shop at the RM Monterey Sports & Classic Car Auction, where he is also a commentator for ESPN2’s coverage of the splashy event. Hagerty’s auction staff can immediately take a car off a seller’s policy, add one to policies for existing customers, or write a binder for a new customer right after papers are exchanged.

Also, since many collector car owners often ship their cars to Europe for road rallies and international concours, most companies, including Hagerty and Grundy, offer coverage in the UK and Europe.

As Hagerty points out, “This is a very specialized market, and with such a discerning clientele, much more goes into it than just selling insurance.” That is why he and many of his competitors offer other value-added services, like roadside assistance and flatbed towing. “These cars are six times more likely to break down than have claim,” he notes.

Ron Fiamma, director of private collections for the AIG Private Client Group, seconds that opinion. AIG underwrites these highly customized collector car insurance policies along with Chubb and Fireman’s Fund.

“We look to prevent problems from the beginning. Our collections management team is always involved,” he says. “Obviously, good risk management helps the clients and us. Our staff experts make visits to inspect facilities where cars are being kept. We like to make sure they have proper staff on board to make sure they are overseeing the cars so that the cars are well taken care of and turned over regularly.”

AIG Private Client Group will have someone on site if a car is being moved. “It is amazing, but individuals will purchase rare, expensive autos and throw one on the back of a flatbed to haul it across the country,” Fiamma says. “This one guy was going to do just that with a vintage car that was only one of 12 in existence of the 400 that were made. We heard about it, and the collection management team become involved and recommended another shipping company. Our guys even drove along for the ride to make sure everything went OK.”

AND THE WINNER IS...

When prompted to pick a favorite, Hagerty jokingly responds, “Never.” But he quickly adds, “Actually this year’s Duesenberg class is really special.”

There is nothing moderate about a Duesenberg. Despite being built during the Depression, they were designed to be fast, big (up to 3 tons), elegant and expensive, inspiring the phrase, “It’s a doozie.” At a cost of \$25,000 in the ’30s, the only people who could afford one were movie stars and royalty.

Hagerty turns out to be right. The 2007 Best of Show winner is a 1935 Duesenberg SJ Special owned by longtime collector Harry Yeaggy of Cincinnati, Ohio. Also known as “the Mormon Meteor,” this amazing car is a supercharged speedster that was raced by Ab Jenkins, the former mayor of Salt Lake City, and then driven on the city streets. The car, which set a 24-hour speed record in 1935 averaging 135.58 miles per hour, sold for a record \$4.45 million at the 2004 Pebble Beach Auction conducted by Gooding & Co.

Yeaggy restored the car to the way it looked when it set several records on the Bonneville Salt Flats, including the eye-catching silver, capitalized letters that spell out D-U-E-S-E-N-B-E-R-G along the creamy yellow hood.

“I’m trying to catch my breath,” says Yeaggy on the winner’s ramp, colorful streamers raining down upon him. “I knew I had a great car. I love the styling and the art deco look, and it’s a performance car. It’s just elegant from every different direction. For me to get a performance car and a beautiful car is a perfect combination. In my opinion, this is the most significant American car ever built.”

His insurance broker remains a secret, but whoever it is will definitely be writing a new policy reflecting the new “agreed value” for this Concours winner. 🇺🇸

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