

Through the Eyes of an Appraisal Reviewer

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Appraisers develop opinions of the value of subject assets within their accredited disciplines. Our opinions must be credible (worthy of belief) because our reputations depend on it, and more importantly because our clients and others will make financial decisions based on those opinions.

I have the opportunity to read and review gem and jewelry appraisal reports on a regular basis. Not long ago, I reviewed an appraisal report that was originally prepared for insurance coverage. By the time it reached my desk, the report was under challenge as part of an insurance loss claim. The errors and omissions in the report provided ample ammunition for the adjuster to question the credibility of the appraisal. By failing to do their job well, the appraiser had placed their client in a vulnerable position when negotiating the settlement. Our clients deserve better and the preservation of our reputations demands better.

The purpose of this article is to help appraisers avoid the errors most commonly encountered by reviewers. Whether the reports have been prepared by veteran or novice appraisers, for insurance coverage or another intended use, the following mistakes are regularly seen and serve to undermine the credibility of the appraisals.

Don't rush – proofread every report. Errors in mathematical calculation, misspelled words, and irrelevant or inaccurate statements undermine the credibility of the best appraisal reports. For instance, if the assignment did not include any colored stones, an assumption about treatment of colored stones is irrelevant and should not be included in the report. Be sure to double and triple check calculations. When a report comes in for review and the total value stated does not equal the sum of the values for individual items, the credibility of the report goes out the window immediately.

Is your CV, Appraiser Qualifications, or Resumé completely truthful and current? When a report is disputed, one of the goals of the opposing side is to discredit the appraiser. The appraiser's qualifications page often serves as low hanging fruit and is the first place the challenger goes to look for misstatements and puffery. We must take extra care to include “just the facts” in our qualifications and to present those facts in a manner that is not misleading. Our reputations depend on it.

Did you personally inspect the jewelry or gems? It seems like such a simple question, but it is commonly unanswered or unclear in appraisal reports. The Appraiser Certification requires the appraiser to certify “I have (or have not) made a personal inspection of the property that is the subject of this report”. We don't always have the luxury of a personal inspection of the property we appraise. In all assignments, especially those in which the appraiser did not inspect the property, it is of paramount importance to confirm that the Appraiser Certification correctly reflects whether or

not the appraiser conducted a personal inspection. The credibility of many an otherwise cogent and convincing appraisal report has been destroyed by the failure to tailor that one statement to the assignment.

How is the appraisal going to be used? In order for an appraisal to be meaningful to our client, we must understand why they need the appraisal. A conversation with the client at the beginning of the assignment establishes this information. We must ask our client “how will this appraisal be used?” The answer might be for insurance coverage, estate tax calculation, equitable distribution, dispute resolution, or something else. Our approach to the assignment and even our competence to complete that assignment may be different for different intended uses. Every appraisal must describe how the appraiser intends the report to be used. This protects us as appraisers while ensuring the report is not misunderstood.

Is the type of value appropriate for the assignment? It is imperative that we clearly identify the correct type of value for each assignment. Appraisers determine the appropriate type of value based on the intended use of the appraisal. Is the appraisal for insurance coverage? If so, replacement value would likely be appropriate. If the appraisal is for estate tax reporting, the IRS requires the use of fair market value as the premise of value. The correct type of value for the intended use of the appraisal is essential to avoid potentially misleading our client or others who may read the report.

What is the effective date of value of the appraisal? An appraisal is an opinion of value as of a specific time. The effective date of value provides the intended user with the context for our opinions and conclusions by identifying market conditions on a particular date. Appraisal values are often reported as current, frequently as retrospective and occasionally – within carefully specified circumstances – as prospective. Unless value is identified as prospective or retrospective, our appraisal does not predict future values nor does it represent past values. In order for our clients to properly understand our reports, we must include the date on which the market conditions that provide the basis for our opinion exist, AKA the effective date of value.

What market does your opinion of value represent? Is that market correct for the assignment? Jewelry and gemstones, like assets in other appraisal areas, sell in many different markets at many different market levels and, for very different prices. In most appraisal assignments, it is not necessary to include a dissertation on the market relevant to the assignment. A simple description of our opinion of the appropriate market is usually sufficient. Common markets for jewelry sales might be upscale independent jewelry stores, retail establishments authorized to sell {brand name}, or chain or mall type jewelry stores. To state an opinion of value without including the market it represents provides no frame of reference for the intended user and may be misleading.

Can you defend your opinion of value? Our appraisals are not facts; they are opinions. The credibility of those opinions is based on the evidence and logic that supports them. As with all opinions, ours are open to challenge. All too often, appraisal reports do not include information necessary to understand the report properly or to stand up to challenge. It is the appraiser’s responsibility to decide what type of information and how much data to include in the appraisal report with the goal of communicating our opinions and conclusions in way that is credible, not

misleading, and meaningful to our clients. A wise instructor once told me “There is no wrong answer in appraising as long as you can defend your position with relevant factual data and logical analysis.”

As appraisers, our reputation is our single most valuable asset. The best way to protect our reputation is to practice due diligence and to prepare every appraisal report as if it will be challenged.

Ms Brossmer is Accredited by the American Society of Appraisers in two disciplines: Appraisal Review and Management and Gems and Jewelry. She has developed and taught courses in ASA’s Principles of Valuation program for the Gems and Jewelry discipline, which lead to the Accredited Senior Appraiser (ASA) designation. Ms Brossmer is certified as a USPAP (Uniform Standards of Appraisal Practice) Instructor by the Appraisal Qualifications Board. She can be reached at terigem@gmail.com.

The opinions and comments in this article are those of the author and may not reflect the official position of the American Society of Appraisers or the appraisal profession.