

Bogus Ratings on Some Gems Fuel Anxiety Among Buyers; GIA Offers Free Reappraisals

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The still-unfolding scandal over diamond ratings is fueling anxiety among both jewelers and jewelry customers.

Laboratory workers at the leading rater of diamonds in the world, the Gemological Institute of America, are being accused of taking bribes to give higher-than-deserved ratings to stones. The GIA, which in October fired four lab workers after a four-month internal investigation, says only a handful of rogue dealers and a relatively small number of stones were involved. But the institute isn't saying how many stones may have bogus ratings. The incident has diamond buyers around the world wondering if they overpaid for their purchase.



Getty Images

Alyson Schroeder is worried about the three stones in her diamond wedding band. "I am wondering whether we should have it reevaluated and whether our insurance will question our ring appraisal or make us have it reappraised," says the recently married New Yorker.

A diamond is among the biggest purchases most people make in a lifetime, second only to a house or a car. For those who have already bought a diamond and are worried they may have paid too much because it wasn't properly graded, there are steps they can take. The Gemological Institute says it will recertify any stones for the next six months free, as long as the original certificate -- or grading report -- came from its labs.

Yet the institute, which generally evaluates stones sent by dealers and retailers, will evaluate only loose diamonds. That means you have to take a ring or piece of jewelry to a jeweler -- preferably the one who sold the piece in the first place -- and have the diamond removed before shipping it to them.

There is also another major diamond-rating group, one that hasn't been implicated in the scandal: the American Gem Society, which doesn't accept individual stones for regrading. Another rating group, the American Gemological Laboratories -- which focuses primarily on colored gemstones such as rubies and emeralds -- charges \$295 to evaluate a carat-sized stone, which includes a check after the stone is set to make sure the stone wasn't switched. GIA charges start at about \$100 for a one-carat round diamond, and go up according to size.

Local independent experts are another option. Matthew Trent, a Dallas jeweler, says that if consumers want a second opinion on a Gemological Institute of America certificate, they should contact the American Society of Appraisers in Washington, D.C., for a recommendation on an independent appraiser in their area. "If I had a customer concerned about their GIA certificate, I would smile and have it resubmitted," says Mr. Trent.

HOW TO BUY A DIAMOND



Amid new concerns about the certification process of diamonds, individual buyers need to make sure they're getting a fair value and an accurate grading. Here's what industry experts say to look for -- and how to make sure that you're getting what you paid for.

How to Judge a Certificate

- Ask for an **independent grading report** on the stone, which is typically called a "certificate." These certificates are primarily issued by the Gemological Institute of America Gem Trade Laboratory (www.gia.edu¹); the American Gem Society (www.ags.org²) issues reports, too. Some experts suggest getting a second opinion from other certifiers before making a purchase.
- After the stone has been set into the ring, **send it again to the certifier** just to make sure you have the same stone and also to check whether damage has been done to the stone. American Gemological Laboratories charges \$295 for the whole verification process, which includes this secondary step, for a carat-sized stone.
- Though the GIA insists that only a small number of consumers are affected by the current scandal, it invites concerned buyers to **send the stone back for a recheck**, free of charge. First, though, the diamond has to be removed from its mounting; consumers should go to the jeweler where they bought the stone to unset it.

How to Find a Diamond

- **Go to a reputable jeweler**; ask friends and coworkers for recommendations. Check the jeweler's qualifications and educational background as well as pertinent memberships in jewelry industry groups. The jeweler must be able to clearly explain to you why an equally-sized stone may differ in quality.
- **Research diamonds** at diamondhelpers.com³, a consumer site that does not sell diamonds, but offers information on diamond jargon and a price finder that allows you to enter the specific information from the diamond certificate and gives you an idea of its market value.

Source: WSJ research

A number of major retailers say they already have consumer protections in place. **Tiffany & Co.** says it grades all of its diamonds through its own laboratory and doesn't rely on the GIA. The company says it provides its own diamond certificates and warranties the accuracy of those certificates, although it occasionally uses GIA certificates. If a consumer is dissatisfied with a Tiffany diamond item, a spokeswoman says, he or she would be reimbursed for the return.

Mark Vadon, chief executive of Blue Nile Inc., a leading online retailer of diamonds and other gems, says it sells diamonds with certificates from both the Gemological Institute and the American Gem Society. He says he considers the GIA case as an isolated incident and still regards the group's gradings as trustworthy.

In addition, Blue Nile has its own team of gemologists to check the accuracy of the grading, because as he says, "There is some subjectivity to it." It sends the diamond back to the

diamond vendors if it doesn't make the grade from the company's own team of gemologists. And if the consumer has a problem with a purchase, he or she has 30 days to return it, no questions asked.

Blue Nile also has a premium diamond line, in which its diamonds are certified by the Gem Certification and Appraisal Lab, on top of the GIA certificates. The GCAL certification contains more information, such as light performance, according to Mr. Vadon.

Zale Corp., the world's largest jeweler, issues GIA certificates for stones sold at its high-end Bailey Banks & Biddle unit. "If any customer wishes to verify the grade of their diamond," says spokesman David Sternblitz, the company will send it to an independent lab.

Diamonds are graded by the GIA after being inspected under a microscope for internal flaws, and the color is measured against a set of master stones reflecting the spectrum of color ratings. Three graders look at the diamond independently and then the stone is given a grading report, or certificate, that lists its color and clarity rating, in addition to its weight and cut.

Of course, getting an accurate rating is only part of the challenge. Consumers need to make sure they aren't paying too much for a stone that has been properly rated. They can turn to resources such as Diamondhelpers.com⁴, a consumer-focused Web site that doesn't sell diamonds. It has a price finder where consumers can enter information from the diamond's certificate -- such as color, cut, carat weight and clarity grade -- and get an idea of its value.

The diamond-grading scandal erupted after a prominent diamond dealer filed a lawsuit earlier this year charging that workers at the GIA lab in New York had improperly graded stones sold in 2001 for \$15 million to members of the Saudi royal family. The Saudis later had an independent evaluation done and got their money back. The GIA is on the brink of settling the lawsuit, say people familiar with the situation.

Joseph Tacopina, the attorney representing the diamond dealer in the lawsuit, says that he has gotten calls from dozens of consumers worried about the accuracy of the grading certificates on their diamonds. He understands their concern. "A difference in just two levels of a grade can mean a lot of money and the average consumer, of course, can't tell the difference," says Mr. Tacopina.

Jonathan Grella, a Washington PR executive, says he has definitely taken note of the scandal. He became engaged just two weeks ago, after months of learning the ropes about buying a diamond.

"I learned that a certificate is a must," he says, adding that he isn't sure whether he will get the ring reevaluated by another lab.

"This could send shock waves, not just through the jewelry and insurance industries," he says. "Can you imagine, going back to your bride-to-be and saying, 'I don't mean to alarm you, but the ring may not be what the certificate says it is.' That could make for some interesting holiday conversation."

