



Understanding the unique coverage and risk management requirements of fine arts and papers

Fine Arts & Valuable Papers: Coverage, Control, and Conservation



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September 2011

Preservation depends on proper coverage and risk transfer for fine art and papers

Although fine art is often proudly displayed in public buildings, its value may be something of a mystery to its municipal owner. The fine arts market has increased dramatically in value over the years, leaving many pieces of public art under insured and under protected.

Connecticut is a state with a rich arts heritage. Many pieces of fine art and valuable documents are located in town halls, libraries, on town greens, and in schools throughout the state. Often they are of historical importance and are an irreplaceable part of their community's cultural heritage. Some have been purchased by the municipality or school; others have been bequeathed to it. Still others are works of art on loan. In any case, these paintings, drawings, sculptures, and valuable papers present significant financial exposure to the public entity that has been entrusted with their care. If there is an incident, there may be damage to the entity's reputation and loss of the public's good will when these historical or valuable works of art are damaged or destroyed.

There are many hazards that can cause losses —

- Fire damage, including consequent water and smoke damage.
- Vandalism.
- Theft.
- Flood.
- Environmental degradation.

"Do we have coverage?" Too often, it's only after an incident, when damage to art work or papers is identified, that municipal officials learn that they are under insured. Restoration or replacement costs for fine art are often significant. If the piece is owned, the municipality may not be able to repair or replace the original. If it is on loan, the entity may be forced to assume a major unplanned liability expense for its replacement or restoration.

Approval of a property insurance claim depends on two things: coverage of the loss and documentation to establish the amount of the covered loss. In addition, the insurance contract imposes various duties on the part of the insured after a loss. Failure to comply may negate the claim or result in less than expected coverage.

The CIRMA Liability-Auto-Property (LAP) Coverage Contract provides for coverage of fine arts and valuable papers under the Property Inland Marine section, with a standard coverage limit of \$25,000 plus the applicable deductible per occurrence. For example, if a collection of six paintings with a total worth of \$100,000 were stolen as part of a single theft, the claim payment would be \$25,000, the sublimit. However, CIRMA members can work with the CIRMA Underwriting Team to increase this limit, so that their art work is insured for the appropriate amount.

In the absence of an appraisal, the CIRMA LAP policy provides coverage on an actual cash value (ACV) basis. ACV is defined as the cost to replace with new property of like kind and quality, less depreciation up to the policy limit. However, with a proper appraisal, the CIRMA policy would provide coverage at the appraised value (page 125 of the CIRMA LAP policy, section G).

Valuable Papers and Media

CIRMA defines valuable papers and records as written, printed, or otherwise inscribed documents and records, including, but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, micro-inscribed documents, manuscripts, and data

Once coverage is bound, it can still be changed by endorsement; but the change will not cover a loss that has already occurred.

Risk management best practices help conserve public art

The Heritage Health Index found that only 44% of institutions have sufficient security measures in place for their collections and that 26% have inadequate or no protection.

processing media, but not including money and/or securities. (Page 125 of the CIRMA LAP Policy Section D).

CIRMA's policy responds to claims for valuable papers, records, and media with coverage at the cost to repair or replace the property with other property of like kind and quality, including the cost of gathering and/or assembling information, up to the selected/defined policy limits.

Risk Management and Conservation

Pre-loss activities can protect valuable items by preventing damage. Post-loss planning and mitigation activities also help assure that articles are appropriately insured and subsequent damage is prevented. The focus should be on the things that can be influenced or controlled (through loss avoidance and mitigation, and through documentation), especially those activities that can be performed before the loss, that will enable prompt action after the loss.

Pre-Loss Activities A risk analysis of your fine art's exposures to various perils is an important pre-loss planning activity. Document your fine art objects and valuable papers, and analyze factors associated with the security and display of the objects. Best practices include (but are not limited to):

- Maintaining complete inventories of valuable works, including good quality photographs, information on location, edition number, signatures, accurate measurements, and, where relevant, serial numbers, and any provenance. Items on loan to the entity should be tracked as well.
- Maintaining current appraisals by a certified appraiser. The value of fine art fluctuates with changes in demand and the strength of the economy. Note: there are various types of art appraisals and they are not interchangeable, so make sure you obtain an insurance appraisal.

Currently, personal property appraisers are not regulated by law. In order to avoid a selection mistake, choose a certified appraiser from one of the main accrediting bodies:

Appraiser Association of America — www.appraisersassoc.org

American Society of Appraisers — www.appraisers.org/ASAHome.aspx

International Society of Appraisers — www.isa-appraisers.org

These bodies provide rigorous training and certify their accredited members.

- Understanding your insurance policy, especially the coverage and limits. Know your limits for the value of your fine arts and valuable papers. The CIRMA Underwriting team will assist with reviewing your specific coverage, limits, and deductibles. It will also provide guidance on the process for increasing your coverages.

Consider how and where the artwork will be displayed:

- Proper placement will help protect easily damaged art work from harmful exposures, such as direct sunlight, water from a sprinkler head, or the heat, soot, smoke from a fireplace or heating unit.

Fine art preservation depends on proper insurance coverage and risk transfer

If we were to collect all of the stolen works of art into one museum, that “museum of art theft” would easily eclipse the Met or the Louvre or any of the world’s great museums in the scope of its holdings.

Art Law

- If you own large, three-dimensional sculptures, be sure to carefully consider how and where the work is mounted. Consider hiring a professional art installer. If the work is heavy, consider attaching the base to the floor to keep it in place. If the work of art is smaller, consider using museum wax to hold it in place. Museum wax will help adhere smaller three-dimensional objects to a surface, without causing damage to the artwork. For outdoor sculpture, site properly and use a protective enclosure to help protect the statute from the elements and from vandalism.
- Ensure the area/building is protected with an appropriate monitored burglar alarm system. CIRMA recommends that only a UL Certified central station alarm system be used. A certified alarm system is subject to random audit by UL alarm system auditors to check compliance. A “listed central station” is an alarm monitoring facility that has demonstrated the ability to provide standards-complying service, covering building structure, receiving and monitoring equipment, and staffing issues, in addition to installation and ongoing service.
- Ensure proper storage of artwork and valuable papers. Do not store fine art or carpets in basements or attics. These parts of municipal buildings are susceptible to dramatic temperature changes, flooding, and leaks. If possible, create an “art closet,” with horizontal racks and a locked door. Wrap all fine items in archival materials, and store framed artwork face to back, in a vertical position.

Additional ongoing measures to consider:

- Hire a professional art hanger. Objects must be hung correctly to ensure support and reduce the chance of falling. A professional art hanger is more likely to use the proper hardware and structural supports than a general contractor.
- Consider developing special procedures for routine housekeeping (dusting, vacuuming, etc) that will ensure fragile art is not damaged during cleaning. Proper cleaning will also help preserve and protect valuable art; seek the advice of a conservator.
- Conduct condition examinations.
- Install water alert sensors.
- Install smoke detectors, not heat detectors, in rooms with precious objects. A heat detector does not provide protection against soot or smoke damage.
- Keep art collections out of direct sunlight.
- Maintain constant temperature and control humidity in storage areas.
- Outdoor sculpture is vulnerable to damage from graffiti. Graffiti should be removed as soon as it is discovered, ideally within 48 hours. In difficult cases, it may be necessary to conduct test trials to determine appropriate removal techniques, materials, and equipment. Only materials and methods approved by a conservator are recommended. Health and safety regulations appropriate for the materials and equipment should be followed in graffiti removal work. (Source: Save Outdoor Sculpture, Heritage Preservation.org.)

Risk management best practices help conserve public art

Every institution with a collection should have an emergency preparedness plan that includes emergency response procedures for its collections. Staff should be trained to implement the plan. Modest commitments of time and resources devoted to preparedness will prove to be enormously cost effective in the event of a disaster.

Heritage Preservation

Post-Loss Planning Activities

When art is damaged by fire, smoke, water, or other environmental cause, seek the advice of a professional conservator first. Incorrect response can cause more damage to valuable pieces. As outlined in the CIRMA Liability, Auto, Property (LAP) Accident Reporting Best Practices Guide, after a loss you should:

- Report the loss immediately once it is discovered.
- Serious incidents should be immediately reported to CIRMA by phone and followed up with the Loss Notice Report:
 - Loss Notice Reports should be completed within 24 hours after the accident has occurred or when you have knowledge of an incident, occurrence, or potential claim. Do not wait to receive written notification of an accident or claim before filing the Loss Notice with CIRMA. Contact CIRMA for direction and assistance; call 1-800-525-1647 during business hours, or after hours 203-710-4479.
- Implement property conservation measures to ensure no further damage or loss, such as:
 - Removing pieces from affected area as quickly and as safely as possible.
 - Removing pieces from frames and lay art flat to help preventing damage caused by mold growth or adhesion to the glass.
 - Photographing and preserving evidence.
 - Completing and submit CIRMA Property Loss Notice Form. (You will be contacted by CIRMA Claims Management staff as soon as possible.)
 - Conduct investigation of the loss to identify prevention strategies.

Risk Transfer

Use appropriate risk transfer procedures for any non-owned works of art in your custody or for items on loan to other entities. Risk transfer is the shifting of responsibility for loss or damage arising from the activities of a contract, from one party to the other. This can be accomplished in one of two ways: through noninsurance risk transfer, which includes contracts and agreements, or through insurance. As a best practice in risk management, municipalities should attempt to transfer the risk of these accidental losses and or damages through one or both of these two methods.

As a best practice, entities should have policies and procedures in place for the review and authorization of these agreements. The purpose of this process should be to protect the municipality's interests. It also helps to clarify the responsibilities of the various persons involved in negotiating, reviewing, and signing contracts and agreements.

Please contact your CIRMA Risk Management Consultant to receive a copy of the Risk Transfer Guide and to discuss any specific questions regarding contractual language from a risk management perspective.

Contact your CIRMA Risk Management Consultant to schedule a meeting to further discuss specific needs or concerns regarding best practices for protecting fine art and valuable papers.

Fine art preservation depends on proper insurance coverage and risk transfer

For additional information on this topic, please contact your CIRMA Risk Management Consultant.

References

Art Loss Registry

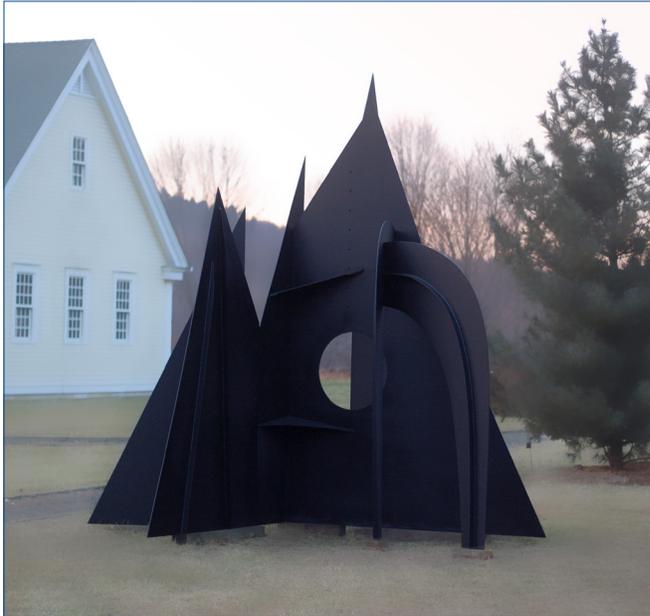
The ALR provides art registration, search and recovery services to collectors, the art trade, insurers and worldwide law enforcement agencies.

www.artloss.com

Heritage Preservation

Heritage Preservation is a national non-profit organization dedicated to preserving the cultural heritage of the United States. By identifying risks, developing innovative programs, and providing broad public access to expert advice, Heritage Preservation assists museums, libraries, archives, historic preservation and other organizations, as well as individuals, in caring for our endangered heritage.

www.heritagepreservation.org



A Calder statue is installed at the Minor Memorial Library

Case Study

Mountains Moved: CIRMA makes sure a work of art and the Town of Roxbury are protected

Internationally famous and respected for developing a new idiom in modern art, Alexander Calder returned to the U.S. in 1933 and made Roxbury, Connecticut his home and workplace. Seventy-four years later, one of his works, *Mountains*, returned to the town of Roxbury on loan. The piece, fabricated of black sheet steel, is the model for the artist's last and most monumental work, *Mountains and Clouds* housed in the U.S. Senate Office Building, in Washington D.C.

Calder wanted his stark, buoyant, often playful sculptures to be displayed outdoors "with the sky as the ceiling." True to his wishes, this piece was to be placed outdoors, on the grounds of the town's Minor Memorial Library. With the installation of the piece imminent, Roxbury town officials turned to CIRMA for assistance.

Town leaders wanted to make sure that the town's exposure while the statue was in their care was fully protected if the work was stolen or, more likely, damaged. The coverage solution Roxbury officials required was a fine-arts "all risks" coverage with no deductible. The first questions faced by CIRMA's Underwriting staff were that of the sculpture's actual dollar value. Although CIRMA's sublimit for fine art is generous, it was too low for this work, which was created by the artist regarded as the most important sculptor of the twentieth century.

The fine art market is highly specialized and volatile; when the first estimates of the statue's worth varied by millions of dollars, CIRMA staff went back to the original insurer for its best estimate. CIRMA then approached the specialty insurance markets on behalf of the town to obtain coverage that was both affordable and fully protected the exposure. Quotes were obtained from three insurers, and coverage finally placed through the specialty markets.

On August 29th, with *Mountains Moved* and an insurance binder safely in hand, Barbara Henry, first selectman, said "We are very pleased to have had CIRMA's consultative services on this project."

The Connecticut Interlocal Risk Management Agency, CIRMA, is Connecticut's leading provider of municipal risk financing and risk management services. A member-owned and governed agency, CIRMA provides high quality insurance for municipalities, school districts, and local public agencies. CIRMA operates two risk pools, the Workers' Compensation and the Liability-Auto-Property pool. It also provides Heart & Hypertension claims services and claims administration and risk management services to self-insured municipalities. CIRMA's financial strength enables it to provide assured rate stability, open availability, and expert risk management and claims services.

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Rev. 07/01/15