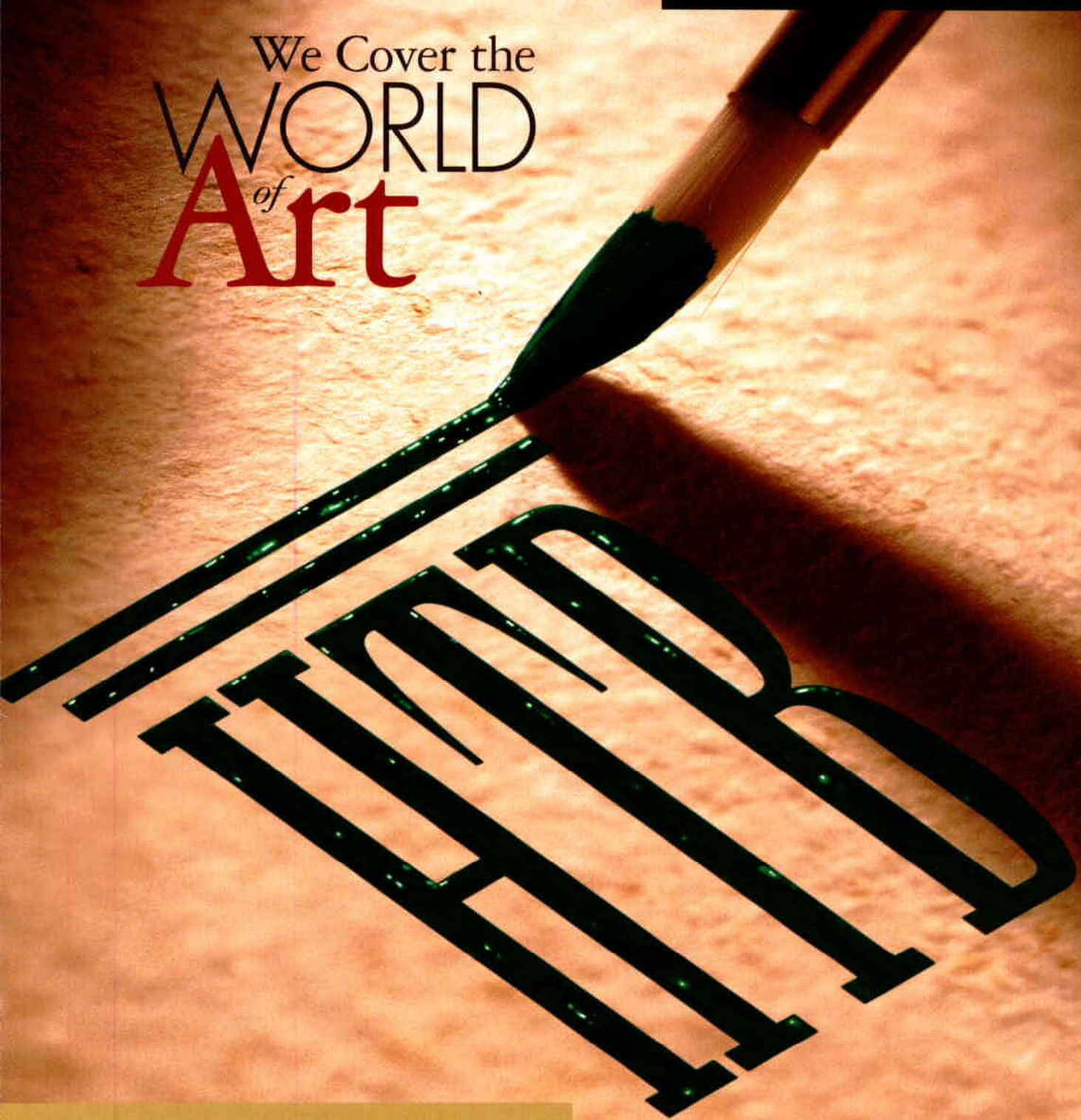


# Insurance Checklist

# for Museums

We Cover the  
**WORLD**  
*of*  
**Art**



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HUNTINGTON T. BLOCK  
INSURANCE AGENCY, INC.

# INSURANCE CHECKLIST FOR MUSEUMS

## 1. *Fine Arts Insurance, Permanent Collection*

To cover:

- ▲ the museum's own property
- property on approval for purchase
- ▲ property in which the museum has a joint interest
- ▲ property on long term loan (usually more than six months)

for the "all risk" perils, at the museum's premises, at any other location, and in transit. If international transits are to be insured, check to be certain your policy is not limited to the U.S. and Canada. Make sure your permanent collection insurance is written on a blanket basis (not limited to a schedule of objects) with losses payable on a "current market value" basis as of the time of loss. Consider carrying insurance for an amount equal to that portion of the collection likely to be destroyed in any one loss (there should be no co-insurance clause in your policy). A deductible clause will help keep insurance costs down.

## 2. *Fine Arts Insurance, Temporary Loans and Traveling Exhibitions*

Designed to cover property of others on temporary loan to your museum, and your own property on temporary loan to others (although normally the borrower should insure), and traveling exhibitions, for the "all risk" perils, at the museum's premises, at any other location, and in transit. If you are involved in international transits and/or exhibitions that travel overseas, check to be certain your policy is not limited to the U.S. and Canada. Loan agreements should be prepared for each object borrowed with the "agreed value" of the loan object listed, together with a notation as to who will carry the insurance.

The valuation clause in your insurance policy regarding loaned items should be based on such "agreed value." The subrogation clause should be amended so that it does not apply to other museums in which that insured property is being exhibited. A deductible clause on insurance covering loaned property is not recommended because it puts the museum in the position of being an insurance adjuster for losses below the deductible.

Some features to note in Fine Arts Insurance:

1. *Review the exclusions in your policy. For example, it may contain a mysterious disappearance exclusion. This could prove troublesome since you may not be able to prove how a work of art disappeared. Inventory shortage and breakage are two other exclusions which should be avoided.*
2. *Some policies contain an important "buy back" clause which gives you the option to buy back a stolen/lost work of art, one that is recovered after a claim was paid, for the same amount as the claim payment, plus expenses.*
3. *The "pairs and sets" clause in your policy should provide you with the option to accept as payment the total value of the pair or set, even though only one article is damaged or destroyed. Of course, you must turn over the undamaged article to the insurance company.*
4. *The policy should also contain a currency fluctuation clause so foreign loans can be insured in their native currencies.*

## 3. *Fine Arts Legal Liability*

To protect the museum against legal liability (negligence) claims for damage to works of art of others which the museum has been instructed not to insure.

## 4. *Directors and Officers' Liability*

Should be written to cover the museum, its trustees, officers, employees, committee members, and volunteers against financial loss including judgements, out-of-court settlements and defense costs. Your policy should include coverage for a wide assortment of wrongful acts including; mismanagement of museum funds or assets, inefficient administration, personal injury, and publishers' liability. In addition, your policy should cover employment related claims such as discrimination (due to age, race, sex, or disability), wrongful termination, sexual harassment, wrongful failure to employ or promote, or wrongful infliction of emotional distress.

## 5. *Building Insurance*

Building insurance covers the insured building(s) structure(s), attached additions and extensions, fixtures, machinery and equipment permanently attached, and property of the museum used for the maintenance and service of the building. Permanently installed security systems and movable wall installations are also considered part of the building(s).

The definition of real property may vary in policies. For instance, signs and outdoor lighting may or may not be considered as part of the building.

Coverage should be arranged for standard "all risk" perils, and on a replacement cost basis. Some policies require that the reconstruction of the building after a loss be only at its present location. If there is a possibility that you may want to rebuild at another site, request a change in the policy wording. Furthermore, even though your insurance may be written on a replacement cost basis, if you decide not to replace the insured property

after a loss, and choose just to take the money, reimbursement for the loss will be based on replacement cost less depreciation. If your building(s) have special historic architectural features, ask that your policy be endorsed to cover "historic reproduction" based on like kind, quality, and workmanship in the event of an insured loss or damage.

It is especially important that the "agreed amount" endorsement is attached to your policy; by agreeing with your insurers before a loss that you are carrying proper amounts of insurance, you eliminate the possibility of a coinsurance penalty after a loss.

The "all risk" perils include, but are not limited to, loss or damage by fire, lightning, windstorm, hail, explosion, riot, smoke damage, vandalism, collapse, water damage from breakage of pipes, burglary damage and theft.

Certain standard exclusions will be found in most building policies, such as landslide, flood, back up of water from sewers and drains, and earthquake damage. Flood insurance is offered by the U.S. Government in areas designated eligible through the facilities of the National Flood Insurance Program. Many of the exclusions are offered as options by the Insuring Company and can be endorsed onto the policy for an additional premium.

A Demolition and Contingent Liability from Operation of Building Laws Endorsement can be attached to your building insurance to cover your loss resulting from the enforcement of building or zoning laws following an insured loss.

An Increased Cost of Construction Endorsement is also available to cover the increased cost of repair or construction over and above the normal replacement cost, all due to the requirements of building laws or ordinances which may not have been in effect when the building was originally built.

## 6. Boiler Insurance

Property insurance usually excludes boilers, machinery and air conditioning equipment, so this coverage must be purchased separately. Coverage should be on a comprehensive repair or replacement cost basis so there will be no deduction for depreciation at the time of loss. Business Interruption can be attached by endorsement to

reimburse you for loss of income resulting from your inability to carry on museum operations because of an accident to the insured equipment. Safety inspections are usually made automatically by the insurance company.

## 7. Museum Contents (Excluding Fine Arts)

Provided on an "all risk" basis to cover fax machines, copiers, furniture, drapes, display cases, leasehold improvements (if you do not own the building), etc. Coverage is usually written on a replacement cost basis (no deduction for depreciation). Check to be certain you are carrying the proper amount of protection. Usually this insurance is not designed to cover personal property of employees, guests, volunteers, and visitors. Checkroom Liability is available to protect against claims involving property of guests and visitors that has been checked. Museum Shop contents are usually insured at cost; be sure your policy does not have a "property for sale" exclusion.

## 8. Computer Insurance

Provides "all risk" coverage on computer hardware as well as media. In addition, you should consider coverage for mechanical breakdown, extra expense and loss due to computer viruses. Laptops and portable computers should be insured on a worldwide basis.

## 9. Art Library, Papers and Records Replacement Insurance

Valuable papers replacement insurance is available for books and pamphlets that can be replaced. Property that cannot be replaced must be specifically listed. Rare books and manuscripts can also be insured under your fine arts policy. "All risk" coverage is designed to provide for reimbursement of the cost to reproduce books of account, card index systems, address-o-graph plates and your publications. Some policies exclude storage away from the museum premises. If so, a special endorsement must be issued. If property insured is for sale, let your insurance broker know as there may also be a "property for

sale" exclusion. Transit coverage may have to be arranged separately for insured property being transported.

## 10. Rent/Rental Value Insurance

If you own a building and rent a part or all of it to others, you can insure for the rent you lose while the building is untenable due to an insured loss. If you are a tenant in a building, and your space is made untenable because of an insured loss, your lease may require you to continue rent payments regardless. Rental Value coverage will reimburse you for such rental payments.

## 11. Leasehold Interest Insurance

If you lease space and the lease agreement has a cancellation clause in the event of a catastrophic fire, you would find it necessary to lease other premises, possibly at substantially higher rental cost per month. Leasehold interest insurance can be purchased to protect you against the difference in your rental cost—up to the time your previous lease would normally have terminated.

## 12. Business Interruption and Extra Expense Insurance

Provides reimbursement for loss of income as a result of interruption of revenues from admissions, cafe, and gift shop sales due to a covered loss. It also pays the extra expenses incurred to keep the museum in operation as fully as possible after an insured loss has occurred.

## 13. Plate Glass Insurance

If you own your building, you can elect to insure against plate glass breakage. If you do not own the building, your lease agreement may require you to carry plate glass insurance (if there is a plate glass exposure). The cost to re-letter glass and replace burglary installations, etc. can also be insured. Some policies provide automatic insurance for breakage of building glass.

## 14. *Property Floaters*

May be written to cover many types of items such as photographic equipment, audio-visual equipment, film, exhibition sets/props, musical instruments or other items not classified as fine arts.

## 15. *Accounts Receivable Insurance*

If your records of accounts receivable or membership dues were destroyed, you would have no record of outstanding accounts on which to collect monies due the museum. Accounts receivable insurance would reimburse you for these outstanding accounts. Coverage can also include pledge cards as well as amounts due from gift shop sales.

## 16. *Blanket Bond*

Blanket bonding is available to cover all employees. Non-compensated officers can be covered by endorsement. Volunteer workers who handle money can also be bonded. ERISA requires that trustees of your pension plan be bonded. Your Fine Arts insurance may not have an Employee Dishonesty exclusion, but bonding is still important to cover money, checks, and other museum property.

## 17. *Money and Securities Insurance*

Basic contents insurance may limit the coverage on money and securities. Specific protection is available to cover money and securities both on premises and off your premises in the custody of a messenger or armored vehicle. If you wish this protection, underwriters would be interested to know if you have a safe (type and model). Also, let the insurance company know how much you usually have on hand in cash and how much in checks. Credit card slips should be included in the coverage.

## 18. *Depositor's Forgery Coverage*

Banks are responsible for any forged instruments they accept. Depositor's Forgery gives you protection in order to retain the good will of your banking connections and to avoid discussions with the bank in the event of a loss. It covers loss resulting from forgery of checks and other documents issued by your museum.

## 19. *Commercial General Liability*

Protects against bodily injury and property damage claims arising out of your premises and activities. Employees are included as additional insureds. If you lease, the lease agreement may also call for the landlord to be insured. If you have special events or sponsor meetings, lectures/tours, etc., away from the museum, check with your insurance broker to be certain you are properly protected in these areas. Some "off premises" coverage is automatic.

## 20. *Medical Payments Insurance*

Medical Payments are available in connection with commercial general liability to provide reimbursement of medical expenses for a bodily injury claim at your museum caused by an accident regardless of your legal liability. For instance, if a visitor to the museum falls and cuts his hand, you may not be legally liable, but may choose to pay his medical bills. Medical Payments would cover this type of expense. Employees would be excluded from this coverage (they would be covered by Workers' Compensation insurance).

## 21. *Foreign Liability/Foreign Workers' Compensation*

It is important to note that most liability policies are limited to claims brought from within the United States and Canada. Since employees

may make trips abroad and you may participate in exhibitions overseas or museum sponsored trips, you should talk with your broker about extending your liability insurance to cover you and your employees on a worldwide basis. Repatriation and Endemic Disease should also be included.

## 22. *Products Liability*

You should carry products liability to protect against claims involving food poisoning and other injury caused by items you distribute or sell in your restaurant and museum shop.

## 23. *Host Liability/Liquor Liability*

This coverage protects the museum against claims based on serving liquor. For example, an intoxicated guest could be involved in an auto accident after leaving a museum reception, resulting in a claim against the museum for serving too much liquor to the guest. Some states have Liquor Liability laws which may require the purchase of special insurance.

## 24. *Personal Injury Liability*

Important protection against claims involving false arrest, detention, malicious prosecution, libel, slander, invasion of privacy or defamation of character. False arrest coverage is particularly important to a museum.

## 25. *Fire Legal Liability*

If you do not own your building, the owners or building management could hold you legally liable in the event of fire damage to the leased space you occupy, if caused by your negligence.

## 26. Contractual Liability

Some insurance policies provide protection for liabilities you may assume under any written or oral contract. Some insurance policies do not. Check with your insurance broker if and when you sign any contracts.

## 27. Publisher Liability

If you publish books or magazines, this insurance will indemnify the museum against loss through libel or the infringement of rights pertaining to loss of privacy, plagiarism, piracy or copyright-infringement. You may require a special Bodily Injury/Property Damage Endorsement for publication of "how to" books.

## 28. Non-Owned Auto Liability

Employees may use their own automobiles in business or rent automobiles for business trips. If the employee is involved in an accident, the injured party may sue both the employee and the museum. This policy would protect the museum. Of course, each employee should carry his/her own personal automobile insurance for coverage as an individual operator. The rental/charter of trucks, vans, buses, boats, and airplanes calls for special insurance arrangements.

## 29. Owned Automobile or Long-term Lease Auto

Any automobiles owned by the museum should be specifically insured for liability, uninsured motorist coverage, medical payments, and physical damage to

the vehicle. Comprehensive fire, theft and collision can be purchased with a deductible to reduce the cost of the insurance. You can also purchase rental car reimbursement to pay auto rental costs while your car is in the shop for repair or damage resulting from an insured comprehensive or collision loss. If you provide an employee with a vehicle owned by the museum, such employee can be added to your policy to protect him or her while operating other vehicles. If such employee owns a personal auto as well, it is not necessary to endorse the museum's policy, since the individual's own personal auto insurance would cover him or her while operating another vehicle.

## 30. Fiduciary Responsibility and/or Employee Benefits Liability

Designed to cover claims arising from errors or omissions in the handling of employee benefit programs.

## 31. Umbrella Liability

Blanket protection over your primary liability program and in other areas as well. Coverage can be arranged for limits up to \$25,000,000 and higher, if required. Insurance covered by the Umbrella, but not by underlying insurance, may be subject to a deductible. Policy forms differ so it is important to review exclusions.

## 32. Workers Compensation/Employee Liability

This is mandatory coverage. Be certain the policy is written with the proper employee classifications and payrolls. A standard limit of \$100,000 is automatically provided

for Employer's Liability. Statutory State of Hire Medical Benefits and Disability are provided to the employee for on-the job injuries or disease.

## 33. Disability Benefits

This coverage may be required by law in your state for off-the-job injuries or disease suffered by an employee.

## 34. Accident Insurance

Coverage can be arranged in a variety of ways. Group coverage is available for board members, officers, employees, committee members, and volunteers for business travel only, or for 24 hour business and pleasure. Premises accident insurance for volunteers can also be arranged.

## 35. Group Insurance

Pension plans, hospital expense, life insurance, major medical, dental and disability income can all be insured on a group basis.

## 36. Key Person Insurance

Reimburses the museum for financial loss resulting from the death of a key person.

## 37. Kidnap/Ransom/Extortion Coverage

Kidnap of key personnel (or their families), or holding art for ransom. This insurance covers reimbursement of ransom payments and related losses and expenses.

Each museum has its own unique insurance requirements.

This checklist is intended merely to provide you with a general outline of insurance coverages that are available. We trust it may act as an aid and a guide as you negotiate your own insurance.



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