

# Insuring museum collections

*A Collections Care How To Guide*



Insuring museum collections: a Collections Care *How To* Guide  
By Margaret Harrison, Museum Consultant

Editors: Alex Dawson and Natasha Hutcheson



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# Collections Care *How To* Guides

This *How To* Guide is published by Norfolk Museums and Archaeology Service, in partnership with the Collections Trust. It provides a broad summary of the different types of insurance that need to be considered by museums and a more detailed guide to the issue of insuring museum collections.

A Collections Care  
How To Guide



# Insuring museum collections/

Museums, like any other organisation, need to decide which activities and property they will insure and the levels of insurance they need.

These decisions are taken in the context of the museum's assessment of threats, and the resulting levels of risk posed to people or property. Having made an assessment museums can then plan how they manage their risks - and one of the ways of controlling, or mitigating, them is through insurance.

It is useful to set the insurance of museum collections in the context of all of the different types of insurance a museum

either *has* to buy, or can *choose* to buy.

## **Statutory insurance**

There are three types of statutory insurance which are required by law, if they are relevant to your museum's circumstances:

***Employers liability*** - This is required if you employ staff. It covers the museum's legal liability in the event that illness or

injury of a staff member is caused by the museum's negligence.

**Motor insurance** - Any vehicles owned by the museum must have basic level motor insurance. If staff members are required to use their own vehicles for work, they should ensure that their own motor insurance covers 'business use'.

**Engineering and inspection** - This insurance covers breakdown and damage to plant such as air-conditioning units, lifts and boilers.

## Non-statutory but possibly essential insurance

Although not required by law, these types of insurance maybe regarded as essential, depending on your museum's circumstances:

**Public and Products (third party) liability** - This covers the museum and staff against claims from members of the public resulting from injury, or damage to personal property.

**Buildings** - Buildings should be covered with an 'all risks' policy to allow for restoration or rebuild in the case of a disaster. If you rent your premises this policy will probably be the responsibility of the owner.

**Contents** - All business contents should be insured, including fixtures, fittings and movable items such as laptops.

**Business interruption** - It maybe advisable to think about insurance against loss of income in the case of a disaster.

## Other insurance to consider

Based on an assessment of the risks involved, the costs of insuring and the potential costs of not insuring, there are further insurance options which you can consider:

**Shop Stock** - As well as your Contents insurance you may wish to insure any stock you hold in your shop or café.

**Personal Accident** - Personal Accident insurance covers museum staff and insures against accident or injury during working hours.

**Trustee Indemnity** - This covers trustees of Museum Trusts against any claims or legal actions taken against them.

**Legal costs and expenses** - This covers the legal expenses in the case of actions being brought against the museum.

**Key Person** - This insurance is taken out to mitigate against the effects of losing a key member of staff though illness or death.

## Threats which may pose a risk to your museum

There are many types of threat to an organisation all of which can be insured against. Some of these threats might be:

- Fire
- Water
- Theft
- Accidental damage
- Vandalism
- Accidental injury
- Hazardous substances
- Manual handling
- Moving machinery
- Grounds maintenance
- Building work

## Insuring collections

For many museums and galleries, the collection is the most valuable asset apart from the building itself. Without the collections the organisation would not be able to function as a museum. However, it does not necessarily follow that the collections will be insured, or that if they are insured, they will be insured against all risks.

Every museum needs to make a decision about insuring their collections. So, how do you decide whether to insure your collections, and what level of cover to buy? There is no easy answer to this question but the following activities will help you to come to a conclusion. They are summarised in the decision tree on page 8

### **1. Use a risk management approach to assess and reduce risks to your collections**

A risk management approach to collections care and a well researched and carefully implemented emergency plan can help to identify, reduce and mitigate the risks to your collections. (see 'Where can I find out more?' on page 11 for other *How To Guides* with information about risk management).

When you cannot eliminate the identified risks, buying insurance allows you to pass the risk onto the insurance company. The

decision on whether or not to do that involves an element of risk assessment e.g in some instances the cost of insurance may outweigh the risk to your collection and you may decide to take the risk of remaining uninsured.

### **2. Keep up-to-date valuations of your collections**

When assessing and managing risk it helps to have accurate up-to-date valuations for your collections. You will also need valuations when seeking quotes from insurance brokers.

For fine art collections some museums pay an auction house to carry out periodic valuations based on market values. However, you may feel that you know your collections well enough to be able to value them yourself with the help of online auction and sales catalogues.

For other types of collection (e.g industrial or social history collections), monetary value may be difficult, or impossible to calculate. Or, the monetary value is low but the intrinsic curatorial value is high, due to the provenance of the objects: financial compensation for loss is irrelevant in that they cannot be replaced. In cases like these it may be more important to consider the likely costs of repair rather than trying to calculate a replacement cost.

If you decide that you do want to take out insurance for your collections then you will need to provide a valuation for the items being insured. The more up-to-date and accurate your valuations are then the easier it will be if you need to make a claim.

### **3. Discuss the level of cover you need with a broker**

Before deciding how to insure your collections you need to explore different types of cover with an insurance broker. They should be able to give you impartial advice and an accurate estimate of the costs involved.

#### *All risks cover*

The highest level of cover for collections is 'all risks'. An all risks policy generally covers replacement or conservation of items against all major potential causes of loss other than any explicitly excluded in the policy. An all risks policy may also cover depreciation in the value of items that are damaged.

#### *Basic cover*

By contrast, the lowest level of cover for collections, known as 'basic cover', might insure against a restricted number of risks and pay only for restoration of damaged items.

### *Combination of the levels applied to different elements of the collection*

Between 'all risks' and 'basic cover' there are many variations of cover that can be tailored to the needs of your museum. Based on your risk assessment and the value of the collections items, you may choose only to insure the most valuable items in your collection or the items that are at most risk of loss or damage. This list should be reviewed regularly as part of your programme of risk assessment.

### *No collections insurance – 'self insurance'*

Some museums decide that they will not insure their collections at all, or that they will only insure part of their collection. This is known as 'self-insurance' as the museum will absorb any costs relating to loss or damage to the collection. This is often the solution used by smaller, independent museums due to the costs of buying insurance, or for collections which are not of high financial value.

### **4. Take a decision based on full information**

To insure or not to insure? What level of insurance? Specialist insurer or a local broker? Whatever decision you come to you must make it in possession of all of the facts, so that it suits your museum's circumstances. To help with your decision

make sure you have:

- Carried out a thorough assessment of risk and put in place measures to manage risk appropriately.
- Updated your collections valuations and spoken to other museums with similar collections to your museum to find out what they do.
- Discussed your needs with several insurance brokers.

### **5. Finally - Don't forget you also need temporary insurance for Incoming Loans**

Whatever your approach to your own collections there is one instance where you nearly always have to provide collections insurance: incoming loans.

In the majority of cases, when your museum borrows from another museum, a private individual, or non-museum body, you will be responsible for insuring the borrowed items whilst it is in transit and for the duration of the loan. If the loan is from another museum, this will usually be specified in the loan agreement from the lender. If the loan is from a private individual or non-museum body then you should make it clear in your agreement with the lender that the item on loan will be insured.

What should the loan agreement cover?

- A list of the items on loan.
- An agreed valuation.
- A statement of who is responsible for insurance.
- Whether insurance will also cover items in transit.
- Details of who is permitted to handle and move the object.

It is possible for both lender and borrower to agree that no insurance is necessary and that one of them will carry the risk. This usually only happens between national museums when the lender carries the risk.

### **Government Indemnity Scheme (GIS)**

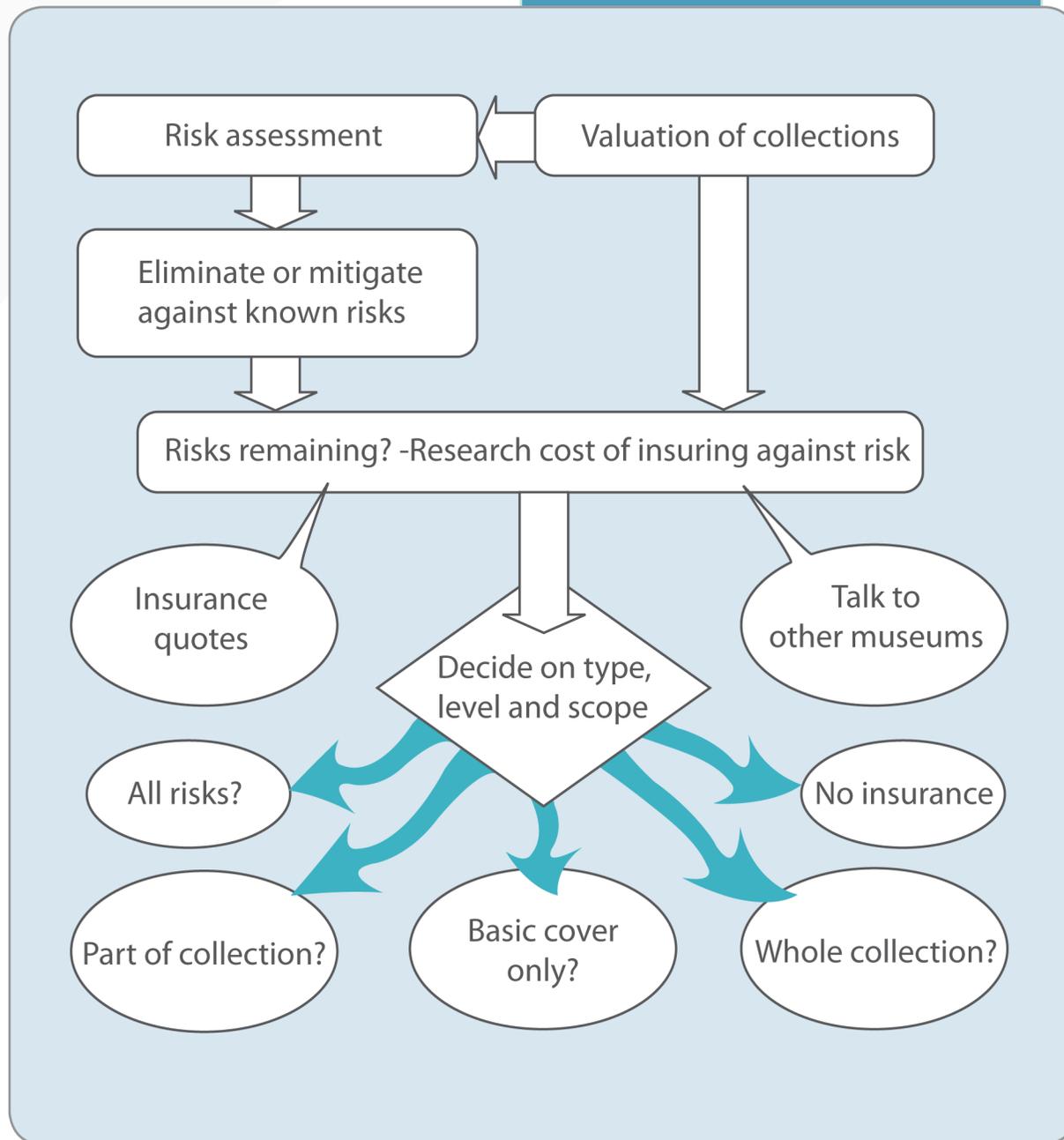
Insurance cover for some loans can be arranged under the GIS. This is an alternative to commercial insurance and allows museums to borrow and provide access to objects within the UK, that they might not otherwise be able to afford because of high insurance premiums.

Under GIS a museum can borrow objects from private lenders as well as other collections organisations, and in the event of loss or damage compensation will be paid to the owner by the Government.

To be eligible for the GIS, museums must demonstrate that they meet specific standards in security and environmental conditions. For more information see 'Where can I find out more?' on page 11.

## Making decisions...

This decision tree summarises the areas you need to consider when you are deciding on your insurance cover



## Making decisions...



### Local broker? Specialist museum insurer? Levels of cover?

Many independent museums use a local insurance broker and include collections insurance in a package with other types of insurance.

A curator from an independent museum says:

*'We had a unique and irreplaceable painting stolen. It was specifically listed on our insurance policy, provided by our local broker. Although we could not replace the painting we were able to use the money we claimed to upgrade the security in our gallery.'*

Local authority and university museums will usually have little choice about their insurance and will have to use the standard insurance provided by the authority. This is often known as 'umbrella insurance'.

Some find that they are very happy with this insurance. This employee from a local authority museum says:

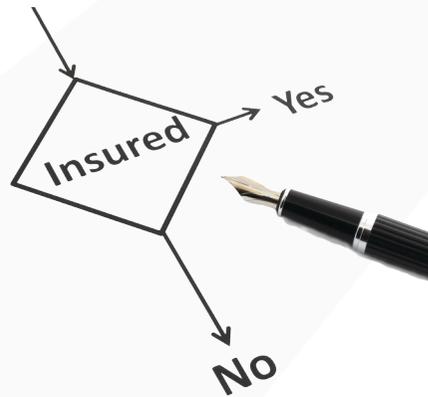
*'In 2009, a child from a visiting school group climbed through an exhibition barricade, picked up a large mallet prop from the display set and smashed it across the hand of a display mannequin. The successful insurance claim (against fittings) as well as covering restoration by a company in London also covered crating and transporting the mannequin, which was cast from life, along with the tools it was holding and the workbench it was standing next to.'*

Other local authority museums find that standard umbrella cover provided for collections is inadequate. For example it may only cover items up to a specific value, for example £50,000.

A curator from a local authority museum says:

*'We are currently reviewing our insurance policy. With the help of the local authority we are swapping the insurance of our collections to a specialist art insurer as we feel that we will get a policy more suited to the needs of our collection.'*

## Making decisions...



### To insure or not to insure?

Although expensive, full insurance gives peace of mind and covers the museum against the unexpected, be it theft, natural disaster or accidental damage.

A curator from a local authority museum provides this example:

*'In 2011, incorrect dismantling of a display case during cleaning caused the case lid to fall down onto a large £45,000 ship model causing damage to rigging and masts. Our museum policy covered all risks to items on display and a successful insurance claim has been made to cover conservation of the model in London along with crating and specialist removals.'*

For many smaller museums the costs of insurance premiums mean that insuring collections is not an option, and as a result they take the 'self insure' route. For others, a risk assessment reveals that the costs of insurance are an unnecessary expense, as illustrated in the next example from an industrial museum:

*'We, as a general rule, do not insure the exhibits. The reason is mainly financial, but it does make some sense as the main possibilities of loss are theft and damage due to some event, e.g. fire. The former cannot be ruled out, as we did have one theft before we had the current level of secure buildings or security system, but the majority of exhibits are large and heavy and would take time to remove. The latter is of concern, but as the people who would have to do the restoration of any damaged engines are already, in the main involved with the museum, the pragmatic view is we prefer to use the money to develop the museum. We also do not have much combustible material in the museum to fuel the fire. The only area where there is combustible material in quantity is the archive, and that is irreplaceable so not worth insuring.'*

Some local authorities also self-insure collections as they consider it is not financially viable to take out commercial insurance but undertake to cover costs themselves. However, this is a risk many museums decide they do not want to take. Another curator says:

*'At present we don't have our collection, or individual objects within it, insured as a separate entity or entities, largely because in the past the collection was considered of insufficient financial value for that to be necessary. I don't agree with that view so the collection and its value will be reassessed and a more tailored policy taken out.'*

# Where can I find out more?

## More about insurance

**Focus Paper Risk Management and Insurance for Collections**, (2007), Association of Independent Museums. <http://www.aim-museums.co.uk/downloads/68071553302062009141542.pdf>

**MLA Insurance for Museums**, (2004) <http://www.collectionslink.org.uk/discover/site-information/440-insurance-for-museums>

**Government Indemnity Scheme**, <http://www.artscouncil.org.uk/what-we-do/supporting-museums/cultural-property/protecting-cultural-objects/government-indemnity-scheme/>

## More about risk management

**Assess and manage risk in collections care: a Collections Care How To Guide**, (2012) Norfolk Museums and Archaeology Service, [http://www.sharemuseumseast.org.uk/shares/resource\\_125.pdf](http://www.sharemuseumseast.org.uk/shares/resource_125.pdf)

## More about insurance and loans

**Simple Loans Administration**, (2007), Museums Association. <http://www.museumsassociation.org/download?id=14828>

**Smarter Loans**, (2012), Museums Association. <http://www.museumsassociation.org/collections/smarter-loans>

