Insurance for Museums

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MLA is the national development agency for museums, archives and libraries, advising the government on policy and priorities for the sector. Our mission is to enable the collections and services of museums, archives and libraries to touch the lives of everyone. MLA is a Non-Departmental Public Body sponsored by the Department for Culture, Media and Sport.

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This publication explains why museums should take out insurance cover and describes the range of cover available. Chapter 1 describes how the insurance industry is organised and operates, and how specialist brokers and underwriters can provide highly customised cover for museums and similar heritage bodies.

These Guidelines are a follow-up to *Museums and Insurance,* a survey for the Museums & Galleries Commission which was undertaken by Patrick Boylan and Jacqueline Sarafopoulos of the Department of Arts Policy and Management, City University, London and published by the MGC in 1999.

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Introduction

A simple definition of insurance is that it represents a promise to pay after a problem has arisen. Financial compensation is made where the consequences of the problem are covered within the terms of an insurance policy. Insurance is therefore a vital consideration of risk management for museums and galleries (as it is for all other businesses, charities, trusts and government bodies) and appropriate cover can be arranged for almost every area of a museum's operation.

Protecting property

All the property that a museum owns or is responsible for should at least be considered for insurance. Property should encompass all the physical components of a museum or gallery's operation including, but not limited to, the collections, the buildings, furniture, fixtures and fittings and employees' belongings.

Protecting employees

Employer's Liability is generally mandatory in the UK by law, although some museums and galleries would be exempt through their national status or others if operating under the banner of a local authority. In addition to the cover legally required for Employers' negligence, insurance can also be obtained to pay employees if they miss work through accident or sickness.

Protecting the institution

Museums and galleries, like any other corporate body or individual, are legally liable for their actions and conduct. All the potential liabilities must be considered for insurance. The financial consequences of the long-term disruption of business should also be considered. This would include the costs of staff working additional hours, the loss of grants and possibly of income through closure to the public or cancellation of events.

These themes are discussed in more detail in Chapter 6. The following Chapters explain how the insurance market works and describes how insurance and risk management can work together to protect the institution.

The term 'museum' is used throughout these Guidelines, but its use should be assumed to extend to include galleries. The information contained would, in most cases, be equally applicable to archives, libraries and historic houses that are open to the public.

1. The Insurance Market

Insurance is a product that can be purchased worldwide and the recent globalisation of the insurance market through the ever increasing ease and sophistication of communication has been one of the factors that has lead to stronger competition and a spate of mergers and take-overs of brokers and insurers. London remains the largest insurance market in the world and is certainly the principal insurer of museum collections and associated risks.

The principal elements of the insurance market are insurance brokers and insurance companies.

Insurance brokers

If a museum or gallery were to seek an insurance quotation, the most likely and effective route it would take would be to contact a specialist insurance broker, preferably one that could transact business with Lloyd's underwriters as well as with the many specialist art insurance companies who have their head offices in the London market. The broker's primary role is to use their expertise to arrange an insurance policy on behalf of their client (the museum) with an insurance company that is financially secure, has a reputation for paying claims promptly and fairly and whose premiums are competitive within their specialist area.

Whilst the broker is becoming increasingly redundant in some areas of insurance, they still play an important and necessary role in the museum world. Museum risks – and some of the claims that may arise from such risks – can be relatively complex, which leaves the broker with two very important and distinct tasks. The first is to guide his client to the best insurer for the risk in question, taking into account the ability of the insurance company to achieve the three prerequisites mentioned above. The second is to obtain swift settlement on straightforward claims and to negotiate as forcefully as possible to settle claims where there may be areas of doubt or dispute about the level of cover or the quantum of the claim.

An individual Assured will also benefit from a broker who has a large and important 'book' of business with the Assured's insurer, as a dispute or difficulty is more likely to be resolved through the extra 'muscle' and commercial pressures such a broker can bring to bear. The broker acts as the agent for their client (the Assured) and the best interests of the Assured should always be paramount to the broker.

The broker earns his money by taking a percentage commission on the gross premium charged to the Assured.

The insurance company

The insurance company accepts the risk of insuring a museum or gallery in consideration of a certain premium. Through negotiation with the broker, the insurance company will lay down the terms, conditions and exclusions of the insurance policy and also settle the full quantum of all claims. It is common, these days, for specialist brokers to set up annual contracts incorporating fixed agreed parameters with insurers so as to ease the flow of business. Such parameters may include:

- the maximum sum insured the insurer is prepared to accept for any one individual risk;

- the class of business the insurer wishes to include under the contract – museums, galleries and private collections may be acceptable, but art dealers may not;
- the general terms and conditions that would relate to each individual insurance arranged under the contract; and
- the limitations under which the broker can make decisions on the insurer's behalf without recourse to the insurer.

The London insurance market

The London insurance market is made up of insurance companies and Lloyd's syndicates. Lloyd's of London is made up of over a hundred syndicates and they all employ specialist underwriters to accept or reject the risks offered to them by Lloyd's brokers. Each syndicate – often backed up by a large staff operating from an office away from Lloyd's – is, in effect, an individual insurance company. The advantage to the broker (and ultimately the client as the purchaser of the insurance) is that Lloyd's is a marketplace enabling the broker to gain access to hundreds of insurance providers under one roof. This not only results in intense competition but also in a willingness to be innovative and flexible in order to remain viable and attractive to the broker. Insurance companies saw how effective the Lloyd's market was and set up their own rival market incorporating British and International Composite Insurers where the broker could again access a high volume of insurance providers under one roof.

With substantial risks, a Lloyd's syndicate or insurance company may only choose to accept a small proportion of the total liability and the broker would then have to approach other Lloyd's syndicates or insurance companies to achieve a 100% placement of the risk. This is often the case with very high value exhibitions, where dozens of Lloyd's syndicates and insurance companies may participate, each accepting part of the risk. In such instances the broker would select a leading insurer from the Lloyd's or company market who, having laid down the terms and conditions of the insurance, would then make all further decisions relating to the risk, including the settlement of claims, on behalf of the rest of the participating insurance companies and Lloyd's syndicates.

In recent times, as the capacity to take on large risks has substantially increased for Lloyd's syndicates and insurance companies, more and more risks are insured 100% by one syndicate or company. This development has gradually begun to erode the smaller insurance providers and could eventually radically alter the marketplaces currently in existence.

Loss adjusters

Loss adjusters, who may be independent or part of big insurance companies, are instructed by insurers (usually through the broker) to assess the quantum and legitimacy of claims. Loss adjusters are normally appointed when the quantum of a claim is in excess of a certain threshold or the claim is particularly complex or doubtful. Although the loss adjuster is appointed by the insurer to protect the insurer's interests, the primary function of the adjuster is to negotiate an equitable and mutually agreeable settlement of the claim. The adjuster earns his money by charging a fee to the insurer once the claim has been resolved.

Insurers and the museum risk

The insurance industry has made an exerted effort in the last few years to make itself more user-friendly. In the past, multi-risk insurances – i.e. clients, like museums and galleries requiring cover for many or all of the different areas of their operation, presented great difficulties to brokers and companies. Whilst the broker could handle one or several parts of the risk, they could never do the entire thing. This has historically meant that the insurance for one museum has potentially been placed through one or more brokers into several insurance companies. This presents obvious administrative problems but also potential gaps in cover where a claim could fall between two areas of risk covered by different insurers.

It is now possible to cover every aspect of a museum risk through a single broker into a single insurer under specialist museum and gallery packages. This gives greater integrity to the cover, and also means that claims crossing more than one area of the insurance will be co-ordinated and disputes will not rise because more than one insurer is involved.

2. Risk management

For a financial consideration (the premium), insurance represents a promise to pay in the event of a problem arising. However, there are many other ways for a museum or gallery to safeguard its assets, either instead of or in addition to, insurance cover.

Physical protection

All museums and galleries must seriously consider how to maximise their physical protections within the constraints of their budget and following a reasonable assessment of the areas of risk. Physical protections encompass the mechanical elements such as alarm systems (both burglar and fire), sprinkler systems and CCTV, as well as human elements such as invigilation, staff training and recruitment. These physical and human systems may primarily be designed to protect the exhibits and the buildings but they should also overlap into the other property that is attractive to thieves, such as computers, money and personal effects. Furthermore, the presence of CCTV acts as a deterrent to assaults or threats on staff, as well as against theft or vandalism.

Environmental condition

Systems used to control environmental levels of temperature, relative humidity and lighting are often focused on the needs of the collections in particular. However, the correct environment is also important for employees and visitors, and maintaining these levels can reduce days lost because of employee sickness, with a positive impact on the institution's financial resources.

Staff and contractor management

It is important to employ a sufficient number of people to keep the risks of things going wrong to a minimum. In addition to adequate staffing levels, operating clear and well-communicated systems will reduce risks to people and property. Furthermore, museums should expect the same high standards of care, caution and professionalism from its suppliers of goods or services as it does from its staff. This should not only encompass a standard of workmanship commensurate with protecting the nation's varied treasures and the buildings they are housed in, but also a respect and understanding of the institution itself. Such sympathetic behaviour by suppliers may not be enough, however, and it is becoming increasingly important for them also to demonstrate responsibility for mistakes they may make in the form of relevant insurance policies, such as professional indemnity cover.

Health and safety

Health and safety in the workplace is becoming increasingly complex. All employers have moral responsibilities and a civil duty of care to their employees. New legislation is regularly being introduced and museums must be alert to these changes.

Following the Health and Safety at Work Act (1974) every place of work employing five or more employees must have a written Health and Safety Policy and, from 1 January 1993, there has been a greater requirement to identify and document the most significant risks that employees face each day in order to carry out their work.

The Health and Safety Executive is empowered to gain access to any place of work at any time. Inspectors can issue prohibition or improvement notices, and seize, render harmless or destroy items considered to be a source of imminent danger. Offenders can be prosecuted and the courts are now becoming more stringent in the levels of fines and costs awarded. There are many serious consequences to poor health and safety practices, such as:

- interruption or disrupting exhibitions and other programmes;
- insurance claims leading to increased insurance premiums;

- illness resulting in a rise in staff/volunteer absenteeism;
- staff enthusiasm and respect for management can deteriorate, and
- bad publicity, which can cause a museum's reputation to suffer.

Many institutions appoint a Health and Safety Officer who ensures, as far as possible, that it is adhering to best practice. Another option is to use the services of a specialist company that carries out a health and safety audit. This can:

- identify those areas of health and safety policy that have not been addressed in order to comply with legislation;
- comment on the accuracy of any safety policies in place; and
- provide recommendations on the course of action required, so enabling the obligations under the Health and Safety Act to be met.

3. Insurance and Risk Management

Chapter Two deals with some of the decisions that can be taken to reduce the risks of accidents to things or people in museums. Whilst many diligently look to minimise risks by adhering to sensible risk management tenets, there is no way of entirely cutting out fortuitous events that may lead to financial loss or disruption, and it is here that the museum should consider the safety net provided by insurance. Most purchasers of insurance deem it as a necessary evil, but there are some broad factors which must be considered when deciding whether it is viable to purchase it or not.

Cost of insurance

The cost of many forms of insurance is at an historic low due to increased competition and globalisation of the insurance market. However, it must always be noted that insurance is a cyclical industry and once claims start to exceed premiums across a class of business, premiums will rise.

The cost of insurance must always be considered in association with the costs of other forms of risk management. Premiums are based upon many things, including:

- the value at risk;
- the breadth of cover required;
- the physical and human security in place;
- the geographical location of the risk address(es);
- the frequency and quantum of previous claims made.

The minimising of insurance costs on a museum’s permanent art collection may be deemed necessary due to the high values now placed on some items. Limiting insurance cover to the most basic perils and directing resources instead to proactive forms of risk management are ways of achieving this. However, the same balancing act should not be exercised with a museum's liabilities. Costs for liability insurances, which at the moment are relatively low, should never be bargained with to feed other needy parts of the museum’s operation. It is a false economy to buy restricted or unreasonably low levels of liability cover, as claims in this area of insurance can be extremely high and will often involve the additional heavy burden of legal fees.

Replacing or restoring

Before considering insurance cover, museums should decide whether they would be able to replace or restore certain areas of their operation that may be lost, damaged or stolen. This decision becomes most difficult when it comes to high value items in the permanent collection. Some collections are made up of items that are not only very valuable, but also unique. Whilst financial compensation may soften the blow of the loss of such an item, its uniqueness (and perhaps also its relationship with the rest of the collection) might remove any reason for replacing it. In such instances, serious consideration should be given to proactive forms of risk management. Some trustees or directors may have similar views about the building in which the collection is housed, particularly if the buildings and the collection are bound together historically. However, it is not easy to ignore the insurance question altogether when it comes to buildings because of the liabilities that flow from being the owner or occupier of a building. In such cases, a limited form of cover, combined with good systems for building maintenance, could present a reasonable alternative. However, the reimbursement following a catastrophe in these circumstances would not provide anything like enough to rebuild in entirety.

Consequences of not insuring

When considering insurance, an extremely important factor that must be analysed in addition to the points raised above is what would the consequences be if a museum did *not* insure - or only part-insured. This question has already been discussed above with regard to a permanent high value collection and the buildings. Notwithstanding the legal or moral obligations of individual museums and galleries, fiscal, historical and emotional reasons may play their part in limiting insurance cover in these areas of operation.

Liability

The area where the consequences of *not* insuring or under-insuring would hit hardest is again in respect of liabilities. The quantum of claims can be very high, although their frequency is small, and the reputation of the institution is at stake. Furthermore, the balancing act discussed above that can be justified on property belonging to the museum can not apply with liabilities, as these are claims made by third parties *against* the institution.

It is very important to differentiate between 'first-party' and 'third-party' insurance, and the obvious responsibilities that flow from these different legal and moral situations.

First-party insurance - insurance of property belonging to the Insured
Third-party insurance - potential claims that can be made by others against the Insured

Loans

One very important area of third-party risk for museums is in respect of items entrusted by other institutions or private individuals to them for temporary exhibitions or long-term loan. Whilst a view can be taken by museums and galleries on the level of insurance cover they buy on their own collection, full 'All Risks' cover must be effected on all property that does not belong to them for the total period of time that such property is under their care, custody and control, including the transportation of the property. Many owners would simply not lend property without receiving written confirmation that a suitable insurance policy is in force. Museums should issue loan forms stating that the item on loan will be fully insured. The idea of not insuring property owned by a third party would be an abrogation of a museum's responsibilities unless a specific and unambiguous agreement has been made to do otherwise.

Other areas of risk offer the museum more convoluted choices as it would be hoped that a claim would not seriously threaten its financial stability. In such instances – including office contents insurance, business disruption insurance and cancellation of events insurance – the cost of cover and the value it represents would probably become the determining factor.

Surveys

Any risk management decision, including whether or not to purchase insurance, is made much easier by arranging a comprehensive survey of the museum buildings and of everything that is located within it or is associated with it. It is important that the surveyor has an understanding of how museums operate and is experienced in assessing high-value or unusual risks. If a surveyor does not have the relevant expertise, it is likely that he/she will recommend unnecessarily expensive and complicated systems. A simple and relatively inexpensive system is often more effective, especially when backed up by an ethos of care and professionalism within the institution, and established and well thought out management systems.

A good surveyor will not simply impose their ideas on a museum but should listen to the problems affecting each institution and use their expertise to seek and recommend user-friendly, pragmatic and cost-effective solutions.

All specialist brokers should have access to good surveyors and should easily be able to arrange a visit to the risk location. Most surveyors are now employed full-time by insurers, but there are some that remain independent.

4. Different Ways of Insuring

British museums are funded in different ways and through a variety of sponsoring bodies, including central government, local authority and universities. The nature of the sponsoring body can determine the type of insurance cover used. The five basic categories of insurance are described below.

Government insurance

For museums funded by the Government through a sponsoring department (e.g. Department for Culture, Media and Sport or Ministry of Defence) a financial memorandum is issued which states how the money that is annually paid out can be spent. This affects the national museums and some military museums. One of the most basic tenets of this financial memorandum – or Government Accounting – is that the Government does not commercially insure. The obvious reason behind this is that the Treasury should always have enough money to pay for any problem that may arise and the payment of premiums to purchase commercial insurance is therefore deemed to be an unnecessary expense. There are exceptions to this rule. For instance, commercial insurance can be arranged if it can be clearly demonstrated that better value for money will be obtained than if you were to self-insure. Furthermore, the Government would expect a museum to arrange its own insurance to cover its commercial activities such as bookshops, restaurants or merchandising. A national museum or gallery may also be obliged to purchase insurance if they have been requested to do so by a ‘third’ party; for instance, by a tenant occupying a museum-owned building. Commercial insurance or Government Indemnity should also be effected on items belonging to national museums that are being lent to other institutions in the UK or abroad.

Whilst the Government is generally prepared to be its own insurer, any museum it funds will try to minimise risk. This has already been discussed under the Risk Management Chapter, but there are other actions that any responsible museum management can take to further minimise risks. The most obvious of these is to make it a requirement that all contractors, consultants or any other outside party working in or on its behalf carry the relevant liability and professional indemnity insurances. Such insurances would pay for their mistakes or the consequent increased risk caused as a result of their work.

Advantages of government insurance

There is no annual outlay to pay for insurance premiums and for museums that provide an environment of care and caution; the incidence of claims is likely to be low, so saving the institution and the Government money. If there is a claim, the Government may ignore what under a commercial policy may be an excluded peril and pay to rectify an ‘uncovered’ loss.

Disadvantages of government insurance

The actual message behind insurance and Government Accounting is that in the event of a claim the museum must first look to its own resources to make a settlement. Only when it can be demonstrated that these resources are exhausted will the Treasury consider any payment. There are two important factors that flow from this. The first is that there is a general obligation on the institution to keep its own house in order and to resist making demands on the Treasury where reasonably possible. However, a difficult situation could arise where, for instance, an institution may have the funds to settle a claim from its own resources, but to do so may have a negative impact on its activities or even necessitate the laying off of staff. The second factor is that the Government cannot provide a written promise to pay in the same way that a commercial insurance does. Therefore, there is always the chance that what would be a valid claim under commercial policy may not, for various reasons, be met by the Treasury.

As mentioned above, the Government-funded museums must first of all attempt to settle claims or potential claims 'in-house'. In order to do so it may need to employ additional staff, which would incur unplanned expense. Also, liability claims from members of staff or the public can be very difficult to handle, especially as it is generally the museum or their solicitor who has to act as the arbiter. Claims would be dealt with more efficiently by a commercial insurance broker or company, as well as removing the personal tensions that may develop between the museum and claimant.

'Umbrella' insurance arrangements

Many museums and galleries run by local authorities or universities are covered by the 'umbrella' insurance arranged by the their parent authority. Cover may well be arranged on the collection, the buildings, office contents, public and employees' liability and other associated risks under a standard commercial policy. Cover for objects on temporary loan and for events may also be available.

Advantages of 'umbrella' insurance arrangements
The economies of scale achieved because of the huge bulk and variety of cover bought by a local authority or university mean that it should be a cost-effective solution for the sponsoring body. The problem of deciding what cover to buy and through which insurance carrier, plus any negotiations with regard to the quantum of the premium, the level of cover and claims settlement, can be dealt with by somebody external to the museum. This saves administrative time and removes much of the onus of responsibility from the museum's management.

Disadvantages of 'umbrella' insurance arrangements
The specific characteristics of museums and galleries, such as the unique nature of their collections or the buildings that house them, may not be accounted for within such a general policy. Museums are generally accepted as being attractive insurance risks due to the level of care and caution under which they operate. This may not be reflected in the sum which museums pay to a local authority for their share of the authority's overall insurance burden, which includes numerous high-risk elements.

Insurance cover for museums should be specifically designed by insurers who understand the risk areas and their particular needs. Museums that have control over what insurance cover to buy and from whom to buy it can make considerable financial savings and benefit from a more comprehensive policy.

Using a specialist broker or insurer

There are a number of brokers and insurers who specialise in the insurance of museums and galleries. It is an area of insurance that is attractive because of the care, caution and security that exist in such institutions. This specialist sector has developed because it is recognised they have specific needs. Some collections (or incoming objects on loan) include items of enormous value and may be of national artistic, historic or scientific importance. In addition, there are some other areas where special need is recognised, such as where historic vehicles or machinery are operated, or with which the public can interact. Insurance must be carefully tailored for such situations. The broadest cover available will include every conceivable risk (including, if applicable, depreciation following damage), while the most limited cover might only include restoration or repair costs. The choice for the museum will be based on the budget available and the other areas of risk management in place.

Buildings, particularly those of special architectural or historic interest, may also require tailored insurance cover. There are many other aspects to a museum's operation where cover through the combination of a specialist broker and insurer can be provided and these are discussed in Chapter Six.

Advantages of using a specialist broker/insurer
Specialist brokers and insurers can provide the best advice about a museum's insurance requirements. Clearly written, well thought out and competitively priced insurance 'packages' can be arranged, enabling a museum to customise the cover to meet the full range of the organisation's activities.

The competitive nature of the insurance market and the attractive nature of museum 'risks' to insurers mean that insurance advisers and carriers offer high standards and low prices. Some specialist insurers will arrange risk surveys free of charge. The administrative burden on museum staff is reduced because any situation relating to insurance is dealt with by the insurance adviser.

Disadvantages of using a specialist broker/insurer
The premium 'cycles' of high and low premiums for specialist insurance may be more pronounced than that of a general 'umbrella' type.

Government Indemnity Scheme

The Government Indemnity Scheme (GIS), as outlined in The National Heritage Act 1980, was established in the United Kingdom to facilitate public exhibitions by removing the financial burden of commercial insurance premiums for incoming loans. The three principal conditions for obtaining Government Indemnity are that the public is afforded access to the loan(s) or exhibition and that the appropriate arrangements are made for the safety of the objects on loan, both by acceptable security and appropriate environmental conditions. For borrowers, other than institutions funded directly by Government, i.e. non-nationals, the appropriate arrangements are those agreed by the GIS's administering body (the Museums & Galleries Commission or its successor body) and approved by the appropriate Secretary of State or devolved authority (Scottish Parliament/Welsh Assembly).

Any institution can apply for indemnity although it will not always be granted, especially if the application is coming from a commercial body. The GIS extends to temporary incoming exhibitions and long-term loans for qualifying institutions in the UK. However the GIS does *not* cover any of Britain's museums' and galleries' permanent collections *in situ*, nor does it cover any of the other associated risks of a museum's operation.

National and Designated museums and galleries are afforded slightly different cover from other institutions and whoever applies for indemnity must bear some of the risk themselves. Further information is available from the GIS's administering body.

Commercial insurance can also play its part by 'topping up' indemnity cover if the lender of a work imposes a higher value on his loan than what is deemed acceptable by the GIS experts. In such instances it is important for the borrowing institution to obtain confirmation from Resource as to whether the commercial 'top-up' will come into force only after the level of cover granted by the Government is fully exhausted, or whether Government Indemnity and commercial insurance should sit side by side and claims be met in proportion to the respective cover afforded. This is an important issue as the cost of commercial cover is much cheaper if it is only covering the last part of a claim. Without a clear and mutual understanding, there could be potential gaps if there is a claim for depreciation following damage.

The UK Government's Indemnity Scheme is one of the oldest in the world and, along with the American system, is highly respected. Although there is no limit to the amount of indemnity for any single venue or exhibition, HM Treasury fixes the total liability (ceiling) that the GIS can carry at any one time. It may agree to a temporary rise in this ceiling for large important exhibitions, but this cannot be done at short notice. The American system, on the other hand, has a financial ceiling for each exhibition and once the value of any one exhibition exceeds this ceiling, commercial insurance is effected to cover the difference. There are many other Government, Federal and State indemnity schemes that exist around the world and all have their differing terms, conditions and exclusions.

Advantages of GIS cover
The GIS does not cost the museum anything (other than any 'top-up' insurance as mentioned above), so allowing museums and galleries greater opportunities to host exhibitions (particularly high-value 'blockbusters') which they may not otherwise be able to afford to do.

Government Indemnity is only granted to institutions which can comply with the exacting security and environmental standards required by the administering body (Resource) thereby promoting and rewarding excellence in these important areas of a museum's operation. Government Indemnity, by saving institutions insurance premiums and consequently enabling museums and galleries to host a greater number of temporary incoming exhibitions, allows the British public greater access to an enormous number of diverse objects and treasures from all around the world.

Disadvantages of GIS cover
The Government Indemnity Scheme does not carry anything like the reserves of money that an operating commercial insurance company is required to carry. Substantial claims settlements exceeding the floating amount in the Scheme's reserves could therefore be slow and cumbersome as it may take an Act of Parliament to pay such claims.

Whilst there is an absolute obligation to settle legitimate claims to private owners, commercial bodies or foreign lenders, there may not be the same enthusiasm or will to settle in full or with due promptness to UK institutions that are fully or partly funded by the British Government.
Whilst the GIS cuts out potentially expensive commercial insurance premiums, additional costs in the form of administration or meeting the required security and environmental standards may in some cases negate the saving that can be made. Such situations are probably more likely for exhibitions of a relatively lower value, where commercial insurance premiums could be reasonably met within the exhibition budget. Applications for indemnity must be sent to Resource three months before indemnity is due to begin and obtaining all the necessary information can be difficult.

Self-Insurance

'Self-insurance' could be better defined as 'no insurance'. Unlike powerful commercial companies, which can afford to accept some of the financial implications of the risks involved in their business and therefore consciously and willingly self-insure, many museums simply do not have sufficient funds to pay insurance premiums. Instead, they concentrate on ways to minimise the possibility of loss or damage. Some museums will knowingly accept certain risks, whereas others may not insure parts of their operation through lack of knowledge or informed guidance. In cases of loss or damage, a self-insuring museum meets the financial implications of a claim from within its available budget or, if too burdensome, writes it off.

Advantages of self-insurance
There is no annual outlay for premiums and, in an environment of care and caution, the overall level of 'claims' could be less than what would have been paid out in insurance premium.

Disadvantages of self-insurance
Claims arising in financially significant areas of a museum's operation could seriously undermine the institution, particularly where other parties make claims against the institution.

The absence of 'peace of mind' normally engendered through the existence of an insurance policy could have a negative influence on decision-making within the institutions.

5. Understanding the Cover

As mentioned above, the status of a museum will have a bearing on how it is insured and through which carrier. Temporary exhibitions covered by the Government Indemnity Scheme will normally be well administered, as the normal conditions under which the scheme operates require a high level of management. However, other aspects of a museum’s operation that need to be insured on an annually renewable basis might not receive the same degree of attention. The key aspects of insurance that a museum manager should clearly understand are as follows:

Who is the insurer?

It is important to know who is taking on your risk. It could be the Government, a local authority insurer or perhaps an insurer in the London market through a specialist broker. It is important that one person or, better still, a small team of people from the museum know what to do and who to contact whenever something happens that may have implications on an insurance policy.

Understanding the cover

It is very important to know what the museum is covered for and how much each covered area is insured for. It is similarly important to know the breadth of cover that is in force. This should include knowing the basic perils (such as fire, water damage, theft etc.) that are included within the terms of your insurance and also to be aware of the most basic conditions and exclusions. Museums should also feel comfortable that the amount and breadth of cover they have for each area of the operation is adequate. Museum managers should make informed decisions on these factors and ensure they receive full and impartial advice from their insurance advisers.

What do you have in writing?

National museums and others funded directly by Government do not receive anything (at present) in writing about levels of insurance cover or their ability to claim, as Government Accounting precludes this. However, all other institutions should demand the full wording of their insurance policy from their insurance adviser. This should include all the terms, conditions and exclusions relating to the policy, together with at least one named individual who can be contacted to help with any insurance related matter.

6. Areas of Risk and Risk Solutions

There are many aspects of a museum's operation where insurance cover should be considered. The determining factors when looking at the insurance 'package' and deciding what to keep in and what to leave out are normally:

- the premiums involved;
- the probability of a serious claim occurring; and
- the consequences of *not* insuring.

The following sections describe the more important aspects of a museum's operation that managers should consider taking insurance cover on. There may be other areas where cover is required in certain circumstances and if you are in doubt then it is recommended you consult a specialist insurance broker.

The permanent collection

The nature and value of permanent collections vary enormously. Often, the permanent collection will be the area where insurance will have to be the most complementary to other aspects of risk management. For this reason the decision on how much insurance to buy, if at all, can be a difficult one. Some museums have legal foundations that oblige their directors and/or trustees to act in a certain way but, assuming there is a degree of freedom to make choices about insuring a permanent collection, there is a broad spectrum of cover on offer. The price of insuring collections is currently relatively low and it is recommended that museums at least consider the various levels of cover and premiums that can be offered, even if ultimately it is decided that the money could be better spent on other parts of the museum's operation.

'All Risks'
The fullest cover that can be obtained is called 'All Risks' and includes the perils of fire, water damage, theft, accidental damage, malicious damage, vandalism, explosion, storm, hurricane, lightning and aircraft damage. 'All Risks' cover also includes claims for objects that may have depreciated in value following damage. Furthermore, when an object forming part of a pair or set is damaged the loss in value to the whole pair or set would be accounted for in a settlement, rather than simply to the object itself.

Basic cover
At the other end of the spectrum, highly limited insurance cover can be obtained for the permanent collection. Perhaps the most basic cover is that which would only pay the cost of restoring items following damage due to an insured peril. Depreciation in such instances would be excluded. Between the two, there are many levels of cover that can be tailored to suit the requirements of the museum. Cover can be trimmed both from the top by placing a ceiling on the value of any one claim (first loss insurance) or trimmed from the sides by restricting the insurance to fewer perils, such as fire and water damage, or a combination of both.

The museum's annual budget will of course dictate how much can be spent on insurance, but it should otherwise be down to the museum's insurance adviser to recommend the various levels of cover that can be obtained, taking into full account the nature of the items at risk and what other risk management measures are in force. A good insurance advisor will not simply recommend the fullest and most expensive cover but open an honest dialogue with the Insured in order devise the most appropriate and best value cover.

Insurance away from the museum

If the permanent collection is insured on some basis or other, it is important to also consider cover outside the agreed named location(s) to include both transit and static risks. It would be standard to extend such cover to the United Kingdom but there should not generally be problems in obtaining worldwide cover. The amount of cover granted to museums away from the agreed named locations would normally be a sub-limit of the total value at risk. Such cover would allow objects to be temporarily stored elsewhere, or sent out for conservation or for technical examination etc.

This type of cover should be incorporated into an insurance policy without the need for prior notification unless the limits are exceeded. The additional premium for such cover is generally not high.

Incoming loans

Incoming temporary exhibitions have been mentioned above and it is important that the borrowing institutions arrange full ‘All Risks’ cover, to include all transits and periods of exhibition and storage either through the GIS or a commercial insurer for any work that belongs to third parties.

Working objects

Many museums are custodians of objects that are operated in order to enhance the quality of the exhibit for the visitor. Machinery with unprotected moving parts is run, and occasionally historic vehicles are used to transport visitors and are an integral part of the museum visit. The same spectrum of cover can be obtained on such items but the exposure to risk is different. For instance, many of the items are outdoors and will naturally suffer wear and tear that cannot be covered. Moving parts and the possibility of breakdown with their associated costs are potentially expensive. Insurance should be used only as a supplement to regular inspection and maintenance programmes. The museum’s potential liability to its employees and the public is also greatly enhanced through the physical contact that is permitted with the exhibits. Obviously, other aspects of risk management play an important role in limiting risk but insurance can also play its part. The issues of liability insurance are discussed later in this chapter.

Depreciation

Depreciation to an object following damage can often represent a substantial part of a claim. It is often a highly emotive subject and from the insurers side needs to be handled by a loss adjuster who has considerable knowledgeable of the type of object and good diplomatic skills. There have been cases where one expert assessor has believed depreciation to an object to be 20% of the original value following damage whilst another estimates it as 80%. Compromises are usually reached in such situations.

Depreciation comes to the fore where objects whose values are greatly enhanced due to their absolute perfection are damaged. A perfect piece of Sèrvres porcelain may suffer a hairline crack and lose the large part of its value, whereas ancient pottery excavated from the ground and already partly damaged will not suffer anything like the same loss in value if it is subsequently further damaged.

In the art world some lenders, particularly private collectors and dealers, take a very tough approach to damaged objects and in some cases request a total loss payment. If such requests are met by the insurers, title of the work automatically passes from the Assured to the insurer. The insurer may then attempt to sell the damaged object (sometimes after restoration) and it has been known in particularly buoyant markets that the amount achieved on its sale is greater than the sum paid out for the claim!

If, in rare cases, an agreement cannot be reached between the Assured and the insurer of the level of depreciation, or even whether an item should be considered as a 'write-off' – *constructive total loss* – an independent arbitrator agreeable to both parties would be instructed whose decision would be final.

Buildings

Museum buildings, like the permanent collection housed within them, often need tailored cover, although the array of insurance possibilities is not quite so great. If the buildings are not owned by the museum, there may well be a requirement from the landlord that they are covered for their full value against 'All Risks' (*s*ee previous section). Furthermore, as occupiers of the buildings, the museum's liability to the public would be automatically included. For example, a member of the public injured by part of the building through an act of the museum's negligence (such as a by a tile falling from a poorly maintained roof) could claim against the museum.

If the buildings are the property of the museum there is better scope for tailoring the insurance. With the advice of a surveyor, it may be deemed that a building could not be totally destroyed by a fire, which is the most commonly destructive peril. In such cases it would be appropriate to cover only the maximum probable amount that would be lost in the event of fire rather than the rebuild value of the whole building. It should be noted that the basis of valuation for buildings' policies is the rebuild value, not its market value. Furthermore, many museums are situated in listed buildings and the expense of repairing and restoring the features of a listed building must be accounted for in the insurance conditions and the sums insured. To save costs on buildings insurance, the museum may wish to limit cover to the most basic perils such as fire and water damage. Another way to save on premiums is to exclude the peril of subsidence.

Unlike the permanent collection where a view may be taken not to insure, buildings should always have some sort of insurance cover. The cost of buildings insurance is currently relatively inexpensive, but the level of premiums may depend on issues such as the nature of the site, and the method and materials of construction.

Engineering risks

The parts of a museum's operation that would fall within the parameters of engineering insurance include lifts, air conditioning plant and boilers. Regular inspection and maintenance are important elements of managing such risks and these are often obligatory. Insurance, too, can play its part in ensuring the smooth running of the operation. Most products that fall within the definition of 'engineering plant' would need, by law, to be inspected on a regular basis. In the case of people-carrying lifts, inspection has to take place every six months whereas most other 'plant' equipment would have to be inspected annually. If insurance cover is required on top of the obligatory inspections, the insurer will usually make it a condition that they also carry out the inspections. This makes sense because it eases any potential legal repercussions if there is one party carrying out both roles. In other words, the insurer cannot sue the inspector if they are one and the same body. The insurance covers the breakdown of equipment, sudden and unforeseen damage and, in the case of boilers and pressure plants, explosion and collapse. However, the insurance would not pay for anything that has to be put right as a result of the requirements made following a statutory inspection.

Some museums may be further exposed to engineering problems if their exhibits fall within the parameters of an engineering risk such as industrial or mining museum or some transport collections. In such cases, the inspection and insurance of those risks would need additional and tailored attention.

Equipment that falls into the scope of engineering insurance is:

- **Pressure plant** - steam boilers, air-receivers, pressure vessels, steam receivers and air-conditioning plant over 25KW;
- **Lifting plant** - passenger/goods lifts, cranes, lifting machines, forklift trucks, chain blocks, certain excavators and lifting tackle.

The regulations do not state that inspection must take place on electrical wiring, only that wiring must be safe. There is no other way, however, to prove its safety than to have it inspected and the recommended frequency of inspections for wiring would be in the region of every three to five years.

Public liability

As owner and/or occupier of a building and owner or trustee of the collections, furnishings, fittings, service pipes, ducting and cabling, heating and air conditioning plant, office contents and all other property within or outside the buildings, the museum is responsible to the public for any loss or damage to people or things that may ensue as a result of the museum’s negligence. In increasingly litigious times it is very important to have adequate public liability cover and to look closely at the organisation’s exposure. For instance, the likelihood of people or things being damaged in an art gallery is relatively small. However, museums with working objects and where there is some interaction between the public and the objects are far more exposed. Museums in this category should buy the maximum liability cover available and also set up procedures, which minimise the risk.

Such cover would pay damages to a third party for any negligence proved against the museum and also for any legal fees involved with the museum’s defence. In many cases liability claims may not be legitimate as the museum may not have been negligent but in such cases the instruction of solicitor’s with their associated costs may still be necessary to protect each party's position. If negligence is not proved and no damages are paid the solicitor’s fees would nevertheless be covered by insurers under the public liability section. Public Liability cover is highly recommended. Claims may not be frequent but they can be very high, and are time-consuming and complex to deal with. In addition, if they are not handled sensitively and responsibly they can be damaging to an institution’s reputation or possibly threaten its very existence.

Negligent acts of individual members of staff are covered within the parameters of the museums' public liability insurance but cover would not extend to fraud or any other criminal acts.

Food and drink poisoning extension

For those museums that have cafés or restaurants, insurance can be obtained to cover their legal liability for accidental bodily injury or accidental damage to property which arises out of poisoning by food or drink bought from and consumed in or about the outlet. In situations where the catering is contracted out, it is important to ensure that these bodies also carry all appropriate liability cover.

Employers' liability

With the exception of those institutions that are controlled by the rules of Government Accounting or local authorities, Employers' Liability insurance is otherwise legally mandatory for all other private and public bodies. An employer is potentially liable to all full- and part-time employees, voluntary unpaid workers and casual workers. A disproportionate number of voluntary workers work in the museum sector and some institutions are operated entirely by unpaid staff. The museum should always inform their insurers of all workers, whether they are paid or unpaid, permanent or contract, as premiums are calculated by the actual number of staff as well as the amount of the payroll. Cover for Employers' Liability is relatively inexpensive and the amount of cover provided is normally substantial.

Office contents

Office contents include desks, chairs, carpets, curtains, computers, telephones, photocopying and other office equipment. Cover should normally be arranged on an 'All Risks' basis. It is generally not worth limiting cover for this as the values involved are usually relatively insubstantial and the premiums are similarly small. Specialist cover can be provided for computers to include the costs of reinstating data in addition to the physical loss or damage to the hardware. Cover for office contents is normally limited to the risk location but it may be necessary to arrange worldwide cover for laptops, mobile phones or cameras.

Employees' effects

Employees' effects – including clothes, bags, wallets and the contents within, money etc. – can be covered under a 'package' insurance whilst the employee or his effects are in the workplace. Cover would be arranged on an 'All Risks' basis, although theft/loss and accidental damage would represent the biggest risk.

Business interruption

A museum’s own losses would often relate to the physical loss or damage to the buildings or its contents. However, the possibility of the disruption in the business of running a museum with the resultant potential loss of income is also something to consider. Losses in this area of risk could be triggered by:

- any physical damage or destruction to the museum or gallery property;
- the lawful closure of the premises by a public authority;
- the accidental failure of the public supply of electrical, gas, water or telecommunications services to the premises;
- the physical damage to property in the vicinity of the premises which directly results in the inability to gain access.

The purpose of this section of cover is to compensate for any loss of income, including grants and subsidies, and if possible to enable the institution to continue trading during the disruption. Claims may include the necessary and reasonable extra costs of working, and the payment of outstanding debts that cannot be recovered as a direct result of the damage to accounting records.

Cancellation/Curtailment

If an exhibition or event is postponed, abandoned, cancelled or relocated as a sole and direct result of something occurring that is entirely beyond the control of the museum, their employees or agents, the insurers will pay for any irrecoverable expenses less any savings the institution is able to make.

This form of cover can be extended to include the projected income, on top of fixed and knowable costs, that the institution considers it will make from an exhibition or event. However, in order to obtain this extension to the cover it would be necessary to provide comprehensive income patterns of previous exhibitions or events of similar size and importance.

Trustees' liability

This section of cover insures the trustees if any party, including employees, brings or threatens a claim against them for financial compensation arising from their performance as a trustee. The range of claims includes the following:

- breach of trust;
- breach of fiduciary duty;
- negligence or maladministration;
- negligent misrepresentation or negligent mis-statement; and
- breach of confidence or misuse of confidential information.

Such cover has rarely been considered in the past but is now becoming more relevant because of increased litigation and the high profile that many museums now have. One result of the increased risk in this area is that museums are beginning to provide guidelines and training for its trustees. This is something that is well established in the United States.

Travel insurance

Any employee should have comprehensive travel cover for any trips they make abroad on behalf of the museum. It is imperative to have a substantial amount of medical expenses insurance included within a travel policy particularly if a frequent traveller to the USA. The relevant phone or fax number of the emergency medical insurer should also be known by each travelling employee. Cover should include all trips for couriers accompanying museum objects. Because of the specific nature of courier trips it is possible to include various additions to normal cover. These include paying out for missed departure due to the detention or confiscation of the object(s) for which the courier is responsible by the borrowing museum, customs or local authority; for unused travel and accommodation expenses that the Assured has paid; or the reasonable additional travel and accommodation expenses for the Assured to return home if an exhibition, conference or business meeting has been cancelled.
Cover should also be fully effective for travel involving more strenuous activity, including fieldwork and archaeological excavations.

Personal accident insurance

The Insured are covered under this section for claims caused as a result of any physical injury (including illness resulting from the injury) which is caused by an accident during working time. Full capital payments (i.e. the full amount of cover provided) can be made under this cover for death and permanent total disablement. Permanent total disablement is defined as an injury that totally prevents an employee from working at their usual occupation for a continuous period of 12 months and, at the end of that period, is without prospect of improvement. Personal accident cover will also respond to injuries causing temporary total disablement. This benefit is payable on a weekly basis for the period of time an insured person is unable to carry out all parts of their usual occupation. The maximum period that this benefit is payable is for two years from the date of the accident.

Defective title

Defective or lack of title, on works of art in particular, has been a controversial issue for many years as it has often been argued that several of the world's great museums partly built up their collections through the spoils of war. However, in the last few years the matter has received far more media coverage through claims now being made by third parties on items stolen during the Second World War. Many British institutions are potentially exposed to such claims through no fault of their own and the results of some of the several outstanding court cases may have an impact on how museums react to future claims.

On a less dramatic level, objects that have been given to museums in the past are sometimes claimed by a family member after the death of the donor. Often they believe that the item(s) were only loaned to the museum but in other cases it is because the objects are now recognised to have some financial value and the claimant wishes to benefit. Most museums now have the appropriate procedures to document objects and their source as they come into the collection and this is usually sufficient to settle any dispute. However, such attention to accurate records was not universal and so some museums are vulnerable.

It is possible for museums to insure their collection against third parties claiming rightful title to any of the objects in the collection. Such cover would include defence and claimant's costs arising out of a dispute involving the title of any object covered by the insurance. Furthermore, the agreed value of any such object would also be covered, if good title had not been established by the Assured once the legal process had been exhausted and the Assured was obliged to return the object.

Defective Title insurance for permanent collections is expensive and the insurance would not respond to claims where reasonable and proper enquiries as to an object's provenance had not been made prior to receiving it.

The take-up of this type of insurance in the museum world for permanent collections has therefore been low. This is partly due to the expense but more so because the museum world would like to do the right thing, but only when there appears to be international agreements in place and a more solid and established legal foundation. This moral issue would seem to fall outside the cold parameters of an insurance policy. However, the cover is often requested by inward lenders to temporary exhibitions in British museums. In such cases the full provenance of the loans are requested prior to the acceptance of the risk.

The issue of claims for Defective Title has recently further widened into the greyer and more complex issue of the forced handing over or under-selling of objects as well as direct theft or appropriation.

Example

A London broker was recently asked to provide immunity for an important painting being lent by a leading Russian State Museum to an exhibition in London. The Russian museum was advised that the insurance industry was not able to grant immunity and this was something that could only be considered at governmental level. Once the door was closed on immunity the Russian museum then asked the broker to look into insurance. However, on receiving the provenance of the work it discovered there were important gaps during the period of the Russian Revolution. At this time mass appropriation was taking place on works belonging to wealthy families fleeing the country. After consultation with a historian and a Russian art expert, it was decided that the work could be covered for Defective Title and this was done, but at a high price. However, just prior to the work leaving for the UK, the Russian museum dropped their requirement for such cover and the work was exhibited here without any hitch.

Conclusion

Some museums are bound by the rules of their legal status; others constrained by financial pressures. Insurance – and its costs – always looms largest when high value exhibitions and collections are talked about. It has been easy in the past for the insurance industry to focus on this aspect of the museum world and to turn away from their less glamorous but highly important everyday needs. Some insurance providers have developed new insurance products that encompass the full range of museums' needs. These will benefit museums both in terms of the overall quality of insurance cover and the cost.

Appendix

Glossary of Insurance Terms

Accident
Mishap or untoward event that is neither expected nor designed.

Agreed Value
The value of an item which is agreed between the insured (policy holder) and the insurer, and upon which all claims would be made.

All Risks
An insurance cover which provides extensive cover subject to various listed exclusions.

Assured
The policy holder, beneficiary of an insurance policy.

Average
Entitlement by insurers to pay a claim in the proportion of the total insured value to the true total value of the insured items in the event of underinsurance. This will not apply to values that are Agreed.

Betterment
Fundamental right that the insured has no right to make money from their insurance.

Blanket Policy
A policy in which a single sum insured covers a number of separate items.

Bodily Injury
Death, or any bodily or mental injury or disease suffered by a person.

Broker
The agent of the Insured, someone who takes commission for transacting insurance business.

Buildings' Regulations
All work on historic buildings must be done conforming to the Regulations and are the responsibility of the District Surveyor.

Business Activity
Any activity performed by an Insured in the course of their business.

Buy-Back Clause
The right given by insurers to the insured that, following a total loss, the insured has the right to purchase from the insurers any property recovered for which the full sum insured has been paid. The insured will pay either the amount of the settled claim plus interest from the date of settlement at a relevant prevailing bank base rate plus loss adjustment and recovery expenses or the fair market value at the time of recovery.

Cancellation
The termination of an insurance by notice, usually 30 days.

Capacity
The maximum amount that can be insured by a single insurer or group of insurers.

Carrier
Insurance company who agrees to "bear the risk".

Catastrophe
A sudden and severe disaster causing very large loss, such as storm or hurricane.

Certificate of Insurance
Evidence, in the form of a certificate issued in the name of the insurers, that an insurance contract exists.

Comprehensive
A policy under which all perils are listed, everything else is automatically excluded.

Conditions
Written procedures and qualifications which must be adhered to in order for the insured to fulfil obligations to the insurers.

Consequential loss
The secondary or indirect loss as a result of a primary loss; e.g. increased costs of working as a result of fire damage to property.

Contents
Removable items within the insured's buildings e.g. computers, photocopiers, faxes and other office equipment, desks, furniture, curtains, carpets etc.

Cover
Details the sums insured and what is provided by the insurance.

Cover Note
A document evidencing insurance cover.

Day One Uplift
Another way of catering for inflation to the sum insured during the policy period and rebuilding period. The sum insured as at day one of the insurance should be adequate to cater for the full rebuilding costs as at day one. The insured then selects a percentage uplift to cater for inflation.

Declaration
A statement by the proposer (later insured / policy holder) at the bottom of a proposal form, that certifies the accuracy of the information given to the best of their knowledge.

Defective Title
Provision to cover the policy holder for loss of purchase price and associated costs in the event that an item they own and which they acquired in good faith has been stolen and for which the original owner has better title.

Denial of Access
Nuisance, trespass or interference with any easement, right of air, light, water or way. Used in two areas, third party (the insured's liability for causing it) and first party (Business Interruption losses following physical damage occurring in the vicinity of the insured's property which prevents them from accessing the property).

Depreciation
The loss in market value following damage.

Duty of Disclosure
Duty of policy holder to declare all material facts about a risk.

Employers' Liability
Compulsory insurance covering the Insured (Employer) for acts of negligence against employees.

Endorsement
An alteration made to a policy during the period of its operation which changes or varies the terms of or parties to the contract.

Excess
The first part of each claim which the insurer must pay.

Exclusions
What is specifically not covered by an insurance; detailed on the policy and which limit the policy's scope.

Ex-Gratia Payment
A claim payment by insurers to maintain the good will between insurers, the insured and the broker where the claim may not necessarily fall within the terms of the insurance.

Exposure
The total value that an insurer is covering at any one time.

Extensions
Cover which is additional to the main policy.

Fidelity Guarantee
Cover against acts of fraud or dishonesty by employees of the insured.

First Loss
Property insurance where the sum insured is accepted to be less than the value of the property but the insurer agrees to pay claims in full up to the sum insured.

Fixtures and Fittings
Items which the insured has attached to the building, particularly if the property is leased e.g. partitioning, lighting, kitchen cupboards, carpets etc. It does not include removable property such as computers, furniture which would be covered under Contents. If the insured owns the property then fixtures and fittings are normally included under the buildings sum insured (except for carpets).

Fleet Policy
A single policy covering a number of motor vehicles in one ownership.

Indemnity Cover
The legal principal which ensures the insured is restored to the same financial position after a claim as they were immediately prior to that claim.

Index-linking
Alteration of sums insured to keep them in line with changes in a retail price index e.g.: protecting values against inflation.

Inherent Vice
A situation where the property insured suffers damage or deterioration as a result of its own make-up, without outside interference e.g. corrosion of a metal sculpture.

Insurance
A contract whereby one party (the insurer) for a consideration, (the premium) undertakes to pay to the other party (the insured) a sum of money or its equivalent in kind, on the happening of a specified event which is contrary to the interest of the insured.

Insured Persons
Person or entity covered by the insurance.

Insurer
The party to a contract of insurance who is responsible for paying claims arising under it, also known as Underwriters.

JCT Buildings contract
Standard Form of building contract. The relevant clause contained within this contract is clause 22. This details who is responsible for insuring the building works and all unfixed materials on site, either the contractor or the employer.

Listed Building Status
If a building is Grade 1 or II*, Listed Building Consent will be required for interior works.

Lloyds (of London)
A corporation that organises the market of individual insurance Underwriters in London.

Local Planning Authority
The body who exercises planning control over a specified geographical area. (With regard to Listed Buildings, the Local Planning authority is required to consult agencies such as English Heritage but actual decisions and enforcement are the Authority's responsibility.)

Long-Term Agreement
An agreement where the insured, in consideration of a reduced premium, agrees to insure for a number of years.

Loss Adjuster
A person appointed by insurers on behalf of insurers' interests to assess and agree on the settlement of a claim. The insurer pays a Loss Adjuster.

Loss Assessor
Appointed by the insured to act on the insured's behalf to assess and agree on the settlement of a claim. A Loss Assessor is paid by the insured. Normally appointed on very large claims.

Material Fact
A fact about a risk proposed for insurance which would influence a prudent insurer in deciding whether to accept the risk and on what terms. The duty of the insured to advise the insurer of all material facts is on-going and any changes to the risk must be notified to insurers.

Nail to Nail
Insurance usually affected on object(s) lent for temporary exhibitions. Cover is in force from the moment the object(s) is picked up from the lender to the moment the object(s) is returned to the lender and includes all transits and the period of exhibition and storage in between.

Negligence
Omission to do something which a reasonable person, guided by those considerations which ordinarily regulate the conduct of human affairs, would do, or doing something which a prudent and reasonable person would not do.

New for Old
Insurance where the replacement value of property lost or damaged is payable without deduction for wear or tear and depreciation.

No Claims Discount
A retrospective reduction in premium following a period of no claims, or outstanding claims, often paid at renewal.

Personal Injury
False arrest, detention or imprisonment; malicious prosecution; wrongful entry into or eviction of a person from a room, dwelling or premises that they occupy; invasion of any rights of privacy; or any defamation.

Policy
The document that sets out the terms of the insurance contract.

Pollution
Any pollution or contamination, including noise, electromagnetic fields, radiation and radio waves.

Premium
Amount to be paid for a contract of insurance.

Products
Any goods supplied to others which were sold, manufactured, or repaired, installed, erected, altered, cleaned or treated by the insured.

Proposal Form
An application form for insurance.

Product Liability
Liability incurred by the insured to another party under common or statute law as a result of a defect in the goods or products sold by the insured.

Property Damage
Physical loss or injury to or destruction of tangible property.

Public Liability
See Third Party Liability.

Quantity Surveyor
A person who measures and prices building work.

Quantum
Total amount of any one claim.

Risk Management
Protection from losses by untoward events which would jeopardise solvency; minimising the cost of such protection by physical or financial means.

Risk Recommendation
An improvement to the risk which the insurer recommends but this is not a requirement and the insured can either chose to implement or not. There might be a premium discount following implementation of a recommendation or might not. Sometimes recommendation concern best practices and are made to help the insured avoid losses/improve exposure overall.

Risk Requirement
A requirement by an insurer - if the insured fails to comply within a stipulated time scale then the insurer has the right to repudiate a claim that might occur, provided the loss is related to the claim.

Salvage
The value that remains in property for which a total loss has been paid, following damage or recovery after a theft.

Self Insurance
Establishing a fund to meet losses without calling upon an insurance policy.

Subrogation
The right of an insurer, after settling a claim to their insured, to take over the insureds' rights to recover losses from a third party responsible for the claim.

Statutory Inspection
Inspection of Pressure and Lifting machinery/systems/ equipment performed in compliance with Health and Safety Legislation by a specialist Engineering Company. The onus to ensure that equipment is inspected in accordance with statutory requirements rests with the insured.

Terrorism
Any violence, intimidation or public disorder committed by any organisation or group for political ends including any use or violence to put the public or any section of the public in fear.

Third Party
A person who is not party to a contract of insurance.

Third Party / Public Liability
Liability incurred by the insured to another party under common or statute law.

Tool of Trade
Mobile plant or equipment whilst being used where insurance or security is not required under the provision of any road traffic legislation.

Total Loss
A loss of the insured property such that it is totally destroyed, lost or damaged beyond economic repair.

Trustee
A person or member of a board given control or powers of administration of property in trust with a legal obligation to administer it solely for the purposes specified.

Under-insurance
Insurance that is not adequate in terms of the sum insured and which might not provide for full payment of a loss.

Underwriter
An insurer.

Utmost Good Faith
An insurance policy is based on utmost good faith and if this is broken by either party then the insurance contract may be avoided by the other party.

Void/Voidable
A policy that does not exist, without legal effect / where the insurer has the right to avoid a policy.

Voluntary Excess
An excess which the insured agrees to bear in consideration of a reduction in the premium.

Warranty
A requirement by an insurer. If the insured does not comply with a warranty, the insurer has a right to avoid any claim that might occur, even if it is not related to the claim.

Wear and Tear
Damage and depreciation in value of property from use.

Museums, libraries and archives connect people
to knowledge and information, creativity and inspiration.
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