

**AMERICAN ASSOCIATION OF INSURANCE SERVICES  
INLAND MARINE GUIDE  
FINE ARTS FLOATER**

**UNDERWRITING**

# **AMERICAN ASSOCIATION OF INSURANCE SERVICES INLAND MARINE GUIDE FINE ARTS FLOATER - UNDERWRITING**

## **COVERED PROPERTY**

The intent of a fine arts floater form is to provide coverage for a fine arts collection that is on display or in storage at a specific location. The fine arts floater can be used to cover art collections belonging to:

1. individuals (residence);
2. corporations (lobby or office display); or
3. institutions (schools, churches).

Art objects are usually thought of as paintings, sculptures, or similar works of graphic beauty. However, fine arts can also include historical objects that were originally created for functional use. These objects now have value as fine arts because their craftsmanship or decorative elements are in a rare or historical style. Historical items that are sometimes classified as fine arts include maps, dishes, vases, pots, costumes, dolls, and armaments.

## **Property Not Covered**

The following objects are not covered under a fine arts floater form:

1. coins, currency, and stamps (coverage can be provided under a separate Inland Marine coverage form);
2. contraband; or
3. jewelry, unless the jewelry is an antique (100 years or older), stones, and metals (coverage can be provided under a separate Inland Marine coverage form).

## **RISK SELECTION**

To underwrite a fine arts risk, obtain the following information:

1. Construction, occupancy, protection, and exposures should be determined for each scheduled location.

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2. For coverage under scheduled coverage forms, obtain a schedule of all covered art work, preferably the schedule should be updated annually; however, updating once every three years can be acceptable. A schedule should include the following information for each object:
  - a. name of the artist;
  - b. title of the work;
  - c. description of the work (e.g. oil painting, marble sculpture);
  - d. year the work was created (the century the work was created is acceptable for items of antiquity); and
  - e. insured value, when an individual object is valued at \$50,000 or more, a purchase receipt or appraisal should be obtained (documentation should not be over 5-years old).

For coverage under a blanket coverage form, obtain documentation on the total market value of the covered art work. While individual pieces of art are not scheduled, it is important to validate the value of the pieces being insured.

3. If transit coverage is provided, the annual values shipped and the mode(s) of transportation should be determined.
4. If off-premises coverage is provided, the number of exhibitions or trips away from the premises and maximum values involved should be determined.

## **KEY HAZARDS**

### **Fire**

Art work that is not directly touched by a fire can still be destroyed by the accompanying heat, smoke, and water. Even minor damage can result in a significant loss because restored work will be worth significantly less than its previous value. In addition to standard controls for the peril of fire, underwriters may want to consider the following:

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1. Smoke or heat detectors/alarms should be installed when values exceed \$500,000.
2. All values within a single building should be considered as 100% PML.

**Theft**

The level of alarm protection should be dictated by the values at risk and the location of the collection. The potential for a large theft loss will depend more on the value of individual works of art rather than the aggregate value of a collection. For example, mass produced lithographs would not be considered a target for theft but individual paintings valued at over \$50,000 each could have a significant theft exposure.

The following protective measures should be evaluated based on the values involved and the location of the collection:

1. passive controls such as doors, dead bolt locks, and lighting;
2. locked display cases for small, valuable objects (e.g. antique jewelry, jade figurines); and
3. alarms:
  - a. installation of a UL-listed central station burglar alarm when the value of an individual item exceeds \$50,000,
  - b. some alarm systems may be connected to individual items or to display cases and can be left on while the premises alarm is off during business hours or while a residence is occupied.

**ENDORSEMENTS**

The following are options that modify the fine arts coverage form.

**Breakage Limitation and Breakage Exclusion**

Breakage exposure can be limited or eliminated by endorsement. When addressing the breakage exposure, the following underwriting issues should be considered:

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1. A review of the schedule should be made to determine if a large percentage of the collection is made up of fragile art objects. The higher the percentage of fragile items, the greater the exposure to a loss.
2. When earthquake coverage and breakage coverage are provided, additional conditions (e.g. higher deductible, sublimit) should be contemplated if a covered location is in an Earthquake Zone 1 or 2.

#### **Flood Limitation and Flood Exclusion**

Coverage for the peril of flood (water) can be limited or excluded by endorsement. When evaluating flood risk an underwriter should obtain and appraise the following information:

1. the Federal Emergency Management Agency's flood zone for the area where the risk is located;
2. the history of flooding in the area; and
3. the floor on which the collection is located; ground floor and below locations are considered to have the greatest exposure to flooding.

#### **Sewer Backup Limitation and Sewer Backup Exclusion**

Coverage for the peril of sewer backup and water below the surface can be limited or excluded by endorsement. When evaluating these risks an underwriter should obtain and appraise the following information:

1. general repair of property, particularly of the foundation;
2. repair of sewer, septic tanks, and drainage;
3. the history of sewer backup in the area; and
4. the floor on which the collection is located; ground floor and below locations are considered to have the greatest exposure to flooding.

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## **Earthquake Limitation and Earth Movement Exclusion**

Coverage for the peril of earth movement can be limited or excluded by endorsement. When evaluating these options an underwriter should obtain and appraise the following information:

1. the display of fragile items;
2. the earthquake zone at the location; and
3. the construction of the building.

## **LOSS CONTROL**

The following are possible issues that relate to a loss control survey.

This information is NOT intended to represent a comprehensive and exhaustive treatment of loss control issues that relate to a fine arts collection. UNDERWRITERS SHOULD CONSIDER additional questions that address concerns about individual risks.

### **Loss Control Survey**

In most cases a standard property loss control survey that addresses construction, occupancy, protection, and exposures will be sufficient for a fine arts risk. A survey may also be used to confirm the existence and condition of:

1. scheduled items; and
2. protective devices or features (e.g. display cases, individual alarm hook-ups).