

State indemnity schemes in Europe and Art Insurance

Dr. Stephan Zilkens

Helsinki , June 10th 2014

Agenda

- Indemnity schemes in Europe
 - History
 - Economic background
- Risk Management and Art
- Art Insurance
 - Market and Market Volume

State indemnity – History last century

- Art market not spectacular – mainly European – pop art creating new market schemes (contemporary Art Fairs)
- Insurance market
 - No specialists
 - Premium tariff thinking (Zocher)
- Structured indemnity started second half last century
 - Sweden 1974
 - USA 1975
 - GB 1980
 - Germany 1992
 - France 1993

State indemnity – economic background

- 1980 – insurance costs of big international exhibitions up to 40 % of the overall costs
- Cultural exchange high ranked in political institutions
- Cost reduction needed to reach the goal
- Now in at least 17 Countries in Europe
 - Austria, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Hungary, Italy, Ireland, Lithuania, Netherlands, Norway, Poland, Spain, Sweden, UK
 - Luxembourg and Malta have the possibility

State indemnity – general schemes

- cover for damages occurring during transit and exhibition (combination possible)
 - Deductibles
 - Financial involvement of museums
 - Minimum sums of an exhibition
 - Maximum sum per event or per year or
 - Unlimited indemnity
- Warranties for users of state indemnity schemes
 - From none to vague descriptions
 - Exception US State indemnity – detailed manual which is obligatory

This is covered by most European state indemnity schemes



State indemnity – financial burden of tax paying citizens

- German Indemnity gives more than 2,4 billion guarantee on one risk = nearly 1 % of state budget. – State Budget volume aprox. 320 billion
- French indemnity gives unlimited guarantee – State budget volume aprox. 450 billion
- Guarantees are not financially reserved in most schemes.
- The German guarantee in volume compares to the whole budget of the state Malta or the budget for the chancellors ministry.

State indemnity – advantage / disadvantage

- Cheap way to secure exhibition risk for the borrower as long as nothing happens
- Claims handling in the hand of the borrowing institution - experience?
- Private lender do not accept it
- Travelling exhibitions with more than one Exhibition space under different indemnities cause huge problems
- Definition of cover is almost vague (like commercial insurance) Depreciation?; Terrorism?; War?;
- Heavy burden for tax paying citizens if the worst case happens (earthquake; terrorist attack)
- Sometimes no waiver of subrogation (Germany f.e.)
- Remember Murphy's Law (what can go wrong will go wrong)

State indemnity – risk management

- Risk management in the Art world started recently
- National state indemnity schemes which have no clear definition regarding risk reducing measures provoke destruction of national heritage
 - Packing / Crating (like the manual of the US indemnity)
 - Means of transportation
 - Custom clearance
 - Education/training/skills of people dealing directly with the objects
 - Security measures (burglar protection/ fire protection/ climate)

Murphy's law– claims experience Art theft Bührle – 180 Mio. CHF

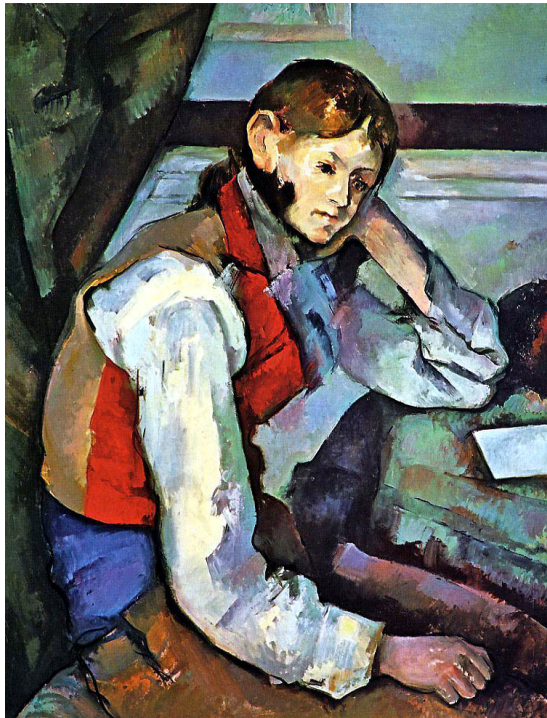


Bild: Lizenzfrei von wikiart.org



Foto: EFE, Spain

Murphy's law– claims experience

Terrorist attacks



Foto: "The Times", Großbritannien

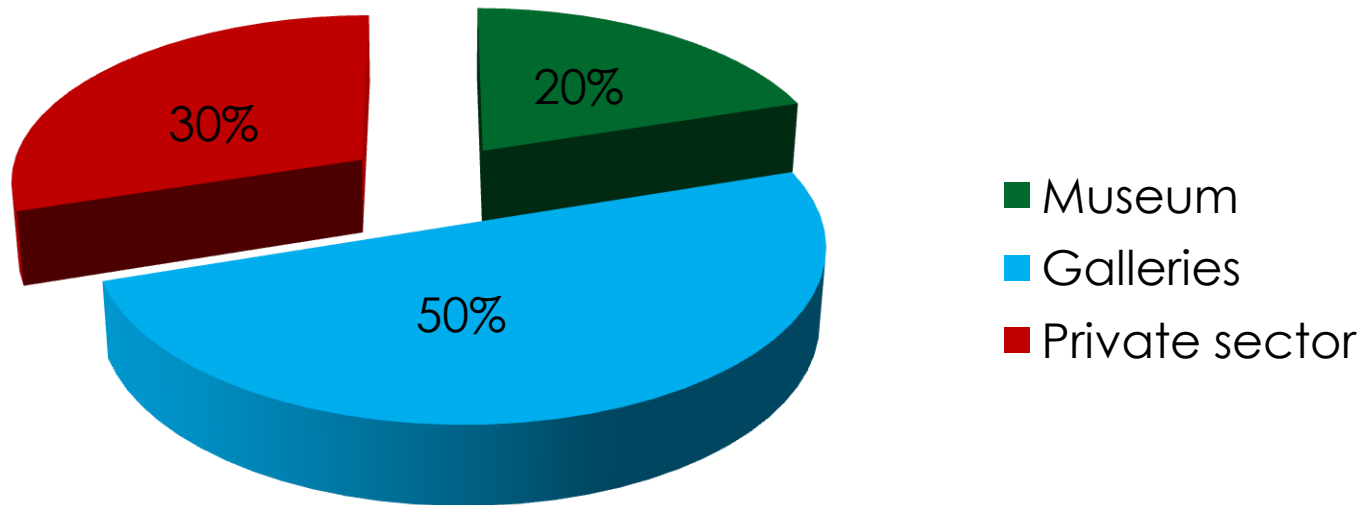
Murphy's law– claims experience New York Customs Control



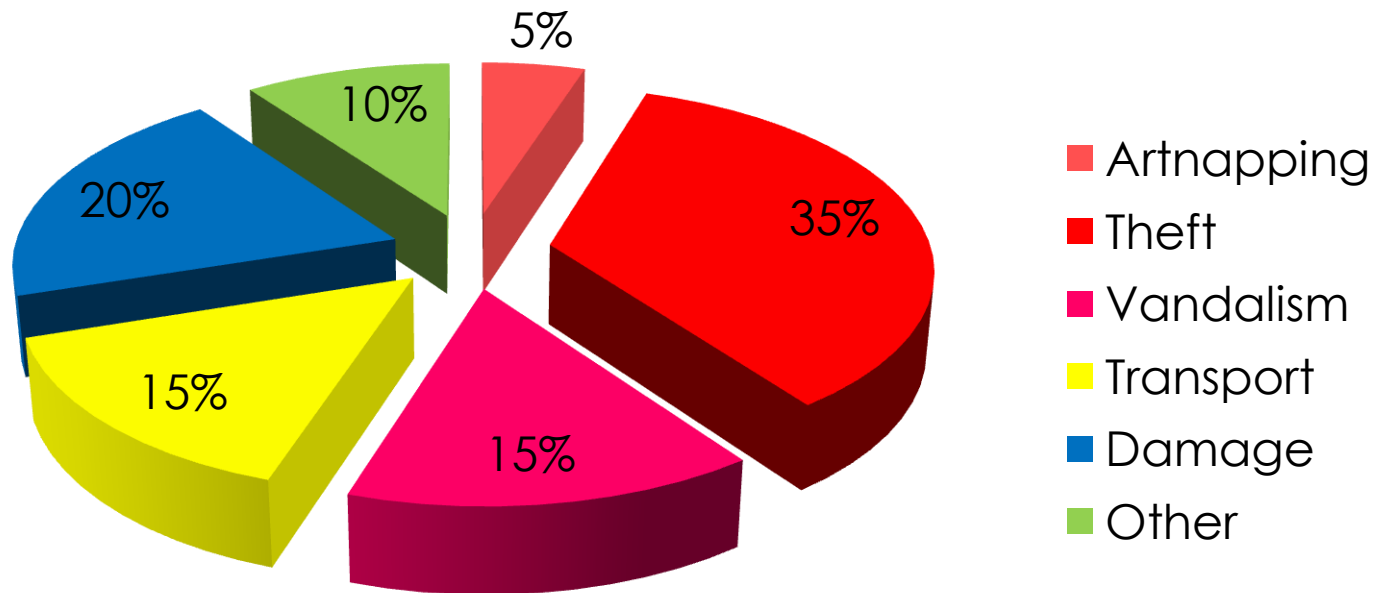
Underwriting Capacity Art Insurance

- Ca. 3 billion € worldwide
 - AXA Art ca. 300 Mio. € obligatory
 - Uniqa Insurance ca. 300 Mio. € obligatory
 - XL Insurance Group ca. 300 Mio. € obligtory
 - Allianz ca. 150 Mio. € obligatory
 - Lloyd's ca. 500 Mio. € facultative
 - facultative reinsurance
- Only few Insurers possess own Art experts
- Few Insurers are well grounded in art specific Know-How

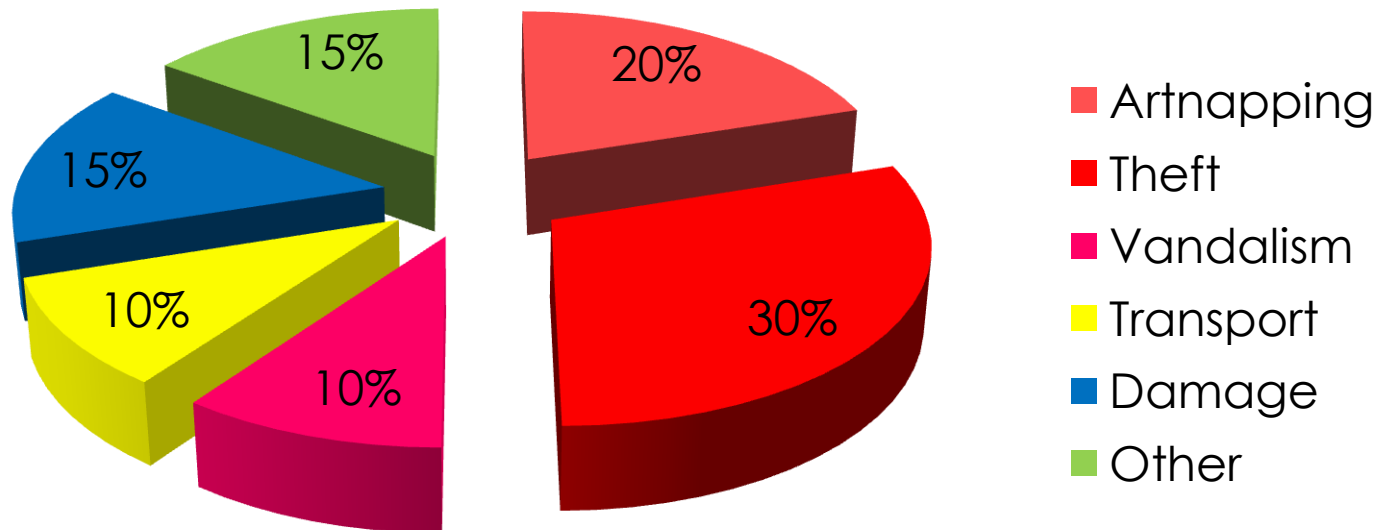
Group of Client and claims frequency all figures own research



Cause of loss in % of frequency



Cause of loss in % of paid claims



Premium Volume and Claims

- No statistics available – own research approved by leading institutions
- Worldwide Premium Volume fine art about 1,2 Billion€
 - Premium Volume non life 2013 about 2.000 Billion€
- Claims Volume not reported
 - Spectacular : World Trade Center; Fire in London art warehouse; Theft Bührle Museum; Theft Rotterdam Museum
 - Character – volatile – high capital requirements
- Clear defined market rules and mechanisms for claims

State indemnity – conclusion

- Indemnity schemes vary from country to country
 - Coordination and consultancy necessary for international exhibition projects among museums
- Art Market booming in some sectors
 - Museum experts evaluate art for loan purposes (conflict of interest)
- Insurance premium rates
 - Down by 80% for bigger Exhibitions in comparison to 1975

Why burden the national budget with 200.000.000,00€ risk when insurance is available for around 100.000,00€?

Better spent 0,5% more on museum budgets than blocking social welfare because of risks realized!

We would be pleased to provide you with further information on request and to help with queries at any time.

Please do not hesitate to contact us.

Zilkens Fine Art Insurancebroker GmbH
Eupenerstrasse 70• 50933 Köln

phone +49 221 8 00 68 420

fax +49 221 8 00 68 421

mobile +49 171 3 30 66 30

e-mail zilkens@zilkensfineart.com