

Risk Management and Insurance for Museums

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The intention of this FOCUS paper is to identify the keys areas of insurance that are relevant to museums and to explain how insurance dovetails with risk management to protect property owned by a museum including the collection, as well as protecting staff, volunteers and visitors. One of the guiding principles of museums is to protect objects for future generations and staff and volunteers need to continually assess and minimise risk in order to achieve this. This information has been produced to help museums in the development and maintenance of risk management systems with the aim of reducing and preventing losses and to show how specialist insurance can be used alongside these systems to eliminate the financial consequences of things going wrong.

The relationship between insurance and risk management is intertwined and finding the balance between the correct amount of insurance and the appropriate level of risk management, and its costs, is vital.

WHAT IS RISK MANAGEMENT?

Risk management is the active process of identifying, assessing and controlling risks and potential threats to staff and visitors as well as to property, both owned by the museum and on loan to it. All museums must have, as a minimum standard, a policy covering risk management and disaster planning.

Risk assessment

In order to manage risk effectively, it is necessary first to identify risks. Risk assessment is

a systematic review of premises and activities with the potential to cause harm and damage.

Step 1 Identify the hazards

A 'hazard' is anything with the potential to cause harm e.g. electricity, chemicals. 'Risk' is the probability that someone or something will be harmed by a hazard.

Step 2 Decide who or what might be harmed and how

Also think about people who may not be in the workplace all the time e.g. cleaners, visitors, and contractors.

Step 3 Assess the risk and take action

Take account of how often it may occur and the severity of the out-

come. Take steps to remove the hazard or reduce the risk to an acceptable level. Action should be proportionate to the risk.

Step 4 Record the findings

Employers who have five or more employees must record significant findings of a risk assessment. (It is also good practice to do so if there are fewer than five employees.)

Step 5 Review the assessment

A review may be appropriate after changes to work practices or introduction of new activities, or in any case, every five years. Update the risk assessment if necessary.

Risks we prefer not to think about but must – a burning building . . .



Main types of risk and recommended preventative action

1. Fire

Fire represents the single most serious risk in that it can be catastrophic and could result in destroying the museum as well as causing injury and, worse, fatalities.

- The majority of museums will require a fully automatic fire detection system which should be designed, installed and serviced according to the appropriate British standard, BS5839. Two thirds of all fires occur after 6.00pm so automatic fire alarms are indispensable in alerting the fire brigade and thereby speeding the tackling of the fire, limiting its spread and aiding the safe removal of the museum's collection.
- Develop good relations with the local fire brigade and ensure they have familiarised themselves with potential water supplies, hydrants and the layout of the museum.
- Seek advice from the fire brigade as to the selection and location of extinguishers. These should be subject to an annual maintenance contract and all staff should be trained on their location and use. In broad terms, water and foam are most effective when fighting carbonaceous materials such as paper and wood and carbon dioxide extinguishers are usually recommended for liquid and electrical fires. CO₂ does not harm works of art although it may leave a film of fine ice on objects in close proximity to the discharge point.
- Features such as panelling, floating or raised floors and suspended ceilings can disguise voids which will assist the rapid development and hidden spread of fire. This should be addressed by the insertion of fire stopping and cavity barriers which should have a minimum fire resistance of 30 minutes.
- Fire doors can also be a useful additional protection in less historically sensitive areas.
- Many fires are a direct result of the careless actions of building contractors. When hot work (cutting, welding or gas torches) is unavoidable, a hot work permit should be agreed in writing. Additional firefighting equipment should also be provided. Most importantly, competent monitoring should also continue for at least two hours after cessation of the works. All building contractors must carry current public and employers' liability insurance cover with a minimum limit of indemnity of £2 million. Your insurer should also be informed of such works prior to their starting.
- Inspection of electrical system. Look for loose wires, worn or damaged cable, scorching and plug damage. Establish a defect reporting system and ensure any necessary repairs are carried out.
- Ensure the electrical installation in the building meets the current edition of The Institution of Electrical Engineers

Regulations for Electrical Installations (IEE Regulations). See www.iee.org/publish/wireregs/

- Portable electrical appliances must be tested for safety by a competent person. As a guide to frequency of checking, electric kettles and fires should be inspected annually and computers every four years.
- Check to see if the heating boiler is under an annual maintenance and service agreement with a firm of competent heating and ventilating contractors and ensure the boiler room is clear of combustible storage.
- Cooking appliances and the filters in extraction ductwork must be cleaned of grease and oil deposits on a regular basis. Cleaning intervals depend on the type of equipment but should not exceed seven days.
- Remove waste paper and cardboard and other combustible waste materials from buildings and store in a safe place until collected for disposal.
- From 1 July 2007 all public places and workplaces in England are smoke-free. Visit www.smokefreeengland.co.uk/resources. Signage can be ordered from the website or 0800 169 1697.
- Flammable liquids and gases in workshops or elsewhere must be safely stored. Spare gas bottles must be stored in a secure yard compound and highly flammable liquids in dedicated metal safety lockers or bins with appropriate 'Flammable Liquids' warning signs.
- Do the buildings require certification under the Fire Precautions Act 1971? The local Fire Authority should be consulted to see if one is required. If not, it will be necessary to undertake a fire safety risk assessment as required under the new Fire Precautions (Workplace) Regulation 1997. See www.fsiuk.co.uk/fire_precautions_workplace_regs.htm

2. Water damage

- Old pipes can be particularly vulnerable to leaking and particular attention should be paid to display or storage areas which either contain or are sited below pipe runs or water tanks. There are various ways in which the damaging effect of escaping water can be controlled and reduced. In some instances, a rising main water valve or diaphragm can be installed to monitor water flow and automatically cut off the main supply. This can also be linked to the alarm system. Old pipes and installations should in any case be regularly monitored and any faults identified and repaired as soon as possible. The location of isolation valves and taps should be recorded on emergency plans.
- If any of the museum's collection is stored in a basement, then it is essential to store all objects at least 9in off the basement floor.
- With climatic change, it is also vital that the local environmental conditions are checked regularly. The installation of submersible pipes should perhaps be considered in the event of rising levels in local water courses and ponds etc.

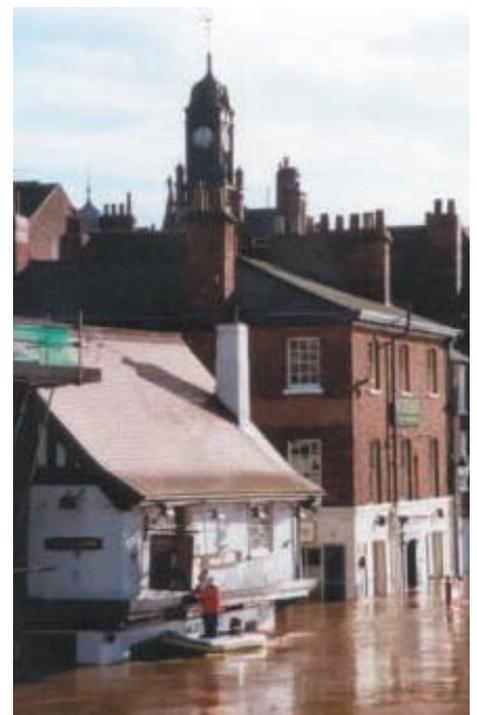
- Ensure there is a programme of planned preventative maintenance of the building: e.g. repair holes in the roof.
- Ensure, as part of a disaster plan, that you have the contact details of a company which can assist in the event of a flood or water damage.

Disaster Recovery Plan in the event of fire and water damage

All museums should have one and they must include the following information:

- List the names, addresses and telephone numbers of the key museum staff, including site managers and keyholders, as well as utility and security companies. It is also essential to include a list of services such as plumbers, glaziers, locksmiths, transporters and, importantly, insurance brokers/insurers.
- The disaster recovery plan must establish a priority for removing objects in the event of a disaster and this can be done in a number of ways: produce an inventory and list in order of priority which items would need to be removed first. Draw up a site plan to show location of objects and their salvage priority.
- The plan should also show the location of utilities, power supply, hazardous materials, emergency exits, fire extinguishers etc.
- Remember to inform all staff of the plans and to hold regular emergency exercises.
- It is essential that these plans remain confidential and to discuss with the local emergency services the correct procedure in the event of a catastrophe.

Flooding . . .



3. Theft

- All external doors should be locked by a BS3621 mortise deadlock or two key operated door security bolts or padlocks meeting the draft European CEN Standard classification numbers 3 or 4.
 - The first closing leaf of double leaf doors should be secured top and bottom by key operated door security bolts.
 - Outward opening doors should be fitted with two hinge bolts.
 - Lightweight external doors may need reinforcement by sheet metal or timber.
 - Doors designated as fire exits may only be secured by methods acceptable to the Fire Authority.
- All ground floor, basement and accessible upper floor windows must be fitted with appropriate key-operated window locks as must vulnerable windows.
- Intruder alarm systems must be installed and maintained to BS4737 by a National Approval Council for Security Systems (NACOSS) recognised firm. See www.nsi.org.uk
- Check that the alarm covers the areas you want it to. This must include the most important and valuable items in the collection.
- Some objects may need to be alarmed individually, either with proximity or contact alarms. These alarms will work during the day when the main alarm is deactivated. This is particularly useful as the trend for thefts from museums during the day increases. There now exist some extremely discreet systems that provide object protection. Indeed it is now possible to implement a complete object protection system and combine it with CCTV so if an object is touched the cameras in the control room automatically move onto the object and also the exits to each gallery as well as linking to the door alarm system. Combined with staff invigilation this is a very strong deterrent to thefts.
- Ensure key holding arrangements and intruder alarm signalling (connections to alarm receiving centres) are sufficient to ensure a quick key holder response.
- Access control systems must be sufficient to prevent persons concealing themselves on the premises during the day and breaking out after the museum has closed with stolen items.
- Close circuit television cameras (CCTV) are an extremely good deterrent against theft but ensure the tapes are recording and that they are retained for at least seven days.
- Security lighting is very effective but must be properly designed and maintained. In most circumstances movement-activated (i.e. operated by a sensor) lighting is likely to be the most effective.
- Small, fragile objects in the collection should be exhibited in showcases which must be properly locked and alarmed, if necessary.
- A policy of photographing objects in the collection, particularly the most important

and valuable, is essential and absolutely vital in the event of a theft as organisations such as the Art Loss Register and Trace can assist in the recovery of stolen items whether insured or not. Some insurers will offer a discount if collections are photographed so do inform them.

- All keys must be removed from the museum at night or kept in an approved safe, the key to which is taken home by a responsible person.
- Check that cash safes offer adequate security for the amounts deposited in them overnight and that any free-standing safes weighing less than 20cwt are anchored to the floor.
- Transit of cash to and from the bank must be carried out in a safe and secure manner. Cash must be carried on the person in pockets or specially designed belts.

4. Accidental damage/vandalism

- Ensure fragile, easily breakable objects are exhibited in locked showcases and/or out of reach from the public.
- Consider installing proximity alarms.
- Particularly vulnerable paintings should be glazed.
- CCTV is an extremely good deterrent to vandalism but, as before, ensure the tapes are recording and are kept for a minimum of seven days.

5. Buildings awaiting restoration or under construction

- These buildings are attractive to children. They should be kept secure at all times. Look for and identify any 'allurements' attractive to children etc and take appropriate steps to eliminate risk.
- Signs outside the buildings should warn of particular risks inside such as weak floors.
- Trespassers are entitled to a statutory duty of care and the person having 'control' of a building must provide warnings of any specific deterrents in force and must not set traps for trespassers.
- Employ a competent contractor e.g. NICEIC registered, when carrying out building work.
- Always inform insurers before commencing building work.

6. Slips, trips and falls

- Keep pathways and traffic routes in good repair and inspect for defects regularly.
- Floors and floor coverings should be kept in good repair.
- All passages, particularly fire escapes, must be kept completely clear.
- Ensure stairways are well maintained, well lit and fitted with hand rails.
- Clean up spillages promptly and display warning of wet surfaces.
- Avoid trailing cables.
- Place a sticker on all glass doors to prevent anyone from accidentally walking into them.

7. Grounds maintenance

- Car parking areas and spaces should be clearly indicated and located away from main entrance and emergency exits. Consider the use of pedestrian routes, crossings, traffic calming devices. Display site speed limit.
- Electrical equipment for outdoor work should be used at 110V or protected by 30mA residual current device.
- Training for safe operation of grounds maintenance equipment e.g. tractors, mowers, chain saws etc.
- Training on storage and use of pesticides.

8. Manual handling

This includes lifting, pushing, pulling, carrying, holding a load.

- Where possible use mechanical aids e.g. mechanical handling equipment, trolleys or castors.
- Train staff in proper lifting techniques.

9. Substances hazardous to health

For example, chemicals used in conservation and restoration, cleaning chemicals.

- Obtain hazard data sheets from supplier, follow safety instructions as recommended. For basic household type chemicals, e.g. bleach, following instructions on the label should be adequate.
- Ensure all chemicals are in labelled containers.

10. Moving machinery

- Ensure it is safe to demonstrate – guarding may require upgrading. This may be achieved using modifications in keeping with the original fabric of the machinery.
- Ensure certain equipment is inspected – engineering inspection and insurance
- Consider public safety – for example by position, physical separation by barriers etc.

11. Food safety

- Safety in catering premises:
 - Use of machinery – guarding, operator training, maintenance.
 - Slips/trips/falls – as before.
 - Manual handling.
 - Cleaning.
 - Fire risks.
- Product safety:
 - Control of practices and procedures in the preparation of food to ensure safety of final product. Staff should have food hygiene training commensurate to their job role. Identify all steps in activities which are critical to food safety and ensure adequate safety controls are in place, maintained and reviewed.

12. Noise

If people speaking normally have difficulty in making themselves heard at a distance of 2m then it may indicate the potential to cause damage to hearing if exposed to such levels



Tripping over . . .

for a prolonged period. It may then be necessary for a competent person to carry out further noise assessments to determine if further control measures are required.

13. Defensible documentation

Should a claim arise in the future, or should there be an investigation into an incident by the Health and Safety Executive or Environmental Health Department, it is vital that you are able to demonstrate that you are doing all that is reasonably practical by keeping appropriate and detailed records. Such records may include training records, inspection records of pathways, traffic routes etc., and maintenance records.

WHAT IS INSURANCE?

Insurance 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. It is a safety net for instances when the various risk management procedures in place fail and it protects the museum against fortuitous events. Insurance is, therefore, a vital consideration of risk management for museums, as it is for all businesses.

To ensure good practice we recommend all museum staff ask themselves the following questions:

1. Do you know what insurance cover you have in place?
2. Do you know who your insurer is; are they specialist museum insurers/brokers?

3. Do you and your staff understand the cover and is there access to a copy of the policy?
4. Do you know how much each area of cover costs?
5. Are the sums insured/valuations up-to-date?
6. Have you carried out an exercise to see if your insurance premium is competitive?
7. Has a specialist insurer carried out a survey?
8. Are you aware of statutory requirement such as health and safety, engineering inspection and motor insurance?
9. Do you have cover for property (buildings, contents, collection), business interruption, employers, public and products liability, charity trustees liability, travel and personal accident?

If the answer to any of the above is no then it is time to conduct a review of the policy to ensure it is appropriate. The policy must be an All Risks insurance and you must know what is not covered (the exclusions). Check for exclusions like *'claims for theft when museum is open are excluded'*. Is there any transit cover?

Seek professional advice, ideally from a specialist museum broker. The advice may mean keeping your insurance arrangements exactly as they are. The advice will be given free of charge. Brokers earn commission only when they arrange a policy.

Many museums find that they can switch from a standard commercial policy (one that is used for a variety of businesses) to a specialist museum policy and actually save money whilst widening the breadth of cover.

PRIORITISING INSURANCE COVER

With pressure on budgets a very valuable approach to insurance can be to see how much cover can be obtained for a given price. For the purpose of this paper we will look at each area of cover as it appears in the list of importance.

1. Statutory insurance: insurance required by law

- **Employers liability:** covers the museum's legal liability to injury and/or illness of the employees in the event that it is caused by the negligence of the employer. It forces the employer to provide a safe environment for working and establishes that the employer has a duty of care to staff, which must include appropriate training. The limit of cover is £10 million.
- **Motor insurance:** museums that own or operate vehicles on the public highway must have the basic cover required by the Road Traffic Act which is Third Party injury cover. However the usual basic cover is Third Party only which also includes cover for damage to third party property. Remember that staff using their vehicles for work must inform their insurers to ensure appropriate cover for *'business use'* is noted.

- **Engineering and inspection:** the kind of risks that this area of insurance will cover include lifts, air-condition plant and boilers. Regular inspection and maintenance are important elements of managing such risk and these are often obligatory. Indeed, most plant equipment will need to be inspected annually. In the case of people-carrying lifts this will be twice a year. It is important that the inspection and insurance is carried out by the same company so that the insurer cannot sue the inspector in the event that the inspector fails to identify a potential problem. Insurance will cover breakdown of equipment, sudden and unforeseen damage and, in the case of boilers and pressure plants, explosion and collapse. Some museums may be further exposed to engineering issues if their exhibits fall within the parameters of an engineering risk, such as industrial or mining museums or some transport collections. In such cases, the inspection and insurance of those risks would need additional attention.

Failure to arrange the appropriate cover for any of the above and indeed, where museums employ more than five people, and failure to implement a Health and Safety Procedure, could lead to prosecution.

2. Essential cover

Public and Products (Third Party) Liability: in increasingly litigious times, this area of cover must be regarded as absolutely essential. Failure to insure public liability could result, in the event of a successful claim against the museum, in financial ruin and its closing down. There is a common law duty

for everyone to take reasonable care and not cause injury or damage to other people and property and, whilst it is possible to minimise risks by ensuring appropriate risk management, there can be no better protection than having Public Liability cover in place. We recommend the minimum limit now should be £2 million. Those museums with engineering/moving parts may well consider a limit of £10 million. Also ensure Food and Drink Liability cover is in place if the museum has a café or restaurant.

Buildings: if a museum owns the building in which it is housed then it is essential to cover the buildings under an *'All Risks'* policy which should include cover for:

- Fire, lightning, explosion, aircraft, earthquake, riot and civil commotion, vandalism, storm, tempest, flood, burst pipes and impact.
- Subsidence, landslip and ground heave.
- Terrorism.

It is important that insurers are provided with an up-to-date rebuild cost for the buildings and this is particularly important where the museum is a listed building, making it a legal requirement to reinstate the building in the event of damage. The rebuild value must include the cost of demolition and debris removal as well as architects and surveyors fees for the rebuilding. If the building is leased, say from a local authority, then it is vital the lease is checked to see who is responsible for the insurance and indeed what cover is being provided. Remember to ask the brokers/insurers for assistance and also remember that lease agreements may need to be amended if the museum, as tenant, wishes to arrange its own insurance.

It is also vital that museums contact their insurers before they begin or enter into a contract to carry out works to the buildings. In the event that a contract for building works is of greater value than £25,000 most contractors will ask the museum to sign a JCT contract and this must be agreed by the insurers.

Contents: if the museum is a tenant and is not responsible for insuring the buildings then possibly it will be responsible for covering the internal decorations, tenant improvements and permanent fixtures and fittings, so it is important to ensure a figure for the total cost of redecoration is given to insurers. Movable contents (including, but not limited to, exhibition display cases, storage racks, general office furniture, carpets, curtains, computers, fax machines, scanners, telephone systems, etc) should be insured for *'All Risks'*. It is very important if lap-tops, digital cameras and staff personal effects are to be covered away from the premises, that the museum informs the insurers so it can be specifically noted on the policy. Consideration should also be given to loss of data.

Loans to the museum: an area of cover regularly overlooked relates to inward loans (both short and long-term). It is vital that it is agreed, prior to any loan, who will be responsible for insuring the work(s): whether it is the owner who is lending them or the museum who is borrowing them. The loan agreements must specify:

- The work(s) being lent.
- The Agreed Value for insurance purposes.
- Who is responsible for insurance.

Failure to insure loans correctly could lead to a financial liability if the object is not correctly insured and the lender decides to sue in order to recover their loss following a claim. Cover must be obtained on an *'All Risks'* basis and where transits are required the cover is on a *'Nail to Nail'* basis.

This situation may well also apply to bequests where it was a condition of the bequest that the donated objects remain fully insured. Similarly, museums must ensure that all temporary exhibitions are correctly insured.

Business interruption: a museum may suffer disruption to its business which may affect its income as a result of any of the following:

- Any physical damage or destruction to the museum or museum property.
- The lawful closure of the premises by a local authority including denial of access and loss of income from the outbreak of a communicable disease such as Foot and Mouth.
- The accidental failure of the public supply of electricity, gas, water or telecommunications services to the museum.
- The physical damage to property in the vicinity of the premises which directly results in the inability to gain access.

The purpose of this area of cover is to compensate for any loss of income, including grants and subsidies and, if possible to enable the museum to continue operating during this disruption. The usual indemnity period is 12 months.

3. Miscellaneous

The collection: in many respects, this is the area that museums can choose to be most flexible with the insurance they take. The cover available will depend on whether or not the collection has been valued, and, if so, how recently the valuation was carried out.

The maximum cover that can be purchased is full *'All Risks'* cover which includes the perils of fire, water damage, theft, accidental damage, malicious damage, vandalism, explosion,

... and vandalism

storm, hurricane lightning, aircraft damage and terrorism. This cover will also include depreciation in the event that an object loses value as a result of damage caused by an insured event. 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 the settlement, rather than simply the object itself. *'All risks'* cover is the most costly.

The minimum amount of cover that must be obtained is *'Restoration Costs'* only and the cost is a fraction of the *'All Risks'* premium. In this instance, the insurance would only pay to repair objects damaged as a result of an insured loss. In other words, claims for theft, total loss, and depreciation would be excluded. Many museums choose a combination of types of cover. They take the view that the market price for objects is irrelevant given that they cannot sell them. Therefore, they want to ensure primarily that damaged objects can be restored.

It is important to ensure there is an appropriate transit limit if objects from the collection are taken to the premises of restorers, conservators, framers, and photographers.

A good insurance provider will not just recommend the maximum (and most expensive cover) but will discuss the various options.

Shop stock: a figure should be included for those items sold in the museum shop, including catalogues, post cards, books, souvenirs and catering stock.

Personal accident: museum staff would be covered by this section for claims as a result of any physical injury, including illness, which is caused by an accident during working time. Full capital payment can be made under this cover for death and permanent total disablement. Cover for temporary disablement can be included which will indemnify the injured person(s) on a weekly basis for the period that they are unable to carry out their usual occupation and this can usually be provided for a maximum of two years from the date of the accident.

Trustee indemnity: covers the museum 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:

- Breach of trust.
- Breach of fiduciary duty.
- Negligence or maladministration.
- Negligent misrepresentation or negligent mis-statement.
- Breach of confidence or misuse of confidential information.

It is vital that trustees are given training and guidelines. See www.ncvo-vol.org.uk/publications/publication.asp?id=3840

Legal costs and expenses: will cover legal expenses as a result of actions brought against the museum.

Key person: identify if the museum's profits would suffer if the director or 'key person' were unable to work, as a result of illness or death.

Risk management in museums is rarely anything but of the highest standard and insurance is a vital component of a risk management strategy. Contrary to popular belief premiums remain stable and continue to be very competitive making insurance a very valuable tool to protect museums. The competitiveness of the premiums is largely a result of the excellent claims record.

Blackwall Green (Member of Heath Lambert Group) are specialist brokers for museums and galleries.

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