



## SAFEGUARDING FINE ARTS

“Protecting the people and artifacts that  
**define our past** and **inform our future**”

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**P.J. Skarlanic, CPCU, ARM**  
**Fine Arts Practice Leader, Alliant's Public Entity Group**

- › Fine Arts insurance broker for:
  - Cities & Counties
  - University Collections
  - Museums
  - Airports
  - Civic art collections around the country

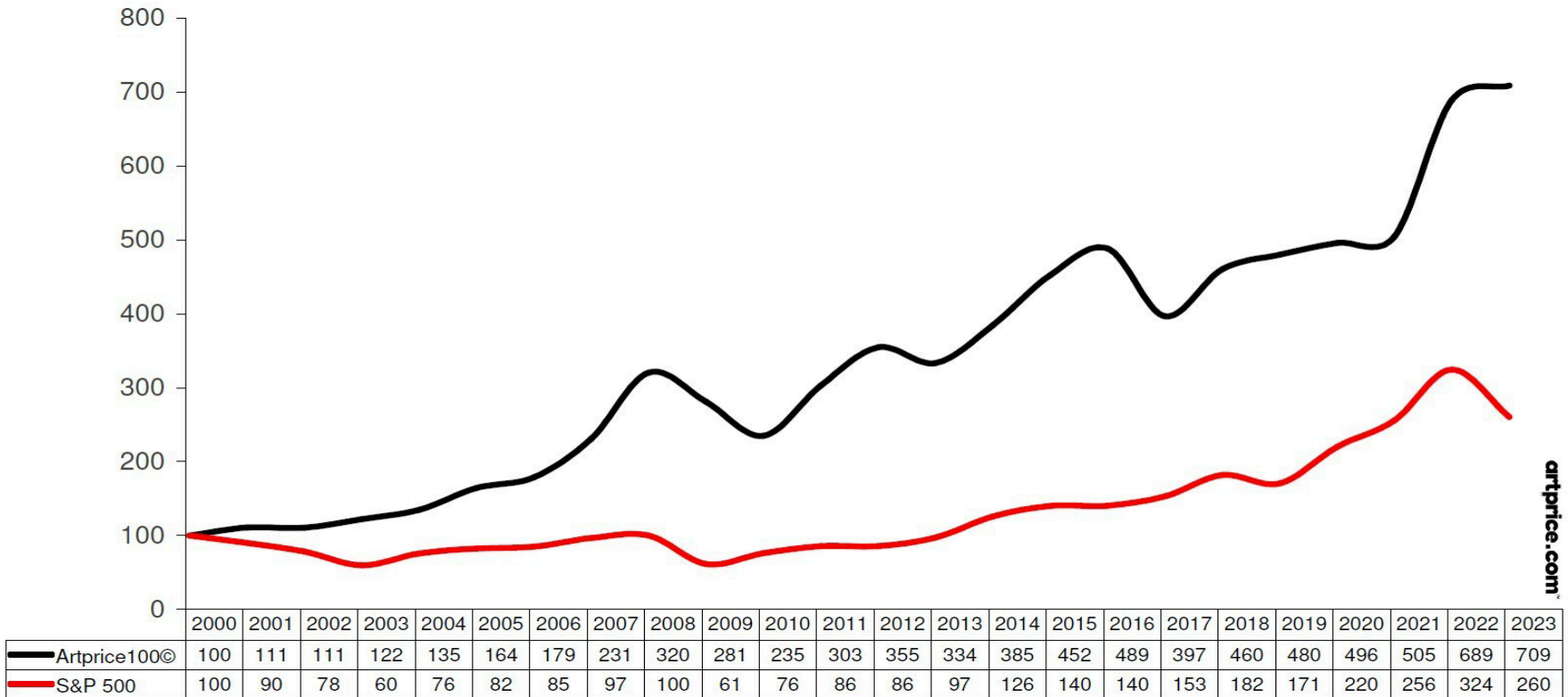
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## Overview

1. Valuation of Art
2. Common Causes of Damage to Artworks
3. Claims Examples – What Can Go Wrong?
4. Loan Agreements
5. Physical Risk Control Measures
6. What to Do When a Loss Occurs

# Art Market Continues to Soar

Art vs. S&P 500



- The price of the Art Market's top 100 artists (by auction turnover) has grown by 709% since 2000, even with the almost complete absence of fairs during Covid
- Source: Artprice

## Sports Memorabilia Growth



### May 2022

Diego Maradona's game-worn jersey from "Hand of God" goal sells for \$9.3M in May 2022



### August 2022

1952 Topps Mickey Mantle sells for a new sports memorabilia record of \$12.6M. Purchased for \$50K in 1991.

## Jeff Koons Balloon Dog



Miami Art Fair Visitor accidentally smashes Jeff Koons Sculpture

- Valued at \$42K before the loss
- Now what is the value?





## Establishing Values

- › Appraisal
- › Absent an Appraisal, “Market Value”
- › Recent Acquisitions should have appraisal
- › All loans (incoming & outgoing) should have agreed upon values

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## Most Common Causes of Damage

1. Transit
2. Accidental Damage
3. Theft / Vandalism
4. Natural Perils
5. Fire
6. Water Damage

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## Artworks In Transit

- › Like all types of property, when art moves, chances of loss increases
- › Condition Check and Reporting
- › Who is handling transport
- › Mode of transportation
- › Some destinations riskier than others
- › If on loan, have a loan agreement

# What's Wrong With This Picture?



# Claims Examples



# Superstorm Sandy



- › ~\$400M in Fine Art losses
- › Largest loss event ever to hit Fine Art insurance market
- › Galleries, dealers, Storage Facilities amongst hardest hit

# Ducati Motorcycle



- › Loan to museum as part of large motorcycle exhibition
- › Damaged front right fender during return transit to lender
- › Clear loan agreement
- › Proper condition check reporting
- › Claim payment for repairs

# Civil Unrest



## Civil Unrest

- › Hundreds of statues, sculptures and outdoor artworks damaged or destroyed across the globe during the spring and summer 2020.
- › Many others removed from permanent display.
- › Resulting in dozens of insurance claims filed.
- › Ultimately has reduced coverage and limits, and increase deductible requirements for outdoor works.



*Heightened scrutiny on all outdoor works*

# Legion of Honor



# Notre Dame Cathedral



# Notre Dame Cathedral

## Saved

- Rose Window
- Crown of Thorns
- True Cross
- The Great Organ
- 16 Copper Statues of Saints on spire

## Lost

- Roof, known as “The Forest”
- Spire
- Statues of St Denis & Ste. Genevieve
- Gargoyles



## Notre Dame Cathedral



## Lessons Learned

- Construction/renovation risk mitigation plan
- Insurance Requirements in construction contract
- Clear disaster evacuation plan for each and every artifact
- Prearranged off-site storage
- Purchased insurance on the collection

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## Insuring Loans

(Incoming and  
Outgoing)

- › Agreed Value between LENDER and BORROWER
- › Utilization of inward/outward loan sublimit in existing policy, or
- › Dedicated Exhibition Policy
- › Loan Agreement

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## Loan Agreements

### Top 5 Rules

1. Have One!
2. Establish Agreed Value
3. Duration of Loan
4. Insurance Buying Responsibility
5. Packing/Shipping Requirements & Any Other Special Requirements

# Loan Agreements A Handy (But not exhaustive) Checklist

## THE LENDER AGREEMENT CHECKLIST

### 6 CRUCIAL STEPS FOR LENDING AND BORROWING ARTWORK

Lending and borrowing artwork enables institutions to develop and curate more dynamic exhibits and reach a broader audience. While the benefit of these exchanges is profound, one of the biggest mistakes an institution can make is not preparing a comprehensive lender agreement.

A lender agreement is your contract, naming the lender and the borrower and specifying the details of the loan. The agreement outlines the name and description of the pieces, the dates the artwork is on loan, the location of the borrower, and the specific exhibit. Every loan, no matter the total values or number of objects, needs to have an agreement in place.

Without a proper lender agreement, you could find yourself liable for a broad range of unforeseen outcomes. That's why this crucial document must be comprehensive and watertight.

## HERE ARE 6 THINGS TO CONSIDER WHEN CREATING A LENDER AGREEMENT:



### 1 AGREED VALUE

Make sure you have specified an Agreed Value for each artwork. Recent appraisals are the "A" deal, but not always available or practical. Having an Agreed Value in writing prior to any loss is paramount.



### 2 DISPLAY REQUIREMENTS

Some works require specific care while on display. Make sure those requirements are clearly detailed.



### 3 INSURANCE COVERAGE

Decide who is buying the insurance, and what coverage features will be required on the policy.



### 4 PACKING AND SHIPPING

Shipping damage is not uncommon. Make sure you outline any specific packing and transportation requirements. And watch out for shipping company insurance policies. Many company-offered policies specifically exclude artwork in the fine print.



### 5 LONG-TERM LOANS

Regularly update your long-term loan agreements, and adjust your insurance accordingly. Insurance claims may be limited to the values on the agreement, so keep them current.



### 6 EVERYTHING ELSE

The lender agreement is also the place for the borrower and the lender to make specific requests, including how the piece is named and advertised, and even where it is displayed.

### ABOUT THE UC FINE ARTS INSURANCE PROGRAM

The UC Fine Arts Insurance Program provides worldwide physical damage coverage to all campuses. Coverage features include the perils of Earthquake, Flood and Machinery Breakdown for member's owned collections and inward/outward loans.

### UNIVERSITY OF CALIFORNIA'S MISSION STATEMENT

The distinctive mission of the University is to serve society as a center of higher learning, providing long-term societal benefits through transmitting advanced knowledge, discovering new knowledge, and functioning as an active working repository of organized knowledge. That obligation, more specifically, includes undergraduate education, graduate and professional education, research, and other kinds of public service, which are shaped and bounded by the central pervasive mission of discovering and advancing knowledge.

### CONTACT

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# Sonoma State University

## Fire Damage

- › October 2017 wildfires
- › Several artworks out on loan to SSU President's residence
- › Home destroyed in fire, along with all artworks
- › Formal loan agreement in place
- › This pre-loss effort made for relatively quick reimbursement of the loss from insurance

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## Physical Risk Control

- › Structural Integrity & Engineering
- › Security – CCTV, Alarm, 24-Hr Crew
- › Environmental Controls – humidity, light, temperature
- › Concentration of Values
- › Storage – underground, off-site, access
- › Quality and Capability of Staff
- › Educate all staff
- › Geographic Location
- › Public Access

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# Physical Risk Control

## Medium Specific

### Ceramics and Glass

- › Lift objects with both hands, and not by handles or spouts
- › Careful when stacking, use cushions between each piece
- › Use weight bags/pillows to help buttress items in storage
- › When cleaning with clothes be careful not to snag on rough surfaces or decoration

### Bronze Sculptures

- › Clean with light soap, water and soft cloth
- › Wipe clean, dry with soft rag and air dry completely

### Works on Canvas, Paper & Photography

- › Proper spacing between the work, frame and glass
- › Avoid direct sunlight
- › Never spray cleaning agent directly on glass
- › Handle with gloved hands
- › Avoid air fresheners, furniture sprays

# When A Loss Occurs

- › Tell someone, ultimately Risk Management
- › Secure the area
- › Preserve the artworks
- › File police report
- › Involve restoration services as needed
- › Report to Insurance carriers, even if you don't think it's a reimbursable claim
- › Take measures to prevent similar loss from happening again
- › Learn from it



Thank you!

Questions?

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# P.J. Skarlanic

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**P.J. Skarlanic, CPCU, ARM**

Vice President

Alliant Specialty – Public Entity Fine Arts Practice Leader • San Francisco, CA •

20+ Years of Experience

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P.J. joined the Alliant Insurance Services team in 2005 with a focus on public entity and non-profit clients, providing brokerage services for all lines of coverage with a concentration on large property and fine arts insurance placements. P.J. works with a number of fine arts, science/natural history, universities and children’s museums providing insurance brokerage for their collections, special exhibitions and liability exposures. P.J. is especially proficient at reviewing and helping to write insurance requirements and indemnity provisions in client’s vendor contracts and loan agreements for his museum clients.

P.J. has been a property and casualty insurance broker since 2002, where he began with Arthur J. Gallagher, working on non-profit and large commercial accounts. After spending three years with Gallagher, P.J. moved to Alliant and begin to focus primarily with public entity and non-profit clientele, including both insurance brokerage and Joint Powers Authority program administration. Just some of P.J.’s clients include the California State University, University of California, Illinois Public Universities, Asian Art Museum, Fine Arts Museums of San Francisco and Exploratorium.

He is an active member of the Association of Registrars & Collections Specialists (ARCS), and regularly speaks on topics related to Fine Arts insurance, including a standing guest lecture series at San Francisco State University.

P.J. holds a Bachelor of Science degree in Business Management from San Diego State University. He has also earned the Chartered Property Casualty Underwriter (CPCU) and Associate in Risk Management (ARM). P.J. is a licensed Property & Casualty retail broker.

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