	Department of Administration **State of Montana** **Issued by: The Risk Management & Tort Defense Division** **Subject: Fine Arts Insurance** The state's fine arts insurance program requirements and insurance coverages.	**Number: RMTDINS0806** **History Log:** Approval Date: 10/01/99 Effective Date: 07/01/00 Reviewed: 06/23/07 Last Revision: 05/11/10 Contact: Brett E. Dahl **Approval:** Brett Dahl

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I. DESCRIPTION

In accordance with §2-9-101, MCA through §2-9-305, MCA, the Department of Administration, Risk Management & Tort Defense Division administers a comprehensive insurance plan in behalf of Montana state government. The division also defends and indemnifies state agencies and employees in any TORT claim for damages arising from the lawful discharge of official duties rendered or which should have been rendered in the course of employment and within the scope of duty. This document provides a broad overview of insurance coverage provided under the state property/casualty insurance plan as well as specific program requirements for state agencies that participate in the state's fine art insurance program. This document does not amend, alter, or extend coverage provided under the state property/casualty insurance program or statute. Do not attempt to interpret coverage, limits, or exclusions and apply these to state activities without contacting the Risk Management & Tort Defense Division. Specific exclusions, limits, or conditions may apply.

II. KEY DEFINITIONS

In this document, state refers to state agency, or other subdivisions as defined in §2-9-101, MCA. Key definitions are listed below. For a comprehensive list of definitions, please see 'Definitions' under the state property insurance policy.

Division means the Risk Management &Tort Defense Division.

Fine Arts means an object of rare and historic value including fine arts of every description.

Location Various locations in the State of Montana of worldwide.

State means the State of Montana or any office, department, agency, authority, commission, board, institution, hospital, college, university, or other instrumentality thereof.

III. INSURANCE AGREEMENT

Subject to the terms, conditions, and exclusions of the state's fine arts insurance, coverage is provided for fine and collectible objects of every description, including but not limited to, paintings, etchings, drawings, photographs, ceramics, sculpture, pottery, fine arts, porcelain, rare books, coins, manuscripts, rugs, tapestries, statuary, and other bona fide works of art, rarity, historic value, or artistic merit, and all associated property including, but not limited to frames, glasses, shadow boxes, crates, and other display equipment. This policy applies

to insured property on a ‘wall to wall’ basis from the time the property is removed from is normal repository to return shipment, except prior notification and approval of the Risk Management & Tort Defense Division is required for any shipment by ocean going marine vessel. For coverage outside these territories please contact the Risk Management and Tort Defense Division.

IV. PROPERTY COVERED

A. Property of the state.

B. Property of others offered as gifts to the state or for sale to the state while awaiting formal acceptance.

C. The state’s interest in residuary gifts and jointly owned property, but only to the extent of the state’s interest at the time of any loss or damage.

D. Property of others loaned to the state that the state has been instructed to insure.

V. EXTENSIONS OF COVERAGE

It is agreed that the following extensions of coverage for Fine Arts apply:

A. Worldwide Coverage

Property of the state or property of others loaned to the state, shall be covered on a “wall to wall” basis from the time the property is removed from its normal repository and returned and shipped to another point designated by the state. Coverage applies while in transit worldwide and while on exhibition at any location worldwide.

B. Perils Insured Against

All risks of direct physical loss or damage from any external cause, except as otherwise excluded.

C. Legal Liability

This insurance covers the state’s legal liability as bailee of all objects other than those for which the state has been instructed to insure. In the event of a loss, the policy pays all sums which the state is legally obligated to pay by reason of liability imposed on the state as a bailee, for loss or damage to property of others occurring while this insurance remains in

effect. The state shall not voluntarily assume any liability nor incur any expense to settle claims at its own expense.

VI. EXCLUSIONS

A. Wear and tear, gradual deterioration, moths, vermin, inherent vice.

B. Moth, vermin, or rodents

C. Any repairing, restoration, or retouching process.

D. War Risks

1. Hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack.

2. Insurrection, rebellion, revolution, civil war, or action taken by governmental authority in hindering, combating, or defending against any of these.

E. Government Action: Seizure or destruction under quarantine or customs regulation.

F. Nuclear Risks: Nuclear reaction or radiation or radioactive contamination from any cause, however, direct loss or damage by fire resulting from nuclear reaction or contamination are covered. Any such weapon of war employing atomic fission or radioactive force whether in peace or war.

G. The state's policy does not cover shipments by mail, unless registered first class mail.

H. The state's fine art policy does not cover fine art owned by the state, but loaned to other parties outside of state government or the university system, without the prior approval of the Risk Management & Tort Defense Division. The agency responsible for lending the fine art must assure that the party(ies) responsible for the fine art sign a Fine Art Loan Agreement (Outgoing). A sample agreement may be found at http://rmtd.mt.gov/aboutus/publications.asp. The agency is responsible to obtain signatures and keep a copy of the agreement on file.

VII. VALUATION

A. On property of the state, the policy covers to current market value of the property at the time of any loss or damage.

B. Property acquired or to be acquired by the state as a gift valued at current market value at the time of the loss.

C. Property of others on loan to the state as agreed upon by the owners and the state, provided the value does not exceed market value at the time of the loss. In establishing market value, consideration shall be given to the existence of an appraisal or a seller's history prior to the loss.

D. Agencies who wish to insure an object of fine art to a value greater than its market value must obtain prior approval from the Risk Management & Tort Defense Division if the value of the object exceeds $25,000. For all objects that are insured to an amount greater than market value, a formal loan agreement must be in place (samples found at http://rmtd.mt.gov/aboutus/publications.asp) prior to the loss or the fine art may be underinsured. The loan agreement must identify a stated value to which both parties agree.

VIII. GENERAL CONDITIONS

A. Notice of Loss

The state shall report the claim within 90 days.

B. Arbitration

If the state and the Company fail to agree as to the amount of loss, each shall, on the written demand of either made within Fifteen (15) days after receipt of proof of loss by the Company, select a competent and disinterested appraiser, and the appraisal shall be made at a reasonable time and place. The appraisers shall first select a competent and disinterested umpire, and failing for fifteen (15) days to agree upon such umpire, then on the request of the state or the Company, such umpire shall be selected by a judge of a court of record in the state in which such appraisal is pending. The appraisers shall then appraise the loss, stating separately the current market value at the time of loss and the amount of loss, and, failing to agree, shall submit their difference to the umpire. An award in writing of any two shall determine the amount of loss. The state and the Company shall each pay his or its chosen appraiser and shall bear equally the other expenses of the appraisal and umpire. The Company

shall not be held to have waived any of its rights by any act relating to appraisal.

C. COLLECTION FROM OTHERS: No loss shall be paid hereunder if the state has collected the same from others.

D. SUBROGATION: In the event of any payment under this policy, the Company shall be subrogated to all the state's rights of recovery therefore against any person or organization and the state shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The state shall do nothing after loss to prejudice such rights. This clause shall not apply, however, to museums in which the state property is being exhibited or on loan.

E. PACKING: It is a condition of this insurance that the state will, to the best of its ability, provide for the state property being packed and unpacked by competent packers.

F. PAIRS AND SETS: In the event of the total loss of any articles which are part of a pair or set, this Company agrees to pay the state, at the option of the state, the full amount of the value of such pair or set as determined by the Valuation Clause contained herein, subject otherwise to the applicable Deductible Clause set forth herein, and the state agrees, if such option is elected, to surrender the remaining article or articles of the pair or set to this Company.

G. LOSS BUY BACK: The state shall have the right to repurchase from the Company property of the state that is recovered for the amount paid to the state for the loss, plus an amount which represents loss adjustment and recovery expenses.

Damaged property of the state, for which a total loss has been paid, may be repurchased by the state at the then fair market value of the damaged property.

The Company agrees to notify the state of its right to repurchase damaged or recovered property and the state shall have sixty (60) days from date of notice to exercise the repurchase right.

IX. LIMITS

The state's commercial insurance policy shall not be liable for limits in excess of those noted below:

$ 300,000,000 at named locations.

$ 50,000,000	at unnamed locations.
$ 50,000,000	in transit on any one conveyance
$ 300,000,000	in aggregate, limit of liability, legal liability coverage

X. DEDUCTIBLES

The state's retention shall be as follows:

$ 1,000	Per agency, per occurrence for all perils.
$ 100,000	Per state self-insurance fund, per occurrence for all perils.

XI. PROGRAM REQUIREMENTS

In event of loss or damage hereunder all property coming under the protection of this insurance shall be valued at and insured hereunder as follows:

Values must be reported by location in the state property/casualty insurance information system by January 15th of each year.

Estimated market value must be reported for:

A. All fine arts and objects by location as defined in the state's policy;

B. Each agency must maintain a list of fine arts by object at current market value.

C. Loss to property that agencies omit from the report may not be paid.

XII. LOSS SETTLEMENT

A. State agencies must notify the Risk Management & Tort Defense Division of a claim or potential claim within 5 business days. Claims that are not reported within a reasonable period of time may be denied.

B. If the Risk Management & Tort Defense Division purchases commercial property insurance for an agency's specific property (real or personal), that coverage is the agency's sole remedy for

indemnification of loss subject to the policy terms and conditions.

C. Property acquired or to be acquired by the state as a gift or under wills or similar bequests shall be valued at the current market value at time loss or damage occurs. In no event, however, shall the state's policy cover such property beyond the state's interest therein and in the event of loss of such property such interest of the state at time of loss shall be that as stipulated in the will, bequest, contract, or other document executed between the state and the donor of said property.

D. Property of others loaned to the state and which the state has been instructed to insure or for which the state may be liable, shall be valued at amounts agreed upon by the state and owners, or otherwise the insurance carrier and the Risk Management & Tort Defense Division shall not be liable beyond the current market value of the property at the time any loss or damage occurs and in no event for an amount in excess of that specified in the state's policy.

E. SETTLEMENT OF CLAIMS: All adjusted claims shall be paid or made good to the a reasonable period of time after presentation and acceptance of satisfactory proof of interest and loss at the office of this Company.

F. COLLECTION FROM OTHERS: No loss shall be paid hereunder if the state has collected the same from others.

G. SUBROGATION: In the event of any payment under the state's policy, the division shall be subrogated to all the state's rights of recovery therefore against any person or organization and the state shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The state shall do nothing after loss to prejudice such rights. This clause shall not apply, however, to museums in which the state property is being exhibited or on loan.

H. PACKING: It is a condition of this insurance that the state will, to the best of their ability, provide for the insured property being packed and unpacked by competent packers.

I. PAIRS AND SETS: In the event of the total loss of any articles which are part of a pair or set, the division agrees to pay the full amount of the value of such pair or set as determined by the valuation clause contained herein, subject otherwise to the applicable Deductible Clause set forth herein, and the state agrees, if such option is elected, to surrender the remaining article or articles of the pair or set to this Company.

J. LOSS BUY BACK: The state shall have the right to buy back property of

that is recovered for the amount paid to the state for the loss, plus an amount which represents loss adjustment and recovery expenses. Damaged property of the state, for which a total loss has been paid, may be repurchased by the state at the then fair market value of the damaged property.

XIII. SPECIAL SERVICES

A. If an agency needs coverage for something not mentioned or something excluded or limited by the state's policy, please contact the Risk Management & Tort Defense Division. The division may be able to form a plan of self-insurance to meet your agency's needs. Any plan the division develops must be consistent with §2-9-201, MCA. The division may have to obtain legislative approval for the plan. The division may be able to obtain commercial insurance to meet agency needs.

B. The Risk Management & Tort Defense Division may be able to help your agency develop a risk control plan that will remove or reduce your agency's need for coverage.

C. The division may be able to assist you in getting your fine arts and objects appraised.

XIV. REPORTING LOSSES

The ***State Report of Incident Form*** should be used. Claims shall be reported as soon as possible, preferably within 5 business days. Claims not reported within a reasonable period of time may be denied. Attach supporting information, such as:

A. Evidence of state ownership or responsibility;

B. Copy of any police or fire department report;

C. Repair estimates, photographs, other data on cost of damages; and

D. Information on any adverse party's insurance.

Sample forms may be found on the division's website under 'Claims.' State agencies may photocopy them (front and back) as needed.