
Reverberations of September 11

The world of risk management and insurance is still experiencing the aftershocks of the losses of 9/11/01. Museum exhibitions, major loans, art in transit, and insurance policies have all been affected by the tragedy of terrorist attack. The world of risk management has an entirely new arena of risk options to address. The immediate effects of 9/11 on the transport of traveling exhibitions have affected art shipments and the role of couriers under heightened national security for the long term. The insurance world has been reeling from the effects of the massive private losses incurred. Museums and collectors have been affected by the difficulty of finding terrorism risk coverage at higher premiums. Changes in U.S. Indemnity coverage and a resolution by the Association of Art Museum Directors have tried to address the issue of terrorism loss coverage, while an important bill addressing the commercial insurance market has recently been enacted.

The Initial Chaos

In the early morning hours of 9/11/01 the Seattle Art Museum staff scrambled to cope with the shock of the unfolding news and a fear of the unknown for the West Coast. We felt a particular vulnerability in Seattle, having been affected by the cancellation of Seattle's New Year 2000 celebration, prompted by the initial Al Qaeda terrorist being caught at the Washington state border in Anacortes. Our main museum is located in the heart of Seattle's high-rise financial district, and those buildings were being evacuated on the morning of September 11, as a precaution, while air space was being shut down. We had to deal with the immediate chaos in the shipping world, which affected our museum for a U.S. exhibit tour we had organized from China and an exhibit we were preparing to send to Japan in October 2001.

Our first reaction, beyond the immediate safety of our staff and building, was a great concern that our indemnified Chinese bronze exhibition from Sichuan province might not be able to travel to New York, as planned in the summer of 2002. On September 11, the exhibit had just been unpacked at the Kimball Art Museum, Fort Worth. We were unsure in those first few days whether our Chinese colleagues would panic and recall the exhibition to China. My senior associate registrar had been scheduled to fly back to Seattle from Fort Worth on September 11, but was evacuated from the Dallas airport and stranded for an additional five days. Fortunately, our Chinese colleagues did not pull the show and, in fact, their couriers continued with plans to visit New York as tourists, even as the anthrax scare unfolded.

An exhibition of Japanese paintings we were organizing for a year's tour in Japan seemed, at first, in danger of not being able to travel. It was scheduled to depart for Tokyo within one month of September 11. We found conflicting information from the airfreight offices, which initially said *no couriers would be allowed on cargo planes under any circumstances*. Two weeks later the restriction was amended so that we could ship with a courier, but only through a "known" shipper. It was an example of the new world order to realize that the Seattle Art Museum would not be considered a "known" shipper on our own, after decades of airfreight shipping to

Japan! Fortunately, our colleagues among commercial fine art shippers had the clearance needed. I was the courier for our Tokyo shipment, and I was grateful for our long-established relationship with special detectives of the Port of Seattle Police, since I was not allowed to watch the crates load into the plane under the heightened restrictions. It was comforting to know that two officers that we had worked with for years would be watching the handling planeside.

The subsequent anthrax scare affected our courier program as well, causing one of our couriers to back out of a trip to New York during the anthrax letter threats. It also caused us to look more closely at our foreign liability insurance coverage for staff members who make business trips abroad, since federally mandated Workers Compensation coverage and normal domestic insurance policies are limited to claims brought within the U.S. and Canada. I would highly recommend museums and private conservators to check out this kind of coverage if your staff travels outside of the U.S.

The lasting affects of 9/11 on the high-value art shipping world remain. We must work with art handling companies who are recognized shippers, we are limited in our ability to observe the crates in transit to the planes, and we make sure our couriers have emergency methods to contact us if they are stranded overseas. Since the advent of frequent elevated threats against Americans overseas, we have also decided to provide an international cell phone or Blackberry wireless to every courier.

9/11 Art Losses

The loss of thousands of works of art from the World Trade Center towers alone is now, sadly, legendary. From the Cantor Fitzgerald collection of Rodin bronzes to the monumental Calder that lay twisted beneath the tower wreckage, the art world has lost irreplaceable objects. Thirty-eight museums in lower Manhattan were also affected by the blast, either by damage or cleanup from debris.

Art recovery near the World Trade Center was fraught with unforeseen challenges. One of the best overviews of the enormous task is found in the International Foundation for Art Research's February 2002 symposium on "Art Loss, Damage and Repercussions," which can be found online at www.ifar.org. Symposium speaker Gregory Smith, an insurance adjuster, describes the complexities of getting art out of Ground Zero restricted areas.

It took three months to get a \$2M stainless steel Roy Lichtenstein sculpture out from the plaza in front of Tower Two, because the owners were unable to find a rigger who could get a security pass from the FBI and Office of Emergency Management to enter Ground Zero. According to Smith's report, the FBI used the sculpture as a bulletin board during the ensuing three months, and a Bobcat lift used in recovery was temporarily parked on it. Smith notes that it took four hours for truckers, who had finally received a security pass, just to get through all the checkpoints at Ground Zero to pick up the work.

Fine Arts Insurance Impact

The massive losses of 9/11, particularly in New York, have changed the world of insurance underwriting dramatically for the foreseeable future. The insurance world is still reeling from the payout on property losses (which can *never* be compared with the tragic human toll). September 11, 2001 was the biggest insured catastrophe ever, with an estimate of \$40.2 billion in insured losses. This is in comparison to the total losses caused by Hurricane Andrew in 1992 at \$19.6 billion, as the former most costly disaster in U.S. history. The total estimate for 9/11 includes such claims as:

- \$2.7 billion for life insurance claims
- \$3.5 billion for property claims for WTC buildings
- \$6.0 billion for damage to property
- \$10 billion in liability claims
- \$11 billion in claims for business interruption
- \$2.0 billion in event cancellation claims
- \$500 million in hull claims for four commercial planes
- \$3.5 billion for aviation liability.

(Thanks to Teresa Cousins of Huntington T. Block Insurance for these statistics.)

Insurance for business interruption and loss of revenue has been newly highlighted for museums and other arts institutions, in light of the extended closures forced on institutions of lower Manhattan by the physical destruction and the psychological blow to tourism. Of Manhattan museums polled by the Heritage Emergency National Task Force after 9/11, 78% experienced extended closures and disruption of communications, some for up to four months.

The massive property loss has inevitably affected the fine arts insurance world. Art losses from the 9/11 terrorist attacks were covered under the policies existing at the time because terrorist acts were not part of the standard "acts of war" exclusions on insurance policies. Insurance underwriters moved quickly, however, to exclude terrorist acts coverage from policies post 9/11, causing great consternation among museums for pending exhibition loans from foreign countries and from nervous private lenders. The Dead Sea Scrolls exhibition, originally bound for the Salt Lake Olympic Games, was unable to find an underwriter who would take on such a high profile risk and had to be cancelled for the Winter Games venue following 9/11.

Great credit is due to the Association of Art Museum Directors who quickly passed a resolution that members would not require terrorism coverage for loans between member museums. This did not address private lenders' fears, however, and some did refuse to lend. For foreign loans, U.S. museums may apply to the Federal Indemnity Insurance Program administered by the NEA. Since April 1, 2002 terrorism is now included as a covered risk under the Certificate of Indemnity. The revised coverage also, surprisingly, includes coverage for works in pastel if they are lost due to terrorist acts, even though they are normally excluded from Indemnity coverage due to inherent vice.

The NEA saw more large museums applying for Indemnity since 9/11, specifically because commercial terrorism coverage was unavailable, or prohibitively expensive. This has

put tremendous pressure on the Indemnity program. The April 2002 allocation of funds for the program nearly exhausted the \$5 billion ceiling of coverage mandated by Congress, even before the October 2002 round of applications were due. Representative Betty McCollum, D-Minn., has introduced legislation in March 2003 to raise the Indemnity total coverage to \$8 billion, with an increase of the limit per exhibition from \$500 million to \$750 million. Museum staff and conservators should lobby their representatives to support this important legislation.

The Terrorism Risk Insurance Act (H.B. 3210) finally passed in November 2002, after languishing between the House and Senate for over a year. This law provides temporary federal support (until 2005) to the commercial insurance world, which will share the burden of massive losses after a multi-billion dollar deductible is met. The high deductible makes it less useful to most museums. However, passage of the law has now made underwriters of fine arts insurance policies reinstate terrorist coverage. Immediately after 9/11 the Seattle Art Museum was told that we would not be able to continue terrorism coverage when our art policy renewed in 2003. We are now being offered a policy that will include up to \$50 million in terrorism coverage, albeit with a significant increase in premium cost.

What Lies in the Future?

We have become accustomed to the new restrictions of art transport, have agreed to abide by the AAMD resolution not requiring terrorism coverage of fellow U.S. museums, have reinstated terrorism coverage in our fine arts policies at greater cost, and have had to reconsider international or private loans depending on our budget capacity. What more can we do, when the dire predictions of future domestic attacks are beyond our control?

We can do something about the things we *do* control. We can continue to strengthen the foundation of our institutions' risk management by reviewing and enhancing our emergency preparedness. The Office of Homeland Security may have scared the general public with its duct tape alerts, but the emphasis on having a *reasonable* emergency plan is one we all should incorporate. **Conservators are the leaders for disaster preparedness for museums and private clients. After 9/11 there should be NO museum without an emergency response plan!** In a survey conducted by the Heritage Emergency National Task Force, only 44% of the museums of lower Manhattan had written emergency response plans or staff emergency training prior to 9/11.

All of our emergency plans should include 1) procedures for closing outside air intakes and vents; 2) plans for triage removal of objects within the limits of human safety; 3) guidelines for protection of art and staff against asbestos residue and toxic fire smoke; 4) improved security systems and procedures, including establishing close working relationships with your local law enforcement teams; 5) regular practice of evacuation drills, including appropriate bomb/radiological/biological scare response. We should be analyzing this important component of risk management even more than we are examining our insurance coverage.