Fine Art Insurance for Sea Freight

Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1-2</td>
</tr>
<tr>
<td>Notes / Credit</td>
<td>3</td>
</tr>
<tr>
<td>Sea Transits – A Brief Guide</td>
<td>4</td>
</tr>
<tr>
<td>Excerpt from Insurance Proposal</td>
<td>5-7</td>
</tr>
<tr>
<td>Sea Freight Insurance Checklist</td>
<td>8-9</td>
</tr>
<tr>
<td>Container &amp; Cargo Unit Inspection Checklist</td>
<td>10-11</td>
</tr>
</tbody>
</table>
Introduction

The information contained in this document specifically focuses on insurance for sea freight in order to mitigate risks, standardise and normalise the processes.

GCC’s Sustainable Shipping Campaign is not just about encouraging sea freight – it is about reducing overall volumes and finding ways to be less dependent on air freight. However, GCC is advising an increased use of sea (as well as road) freight as a part of a tapestry of solutions to reduce greenhouse gas emissions in the visual art sector.

The insurance implications of increased volumes and values of artworks being sent via sea freight had previously been identified as the greatest obstacle to the necessary changes. Historically, fine art insurers have been wary of sea freight shipments due to the perceived higher risks when compared to air transit. This has affected the conditions and prices offered by the insurers, which in turn has marginalised and disencetivised the method.

Often it is the insurers that are blamed by shippers, galleries, museums, artists and collectors for the reason why they cannot choose lower emission freight options. This is one of the factors that has resulted in an almost total dependence on air freight across the art sector, at great environmental cost.

On the other side of the fence; insurers worry that galleries and clients do not have a full understanding of their policies, the terminology used or processes involved, which leads to misunderstandings and potentially huge implications when a claim arises.

Some insurers have discovered that there has been more artwork travelling by sea freight than they are aware of and, at times, works have travelled without any coverage due to the client and / or gallery thinking they are covered when they are not. Whilst this has not led to any reported issues or claims, there is clearly a lack of appropriate procedure.
By improving communications between all parties and creating a culture of forward planning we aim to normalise the sea freight process to help galleries reach their emission reduction targets.

The Lloyd’s Market Association (LMA) Joint Specie Committee – in response to lobbying from galleries – have been receptive to the changing demand for more sustainable industry practices. The LMA have cooperated in developing the guidelines on best practice for sea shipments contained in this document. This is a significant breakthrough in overcoming obstacles and sets an impressive standard for collaboration and innovation in the sector.

As part of this collaborative exchange GCC will be aiming to improve its members’ awareness of the insurers concerns relating to sea freight. By providing checklists for pre-shipment insurance protocol as well as physical shipping container inspections GCC aims to mitigate the perceived risks to the artwork as well as the worries of their insurers.

Disclaimer

This resource is intended to encourage effective communication between clients and insurers, ensuring correct procedures are followed and ultimately leading to greater confidence in sea freight methods and an increase in artworks being sent safely and with appropriate insurance coverage.

GCC is not responsible for any issues that may arise from using sea freight, even if advised protocol is followed. GCC is not liable for any damage or delays incurred during transportation of any kind or as a result of increased volumes of artworks travelling via ocean routes in general.
Notes

Ocean freight costs have traditionally (prior to the disruptions caused by Covid-19) been significantly lower compared to air freight. The emissions and expected return to financial savings should hopefully be an incentive for the visual arts sector to work towards decreasing their emissions by at least 50% by 2030 in line with the Paris Agreement.

This is a moment of transition, and the launch of GCC’s Sustainable Shipping Campaign is the beginning of much vital work. The campaign targets have been spread over 5 years to encourage a meaningful transition to more environmentally responsible freight operations within the sector.

Change won’t happen overnight, but GCC is confident that by aligning the sector and collectively working to remove obstacles to change we can reach these targets, and significantly reduce the art world’s environmental impact.

This resource has been developed collaboratively with:

GCC Volunteer Registrars Group
GCC Volunteer Shipping Committee
Adam Prideaux, Hallets Independent
Chris Bentley, AXA XL
Lloyds Market Association Joint Specie Committee
Danny Chivers, environmental advisor
& the GCC team

With special thanks to GCC volunteers:

Hannah Wright, Thomas Dane Gallery
Nicholas Stavri, Cristea Roberts Gallery
Ed Howat, Lisson Gallery
Lloyd’s Market Association (LMA)
Joint Specie Committee
Guidelines on Insurance for Sea Freight

Sea Transits – A Brief Guide:

A sea transit eventuates higher risks for insurers of fine art than would a comparable air transit. Historically this has understandably affected the appetite, conditions and pricing of the insurers covering such transits. Traditionally this has included:

- Exclusion of transit by sea other than when air transit is impossible due to dimensions or weight.
- Exclusion of General Average / Salvage Costs (not always legally enforceable).
- Higher rates for sea transits (between 2 and 3 times those for air transits).
- Inflated deductibles / client coinsurances up to USD 50,000 e.e.l / 20%.
- Rust, oxidation and climatic conditions exclusions.
- Requirement to request below deck / FCL (‘full container load’ – i.e. not sharing the container with any other consignors).

Sea transits are increasingly part of the landscape of the global art market, despite currently volatile costs of sea freight and the possibility of critical delays. One significant reason for this is the current focus on reduction of the art world’s carbon footprint for environmental reasons (see the Gallery Climate Coalition and Art/Switch). In this context, art being transported by sea is being increasingly seen as a fact of life, and insurers are now looking not only to more safely accommodate such exposure but also ensure that they are not disincentivising behaviour that will benefit the insurance industry significantly in the long term. The only way this can be achieved without negatively impacting underwriting results, bearing in mind the increased risks, is by managing down the risks of sea transit in the direction of those associated with air transits.
For more information on the impact of sea freight shipments in reducing our carbon emissions please review this case study commissioned by artist Gary Hume and Matthew Marks Gallery and produced by environmental advisory Danny Chivers in collaboration with fine art shipper Cadogan Tate.

Excerpt from Insurance Proposal for reference / notes:

Following consultation with the fine art specialist shipping industry, the following actions will be required by galleries:

All points listed below are made under the impression that both the gallery, artist, shipper have determined that the artworks are safe to travel by sea freight and that sailing times are sufficient. Please ensure that your insurers are notified as soon as possible of your sea freight shipment, please see our insurance checklist for further guidance plus confirming that you are following the points below:

1. You must use an *FCL (Full Container Load) service and request that the container be positioned below deck (it is understood that shippers will consolidate multiple consignors of artwork into a single FCL/shipment). Insurers will cover the shipment even if the container isn’t positioned below deck as long as it was requested. Galleries should keep a copy of this request email so that it can be made available to insurers where necessary.

2. If you have specified a reefer** container (refrigerated) the fine art shippers must inspect before loading, make sure it is dry and once loaded there must be a 12 inch gap at the top of the container for air circulation.

3. Request Grade A / Food Grade containers. The quality of the container is much higher, costs an additional $250–400 but no repairs, greater integrity, etc. Containers of this nature tend to come in the following sizes: 20ft, 40ft and 40ft high.

4. All containers must be inspected before loading. A simple but effective method is for a tech to stand inside the container and shut the doors, any sign of natural light means the container is
compromised and must be rejected. The shipper should fill out the attached checklist and hold this on file for each shipment. Discuss with your fine art shipper how the artworks should be packed for sea shipments and make sure that this is followed. From an insurance perspective they would like to see that galleries, auction houses etc are minimising the risk as much as possible by packing the artwork appropriately.

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6. All artworks must be crated and elevated 4 in from the floor, ideally on forklift runners.

7. Ask your shipper or connect your shipper with the receiving agent so that they can send a pre alert to the receiving shipping agent a minimum of 7 days in advance to make sure they have everything in place to not delay the import of the artwork(s) which could result in containers being left at the port, reefer containers being unplugged.

When referring to ‘artworks’ throughout this document this includes Fine Art, Collectables and Antiques.

*FCL or Full Container Load is defined as a container that only contains artworks. This can be a full container occupied by one gallery/organisation or a consolidated container shared by multiple galleries. The container will be delivered to the fine art shipper that is being used, checked and packed by that fine art shipper.

**A Reefer container is a refrigerated container that generally is used for transporting consumable goods around the world. Sometimes these are used in art transport to have some control over the conditions of the container. Reefer containers are plugged in once on the ship and generally do not have their own power supply.
Further optional but advisable suggestions:

A. Galleries should request that their fine art shippers use a sea freight line that can offer container tracking rather than vessel tracking and should also request that the shipping agent track this daily whilst in the dock and weekly once departed.

B. Where appropriate, consider inserting tracker devices in the container and higher value crates to track G forces (shock and acceleration), temperature, RH, and light. Some shippers continue to pursue trials of various devices and reports from these trials will be available in the future.

C. Discuss any additional precautions with shippers to combat humidity etc.

D. Consider asking about supervision and whether it is possible.

These guidelines will be reviewed on an annual basis.
Sea Freight Insurance Checklist
Introduction

Prior to the realisation of any shipment, it is advised that you talk to your insurers to understand your coverage, exclusions and the value limits. This is even more important to consider for artworks being sent via sea freight as this is not currently the most common form of transportation utilised by the art sector and some individuals may be unfamiliar with the processes and requirements. Make sure that your wider team is also aware of all constraints. Even if there are no sea freight shipments on your agenda, it is advised to discuss your insurance policies to understand the constraints ahead of time.

It is particularly important that you discuss any cover limitations, special terms and premiums that will be applied to your sea freight shipments. This can differ considerably between insurers and should be discussed prior to the realisation of a shipment.

Clear communication with your insurance partner well in advance of shipments is strongly advised.

Pre-shipment Insurance Checklist

This checklist has been developed by GCC in consultation with leading fine art insurers, insurance brokers and gallery registrars. It contains a suggested process for correctly insuring artwork for transport and information that is advisable to share with your insurers for all shipments over your usual thresholds and is compulsory to be shared prior to every shipment via sea freight:

1. Share the following details with your insurers in advance of the shipment (ideally at least two weeks prior to shipping, but this will vary on the specifications):
   a. Artwork(s) details – provide as much information as possible and specifics of the medium in order to determine fragility.
   b. Value – individual and totally shipment value.
c. Type of packaging / proposed packaging and who this will be carried out by. Pictures would be a helpful addition, if possible.
d. Shipment dates and destinations.
e. All shippers and agents involved in the transport.
f. Any other risk management factors you are putting in place. It will be beneficial to share these with your insurer so they can see that you are considering the shipment and doing your due diligence.

2. Discuss the following:
   a. Premium charges to your existing policy for the sea freight shipment.
   b. Ask if there is any other information that they would like you to provide.

3. Confirm that the following have been carried out prior to the shipment:
   a. Lloyd’s Market Association Joint Specie Committee insurance guidelines are being followed.
   b. You have requested that the container be stowed below deck.
   c. Container Inspection Checks have been completed by the shipper.
   d. Condition Reports have been completed prior to shipping and that a request for one upon arrival has been made.

Please note: These are guidelines and processes which vary depending on each scenario. You should seek consultation with all professional parties involved.

Disclaimer

This resource is intended to encourage effective communication between clients and insurers, ensuring correct procedures are followed and ultimately leading to an increase in artworks being sent via sea freight safely and with full coverage.

GCC is not responsible for any issues that may arise from using sea freight, even if advised protocol is followed, GCC is not liable for any damage or delays incurred by an increased volume of artworks travelling on ocean routes.
Inspection Checklist for Containers & Cargo Units

Introduction

This document has been developed by Lloyd’s Market Association (LMA) Joint Specie Committee in consultation with GCC. It has been designed to ensure due diligence has been taken to reduce the risks associated with artworks travelling in containers via sea freight. It is advised that shippers and freight agents follow the inspection checklist – as part of their risk mitigation process – for all containers, in advance of artworks being loaded.

Shipment Details:

Date ________________________________

Client _____________________________ Ref _____________________________

Container# _______________ Seal# _____________________________

Inspected by ________________________________

Inspection Checklist:

1. Outside / Undercarriage (before entering facility):
   a. Inspect prior to entering the facility.
   b. Support beams should be visible.

2. Inside / Outside Doors:
   a. Make sure secure and reliable locking mechanisms are attached to the container.
   b. Be on the lookout for different colour bonding material.
   c. Be on the lookout for loose bolts.
   d. Be on the lookout for plates and repairs. Solid plates should not cover standard container cavities.
3. Right Side:
   a. Look for unusual repairs to structural beams.
   b. Repairs to walls on the inside must be visible on the outside.
   c. Use tool to tap side walls. Listen and feel for hollow sound.

4. Left Side:
   a. Look for unusual repairs to structural beams
   b. Repairs to walls on the inside must be visible on the outside.
   c. Use tool to tap side walls. Listen and feel for hollow sound.

5. Front Wall:
   a. Check to see if blocks and vents are visible.
   b. Use tool to tap front wall. Listen and feel for hollow sound.
   c. Use a ranger finder or measuring tape to determine if the length of the interior of the container is correct.

6. Ceiling / Roof
   a. Check to make sure ceiling height from floor is accurate. Blocks and vents should be visible.
   b. Repairs to the ceiling on the inside of the container should be visible on the outside.
   c. Use tool to tap ceiling. Listen for hollow sound.

7. Floor (Inside)
   a. Check to make sure the floor is the correct height from the ceiling.
   b. Make sure the floor is flat. Do not need to step up to get inside.
   c. Make sure the floor is a uniform height.
   d. Be on the lookout for unusual repairs.

Misc:
8. a. Ensure that the container is water tight, by shutting the doors whilst someone is standing inside and checking for light coming into the interior of the container.