

LIBERTY SPECIALTY MARKETS:  
FINE ART & SPECIE

## WHY ART FAIRS PUT GOOD UNDERWRITING ON DISPLAY

David Saillen, Liberty Specialty Markets' Head of Fine Art and Specie for Continental Europe, reveals how his team manages the aggregation of risk created by major art fairs.



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**M**ajor fine art fairs like TEFAF and Art Basel are, in many respects, the jewels in the crown of the European fine art market. These events are the highlight of the sales calendar, bringing together galleries and artists from right across the continent. For the buyer, they are the preeminent opportunity to see the most sought-after contemporary and established works of art available; but for the insurer, they represent a significant accumulation of risk as up to \$3 billion - \$4 billion's worth of fine art is brought together in a single venue, which is then thrown open to the public.

Each year, I make a point of visiting 10-14 art fairs across Europe – from the largest to smaller, more local fairs like Cologne Fine Art and Antiques, ArtVerona and the Brussels Art Fair. The business model is simple: the fair's organiser rents space to galleries who exhibit their works to potential buyers. The greater the number of buyers attracted to the event, the more galleries want to be part of the fair.

The key thing to understand is that art fairs are retail events. Jewellery fairs, by contrast, are where manufacturers exhibit their latest lines to their wholesalers. But at art fairs like TEFAF Maastricht or Art Basel, private collectors, museums and thousands of members of the public are in close proximity with up to 35,000 items for sale. In 2017, TEFAF's organisers estimated that the event attracted more than 10,000 collectors and institutional representatives during preview day, in addition to over 7,000 visitors on the first public day of the fair. 2018 saw 278 galleries exhibit, many from the Netherlands, Germany and Switzerland. These are the kind of statistics that make any fine art underwriter a little anxious – and not without good reason.

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In 2004, Manege, a major exhibition hall in Moscow, was gutted by a fire that killed two fire fighters and destroyed the building's roof. Last year, fire broke out in the exhibition venue due to be used for the Vienna Contemporary fair just two to three weeks before its opening. It was touch and go whether the event would be able to take place at all. On a personal note, I've seen first-hand the results of a well-known sculptor's work being trampled on at an art fair, leaving visible cracks.

**A**ggregation of risk is the concern forefront in our underwriters' thoughts but it's certainly not the only one. As a major art insurer, Liberty Specialty Markets will have multiple galleries exhibiting at the same event, so a large fire could trigger multiple claims. Transportation of the art is another concern. Thousands of valuable works will be shipped by air, road, rail and occasionally sea, exposing the art to vibration, sudden shocks and handling errors. Finally, there's the public to consider: thousands of people crowding around works of art, many failing to resist the temptation to reach out and touch.

For Liberty, the key is to understand which clients will be exhibiting at which events and to know precisely which works of art are being taken. As part of our annual underwriting process, galleries declare where they intend to show and, closer to the date, provide detailed lists of the items they intend to display. This gives our underwriters the level of granularity needed in order to make adjustments to the cover provided, if necessary, such as introducing sub-limits or adjusting premiums. Administratively, we appreciate this can be taxing for the galleries: the list of works may be changed and changed again as the date of the fair approaches. Our aim is to be as flexible as possible and to work with them in implementing insurance solutions according to their needs.

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It's important to remember that galleries are commercial entities so there may be a temptation to cut costs on transportation arrangements. A professional shipping company should be used with adequate packaging and crates that insulate the art from shocks as much as possible. We avoid transportation by sea as it's considerably harder to manage the process and, importantly, the relatively high value of art means an art insurer could find themselves facing an extremely high charge if a general average was declared if the vessel was in jeopardy. Perhaps worse, imagine the sacrifice of cargo in an emergency, which could be a quite scary scenario.

Mercifully, deliberate damage to works displayed at an art fair is extremely rare.

Deliberate attacks more commonly take place when art is displayed in public spaces or galleries.

While the global market for fine art waxes and wanes with the health of the economy, the number of fine art fairs has increased over the years. By my reckoning there is an art fair happening roughly every week of the year, of varying size, ambition and reputation.

The importance of these fairs to the health of the market should not be underestimated. Research carried out a few years ago showed that around 80%-85% of a fine art insurer's existing or potential client base will attend Art Basel at some point in their career.

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Art fairs present a significant risk but, for a proactive insurer like Liberty Specialty Markets, an opportunity. On the one hand, they offer the chance to visit an event and network with the great and the good of the art community; on the other, they allow us to show to our gallery clients and their brokers just how much of an enabler we can be when policyholders need us to respond flexibly and fast.

After all, isn't that the art of being a good insurer?



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#### MAJOR EUROPEAN ART FAIRS THROUGH THE YEAR

London Art	JAN
ARCO Madrid	FEB
TEFAF Maastricht	MAR
Art Cologne	APR
Art Basel	JUN
Masterpiece London	JUN
Frieze London	OCT
FIAC Paris	OCT
Paris Photo	NOV

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