

CHAPTER 5

INSURANCE

"It is always wise to look ahead, but difficult to look further than you can see."

– **Winston Churchill**

What is Insurance?

Insurance is a form of risk management where the person or business being insured pays a premium to another entity – usually an insurance provider – who in exchange promises to cover the costs of potential loss to the insured person or business. Insurance allows individuals and businesses to protect themselves against significant potential losses and financial hardship at affordable rates.

Determining Appropriate Insurance for an Artist or Art Business

There are numerous kinds of insurance for artists to consider, and it may not always be clear which types of insurance are relevant for which type of artist or art business. As a general guide however, the type of insurance an artist or art business need will depend on a variety of factors, including:

- *The kind of work the artist or art business does:* Visual artists will have different concerns to performing artists, and may be more interested in insurance related to protecting the value of art pieces and related assets, whereas performing artists may be more interested in protection against potential liability from third parties who are attending a performance or a workshop.
- *The types of assets the artist or art business owns:* In many cases, the assets that an artist owns is the art itself or the tools of their trade, whereas for other artists, the assets may be merely incidental (albeit important) to the art they create. For a painter, the most important asset is his or her paintings, whereas for a theatre production company, it may be its studio.

- *The potential liability the artist or art business may owe to third parties:* Some artists may not interact directly with the public, whereas other artists' art and businesses may depend on it. For instance, a dance instructor who runs a weekly workshop would come into contact with many students, whereas a sculptor may never meet the visitors to his gallery. Regardless, every artist and art business should consider how their work may cause injuries to members of the public and take the necessary precautions.

Bearing in mind the above three (3) factors, it becomes easier to decide what kinds of insurance are relevant for you or your art business. Insurance can also be divided into two (2) overarching categories: (1) insurance of assets and (2) insurance against liability.

You may want to consider the following insurance of assets:

- If your business deals with artwork, you will require insurance which covers the value of the artwork that you are handling, including the transportation of the artwork to and from galleries and exhibitions, the display of the artwork and its storage. Your artwork may also come in digital form, in which case you may want to consider ways of insuring your soft data, as opposed to your physical artwork.
- If your art business revolves around a studio, you may require insurance which protects the building and facilities against damage. Note that if you run your studio from your place of residence, your pre-existing domestic insurance policy may not cover damages which arise in connection with the use of your home as an art studio.
- Many artists' profession requires them to handle materials and equipment which are needed for their art. These materials and equipment are often expensive and crucial to the art itself. For example, it would be shrewd for a violinist to insure his violin against damage.
- Rights to the art itself are assets, and you may want to protect the inherent intellectual property rights in the art, so that you can control how the art is used and distributed.

Insurance against liability is equally important:

- The space in which your art is performed or presented may be open for public visitation. In those cases, you would want insurance against claims for injury to a member of the public or damage to their property.

- If your business runs workshops or classes, you may want to consider taking out insurance against claims for injury to those attending the workshop or class and damage to their personal property. Furthermore, in some cases, depending on the kind of art you teach, you may consider taking out insurance against claims for injury or damage resulting from professional advice you have given in your capacity as a professional advisor.
- If your art involves the creation and distribution of products, you may consider getting insurance to protect against claims for injury or damage resulting from the use of those products.
- If, by running an art business, you are also an employer or even a director or manager of a company, then you should consider taking out insurance to protect yourself in your capacity as an employer, director and/or manager.



"No, I'm afraid you cannot claim for your show's bombing under your policy's fire damage clause."

Specific Types of Insurance to Consider

Having considered the types of insurance for artists and art businesses more generally, it is important to know the specific types of insurance and exactly what they do:

- **Public liability insurance:** When you own or lease a property, you owe what is called a duty of care to those who are present on that property, to ensure that their time spent on the property is safe and free of hazard.

Performance artists and those who run art businesses may consider taking out insurance against claims by third parties for injury or damage to their property at any premise at which they work. Such insurance may also protect against claims from the public for accidents, injury and insults. When events are held at external venues (for example, on government-owned land or property), public liability insurance may be required as a condition of the venue being made available.

- **Professional liability insurance:** This type of insurance protects against claims made against an artist for professional advice the artist has given to another party.
- **Property insurance:** These kinds of policies provide financial reimbursements to the owner or renter of a structure and its contents in the event of damage and theft. Circumstances which are normally covered by such insurance include damage caused by fire, smoke, wind, lightning, theft, and if you live in colder countries, damage caused by ice, snow and hail.
- **Product liability insurance:** This type of insurance protects against claims for injury or damage resulting from the use of a product.
- **Management liability insurance:** This type of insurance protects directors and managers of art businesses from claims against them in their capacity as directors and/or managers of the business.
- **Business interruption insurance:** Disruption caused to a business after a fire or damage to property may place great financial strain on a business during the period of restoration. Business interruption insurance protects against losses after damage has occurred and usually covers the income you would have earned during the restoration period had the damage to property not occurred. The insurance policy may also cover operating expenses that continue even though business activities have temporarily ceased.
- **Equipment/instrument coverage insurance:** Performers such as DJs, musicians and those involved in theatre productions that use equipment and instruments may insure equipment and instruments used in their trade against theft and damage.
- **Artwork insurance:** Those who deal with fine art and collections may take out insurance to protect art assets such as paintings and sculptures against damage and theft, and may also insure those assets against future restoration and conservation costs.
- **Digital/data/cyber insurance:** This is relatively new form of insurance which protects against the loss of digital copies of files and documents on a computer or similar storage device. Loss may come in many forms, including physical damage to



“As far as I am aware, there is no insurance policy specifically for con artists.”

hardware components, failure of software components or even cyber-attacks. In the past, only the hardware components of computers were insurable. Even today, data insurance policies are generally only available to large corporations as riders on their existing commercial insurance policies. That being said, there are policies in Singapore which are open to small and medium-sized firms, with affordable premiums. If your art business deals with the creation of art in digital form, then this type of insurance is useful in addition to steps you may already be taking to protect your digital information.

- **Intellectual property insurance:** Intellectual property insurance comes in many forms. The first type of intellectual property insurance has to do with covering legal expenses in connection with enforcing or defending intellectual property rights over a product. This kind of insurance will cover legal costs of you taking action to stop others infringing intellectual property rights in your art, or costs associated with defending allegations that you infringed someone else’s intellectual property rights.

The second type of insurance available has to do with protection against lost revenue as a result of losing intellectual property rights.

- **Work injury compensation insurance:** Employers in Singapore are required to buy work injury compensation insurance for all employees doing manual work, regardless of salary level, and all employees doing non-manual work, earning less than S\$1,600 a month.
- **Employer's liability insurance:** This type of insurance protects employers from major financial loss if a worker experiences a job-related injury or illness that workers compensation does not cover.

Things to Look Out for

There are certain things to consider when choosing an insurance policy. The following is a non-exhaustive list of things to take note of:

- **Under-insurance:** It is important to be adequately insured. You are under-insured when (1) the sum insured (the maximum pay-out in the event of loss) is less than (2) the value of the items and/or business insured.

To prevent this from happening, you should obtain a proper valuation of your items and/or business before taking out any insurance policies, to cover the full monetary value of your assets. If you are constantly producing artwork, and the overall value of your work exceeds the limit of your original coverage, you should re-evaluate your policy with the insurance provider. Further, works in progress or unsold work have only a hypothetical value. Any loss of such artwork will need to be justified by evidence of past sales or other equivalent measures. The insurance policy may also have a cap, where insurers will only pay up to a certain amount. It is important to speak to your insurance provider and carefully read the terms and conditions of the policy.

- **Scope of coverage:** Generally, the insurance policy will cover physical loss, but will not cover wear and tear, inherent defects, gradual deterioration and pest and vermin. It is important to find out the exact scope of coverage, so that you can protect against the events that are not covered. If your work involves travel, you should find out if the policy offers worldwide coverage. Also, artwork goes through various phases of completion, from pre-production to finalisation to transport. You may require multiple policies to cover the various stages. Again, speak to your insurance provider and always read the fine print.
- **Failure to protect property:** In circumstances where there is a known risk of damage to property, the insured has a responsibility to avoid that risk to be able to claim insurance, and the assumption

is that they will do so. If the insured fails to reasonably avoid that risk, any damage to their artwork resulting from that known risk will normally not be covered by the insurance policy. For example, if the basement of a building is routinely flooded during heavy rain, the insurance provider will not cover damages to artwork which is stored in the basement.

- **Whose responsibility to insure:** If you are working with another party, for instance, with an art gallery, you should find out if that party has its own insurance. A reputable organisation should have its own insurance coverage. You should always find out the scope of their coverage and ascertain if that coverage meets your needs. The organisation may also require you to be insured, as you are the owner of the work, until the work is sold.

Things to Look Out for

Illustrative Example

You host a weekly acting workshop with a group of regular attendees. The workshops are normally hosted at a small theatre house that you own, which is going to be venue of an upcoming performance that you have been working on for months.

During one such workshop, you explore how fire may be used on stage during a performance. One of the members of your group inadvertently leaves a lit candle on a windowsill backstage, causing the curtains to catch fire. In the ensuing chaos, a member of your acting group is severely burned and a large portion of the area behind the stage is destroyed.

Furthermore, the musical ensemble which was hired to play at the upcoming performance of your show left all of its instruments backstage, all of which were taken by the fire. To make matters worse, a worker who was manning a ladder and working on the lights on stage during your workshop fell and broke his elbow.

Although no one was fatally injured, the extent of the damage caused by the fire means that the theatre house needs significant repairs which are estimated to take four (4) weeks. As a result you are forced to cancel your upcoming

show and refund the cost of the tickets to the show which have already been purchased. You are also unable to undertake any workshops at the theatre house during those four (4) weeks.

Leaving to one side who was responsible for the fire, as the owner of a small theatre house, you ought to have property insurance to protect against the damage caused by the fire to the backstage of your theatre. With public liability and professional liability insurance, it is likely that you would be protected against claims by the member of your acting group who was burned in the fire. Work injury compensation and/or employer's liability insurance would protect you against the claims by the worker who fell from the ladder and broke his elbow.

Damage to the musical ensemble's instruments could both be covered by your public liability insurance and property insurance, and if the musicians themselves had taken out equipment/instrument coverage, then the destruction of their instruments would be covered under that policy as well.

Furthermore, the loss of revenue you will suffer from cancelling your upcoming show and not being able to host acting workshops could possibly be covered by business interruption insurance.

When should I take out insurance to cover my artwork?

- When your artwork is of significant value.
- When you are responsible for storing, transporting and displaying your artwork to the public.
- Even where the art you make itself is not insurable, it makes sense to insure the tools of your trade which allow you to create art.

When should I consider protecting myself for injury or damage that my art may cause to others and their property?

- If you own or rent premises which are open to the public.
- If you run classes or workshops which involve physical movement.



"I'm afraid you've misunderstood: A comprehensive policy is not one that insures you from people not comprehending your work."

How do I protect my digital art from loss and damage, or from misuse by other parties?

- Consider insuring your data from loss you may suffer in addition to properly backing up your digital information.
- Protecting your intellectual property rights is crucial to ensuring you are given credit for the art you create; taking out intellectual property insurance allows you to protect your rights in Court.

How do I insure myself as a business owner, and not just as an artist?

- Take out insurance to protect any properties you may own or rent.
- Consider insuring yourself against possible claims from employees and workers.

- If your income depends on your being able to continue to make art and perform, consider taking out business interruption insurance to cover financial losses.

Which of my assets should I insure?

- Any of your assets which are of significant value.
- Any assets which you consider crucial to the creation of your art.

Other Useful Resources

Ministry of Manpower's website: Workplace injury compensation insurance

<http://www.mom.gov.sg/workplace-safety-and-health/work-injury-compensation/work-injury-compensation-insurance>

Art Business Info website: Insurance for art and artists

<http://www.artbusinessinfo.com/insurance-for-art-and-artists.html>