

**EUROPEAN
EXPERT
NETWORK
ON CULTURE
(EENC)**

***Valuation of Works of Art for Lending
and Borrowing Purposes***

by Cornelia Dümcke and Freda Matassa

EENC Report, November 2012

This document has been prepared by Cornelia Dümcke and Freda Matassa on behalf of the European Expert Network on Culture (EENC). Research support was provided by Jordi Baltà (Interarts).

The EENC was set up in 2010 at the initiative of Directorate-General for Education and Culture of the European Commission (DG EAC), with the aim of contributing to the improvement of policy development for culture in Europe. It provides advice and support to DG EAC in the analysis of cultural policies and their implications at national, regional and European levels. The EENC involves 17 independent experts and is coordinated by Interarts and Culture Action Europe. For additional information see www.eenc.eu.

About the authors

Dr. Cornelia Dümcke is a cultural economist and works as a project developer and arts consultant. She is the founder of Culture Concepts, an independent institute based in Berlin, providing research and consultancy services for clients in both the cultural and the development sector. Her thematic specialization focuses particularly on issues of culture and development, cultural economy, cultural tourism, as well as on the museum, theatre and festival market. In the museum and cultural heritage sector she has conducted several applied research studies and has developed museum concepts. In 2011, she was nominated to the pool of experts in the field of cultural policies, set up by UNESCO Paris in the context of the implementation of the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. Since 2011, she is a member of the European Expert Network on Culture (EENC). See www.cultureconcepts.de.

Freda Matassa is an independent museum consultant and art collections manager. Former Head of Collections Management at the Tate Gallery, she is museum representative for the UK UNESCO Cultural Network and UK Expert Representative on the Commission for European Standardisation as well as being well-known as a lecturer on museum standards and procedures. In 2008, she was appointed the first Expert Adviser to the Minister of Culture on Immunity from Seizure Applications and has recently been nominated as one of the UK Top 50 Women to Watch in the Arts. Co-founder of the European Registrars Conference and an initial member of the Collections Mobility project, she was one of the authors of *Lending to Europe* and has recently published *Museum Collections Management: A Handbook*. See www.fredamatassa.com.

© European Union, 2012

Disclaimer

The information and views set out in this study are those of the authors and do not necessarily reflect the official opinion of the European Union. Neither the European Union institutions and bodies nor any person acting on their behalf may be held responsible for the use which may be made of the information contained therein.

Reproduction is authorised provided the source is acknowledged

CONTENTS

| | |
|---|-----------|
| Executive Summary | 5 |
| | |
| <i>1. Task and Design of the Report</i> | 7 |
| 1.1. Background | 7 |
| 1.2. Objectives | 8 |
| 1.3. Methodology & Design | 9 |
| | |
| <i>2. Setting the Stage for the Report</i> | 13 |
| 2.1. Valuation of cultural goods – the Cultural Economy Perspective | 13 |
| 2.2. The Value Chain in the Art market & the Participants | 14 |
| 2.3. Cultural versus Financial Value – The Museum Perspective | 15 |
| 2.4. The Problem with Determining Financial Value | 17 |
| 2.5. Excursus: Valuing an Entire Collection | 19 |
| | |
| <i>3. Main Findings – Results of the research</i> | 21 |
| 3.1. Museum Perspective | 21 |
| 3.2. Curator Perspective | 25 |
| 3.3. Government Perspective | 30 |
| 3.4. Other Participants | 33 |
| | |
| <i>4. Conclusions: Mapping Current practice</i> | 35 |
| 4.1. General Conclusions | 35 |
| 4.2. Conclusions – Museums & Curators | 36 |

| | |
|--|-----------|
| 4.3. Conclusions - Governments | 38 |
| 4.4. Conclusions - Other Participants | 39 |
| | |
| 5. Recommendations | 40 |
| 5.1. General Recommendations (Museums, Governments, EU) | 40 |
| 5.2. Sample Methodology ('Checklist') | 43 |
| | |
| References | 50 |
| | |
| Annexes | 53 |
| ANNEX 1: Glossary | 54 |
| ANNEX 2: Survey Monkey - Basic Information per EU Member States | 56 |
| ANNEX 3: List of Interviewees 2011 | 58 |
| ANNEX 4: List of Curator Interviewees 2012 | 59 |
| ANNEX 5: Time table- Actions in 2011 & 2012 | 61 |
| ANNEX 6: Survey Monkey- Questionnaires – Museums | 62 |
| ANNEX 7: Survey Monkey - Questionnaires – Governments | 76 |
| ANNEX 8: Curator Interviews 2012 – Compilation of Results | 81 |

Executive Summary

This report focuses on the subject of “Valuation of Works of Art for Lending and Borrowing Purposes”. It was prepared by **Cornelia Dümcke** and **Freda Matassa** on behalf of the **European Expert Network on Culture (EENC)** for the Directorate-General for Education and Culture of the European Commission. Following initial research carried out in 2011, the report has been completed between August and October 2012.

The report aims to provide the European Commission and the EU Member States with a theoretical and empirical analysis and to influence the simplification of the process of lending and borrowing of works of art¹ between museums in the EU Member States.

As the report touches on fundamental questions in the museum sector of the EU Member States, an important stakeholder group of the outcomes and the recommendations of this report are museum professionals, in particular curators.

The **Open Method of Coordination (OMC) Working Group of EU Member States experts on the Mobility of Collections** has submitted a Final Report and a Toolkit on ‘**Practical ways to reduce the costs of lending and borrowing of cultural objects among Member States of the European Union**’ at the end of September 2012². Although the final working documents of the OMC Working Group take reference to the issue of valuation of museum objects in several contexts, **this report provides** – as suggested and expected by the OMC Working Group - **deeper insight and a comprehensive evidence base** into the complexity and heterogeneity as well as into the challenging requirements that European museums and states are faced with.

Main outcomes and recommendations of the research on the subject matter of valuation of museum objects in the area of lending and borrowing between museums in Europe are summarized as follows:

¹ The definition of ‘works of art’ that has been used throughout the report is based on the Council Regulation 116/2009 on the Export of Cultural Goods and its annex, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32009R0116:EN:NOT>

² OMC Working Group on the Mobility of Collections, *A Report on Practical Ways to Reduce the Cost of Lending and Borrowing of Cultural Objects among Member States of the European Union* (2012b); and OMC Working Group on the Mobility of Collections, *Toolkit on Practical Ways to Reduce the Cost of Lending and Borrowing of Cultural Objects among Member States of the European Union* (2012c). Both available at http://ec.europa.eu/culture/our-policy-development/policy-documents/omc-working-groups_en.htm

Main outcomes

- One of the intentions of the study was to make the valuation process more systematic and to look at examples of methodology. However, the authors discovered no examples of methodology and the general consensus was that valuation cannot be an exact science but only an expert opinion.
- Since the main focus of the project is to look at ways of reducing the cost of insurance, many of the questions were directed at the use of state indemnities since they are the single best way of saving on insurance costs. It was clear that there is still a reluctance to use some indemnities as they are seen as offering less cover or less certainty than commercial insurance.
- Reducing costs by keeping values low was also examined and neither governments nor museums seem to put much effort into keeping values low or to challenging high values. The results of questioning high values show that the lender is usually willing to lower the sum when challenged.

Main recommendations

- The use of state indemnity is a key to reducing costs and the recommendation is to simplify and extend any state indemnity which has limitations and to educate lenders about indemnity. There should be a requirement for any state museum to have to accept another state's indemnity and governments could take a more active role here.
- Museums and curators should be encouraged in keeping values low and not trying to keep pace with the market. Alternatives to 100% cover should be considered. Borrowers should feel confident in challenging inflated values and asking for justification.
- Governments and museums should support the systematic and transparent valuation of museum objects by providing valuation panels, templates, training and free-of-charge databases of information.

1. Task and Design of the Report

1.1. Background

The **issue of valuation of museum objects in the area of lending and borrowing** in museums in Europe is a matter of concern in several contexts. However, key questions have not been adequately answered, especially with regard to the **financial valuation of works of art**.

In the period 2011-12, the **Open Method of Coordination (OMC) Working Group of EU Member States experts on the Mobility of Collections** has focused on the **simplification of the process of lending and borrowing** and has addressed specific aspects – indemnity schemes, valuation, risk assessment and transport. In addition, the Council's Work Plan 2011-14 indicates the Commission's commitment to proceeding to an **'analysis of systems for valuation of works of art'**, by carrying out comparative research on systems for valuation of works of art for insurance, state indemnity and shared liability purposes.

In June 2011, the Directorate General for Education and Culture of the European Commission (DG EAC) submitted a request for an expert contribution on behalf of the European Expert Network on Culture (EENC) to the above mentioned OMC Working Group on the Mobility of Collections. Initial research was carried out by the experts **Cornelia Dümcke** and **Freda Matassa** on behalf of the **EENC** thereafter and presented at a meeting of the aforementioned working group in November 2011 in Brussels.

In April 2012, DG EAC requested that research on the valuation of museum objects be broadened, to take into account comments made by members of the OMC Working Group at its meeting of March 2012. Ultimately, this **report on the valuation of works of art** uses the evidence collected in 2011 and new data collected in 2012.

At the end of September 2012, the OMC Working Group of EU Member States experts on the Mobility of Collections has submitted a **Final Report and a Toolkit on 'Practical ways to reduce the costs of lending and borrowing of cultural objects among Member States of the European Union'**³ (Summary 2012a, Final Report 2012b, Toolkit 2012c). The authors of this report take reference from these documents as they contain several findings on the subject of valuation and related issues.

³ http://ec.europa.eu/culture/our-policy-development/policy-documents/omc-working-groups_en.htm

1.2. Objectives

The general objective of the report is to assist the European Commission and EU Member States by providing updated knowledge on the methods for the valuation of works of art, existing in Europe, and considering measures to facilitate the mobility of collections, through a survey of museums, governments and curators.

In addition, the briefing notes to the report commissioned in 2012 have included the following objectives:

- a) **broaden the research** on systems of valuation of works of art for insurance, state indemnity and state liability purposes in EU Member States prepared in 2011, by disseminating a questionnaire to museums and carrying out interviews with relevant stakeholders;
- b) **provide an analysis of the various systems** including an outline of the valuation issue, highlighting a selected number of key conclusions for policy development and implementation (within national governments, museums and insurance companies); and
- c) **make concrete recommendations** on valuation of works of art where intergovernmental collaboration within the EU could be beneficial.

The focus of the research lies on financial valuation of works of art and on the process of valuation (How it is undertaken in the practice of the EU Member States).

In particular, the following aspects were to be addressed in the report 2012 based on the findings of the research undertaking:

- a **sample methodology ('checklist')**, by presenting the criteria used and providing specific considerations for different types of cultural objects (e.g. objects of anthropological interest, antiquities, old masters, modern and contemporary art, including conceptual art, etc.);
- the **feasibility of implementing methods of percentage reductions or other forms of adjustment to the market value** of cultural objects was to be discussed;
- the **reasons for the refusal of some museums to accept State indemnity**, through consultation with relevant stakeholders, including members of the State Indemnity Subgroup and/or other agents identified by them;
- the **usefulness and feasibility of valuation panels**;
- the possibilities of providing **useful guidance to museum curators** through informal means of information-sharing and awareness-raising and data on the methods used by curators to keep their information and skills up to date was to be considered, through interviews with curators.

1.3. Methodology & Design

In order to define an appropriate methodological approach and framework for the research process, the authors consulted the published documents of the OMC working groups on the Mobility of Collections in Europe and the documents provided by the OMC Working Subgroup on Valuation for the preparation of the report (see **References**). This was combined with the empirical and practical knowledge and experience of the authors.

The methodology of the research is based on a multi-layered review concept which included:

- A **review of documentation and relevant research in the field of valuation of cultural goods** in the light of a broader perspective of the cultural economy.
- A review of the **working documents of the OMC groups in the context of mobility of collections** in previous phases in 2011 and of the final documents on 'Practical ways to reduce the costs of lending and borrowing of cultural objects between Member States of the European Union' end of September 2012 (Summary 2012a, Final Report 2012b, Toolkit 2012c).
- On the basis of this review, the authors provide a **GLOSSARY of relevant terms** (see **ANNEX 1**).
- Evidence from the document review was augmented and validated through both:
 - The design of a **standardised questionnaire poll for two main stakeholder groups (museums, governments)** created by the authors. The questionnaires were sent out in 2011 and 2012 and statistics compiled by Interarts via the use of a Survey Monkey tool. The qualitative review of the results was made by the authors. **ANNEX 2** provides the basic information on the poll per EU Member States. The results of the standardised questionnaire poll to museums and governments are summarized in **ANNEX 6** and **7**.
 - **In-depth, semi-structured interviews**, conducted by the authors by telephone and face-to-face in 2011 and 2012 (see **ANNEX 3** and **4**). According to the Terms of Reference in 2012, **around 25 additional interviews with curators from 21 EU Member States have been carried out during August and September 2012**. 16 Interviews with resource persons had been carried out in 2011. The statistical results are summarized in **ANNEX 8**.

This methodology aims to meet the objectives and the expected outputs, and to contribute to the challenging agenda of the OMC Working Subgroup on Valuation.

The demanding requirements of the research undertaking to this report required the authors to use this highly structured approach, in order to deliver findings as succinctly as possible.

The results of the findings are summarized in the report in the following chapters.

Chapter 2 is setting the stage. It provides a short description of how financial valuation is embedded in a broader context of valuation of cultural goods or works of art, according to our research field – to foster the mobility of collections in EU Member States, to simplify it and to reduce costs. Furthermore, the authors set the research undertaking of this report in the general context of the ‘value chain’ in the arts market. A specific insight to valuation is given from the perspective of museums, which are at the heart of the lending and borrowing process. The problem with determining financial value is highlighted with reference to the different dimensions to determine the financial value of a cultural good or asset. Finally, in an ‘excursus’ some notes are made to the valuing of an entire collection.

Chapter 3 compiles and evaluates the results of the questionnaires and the interviews (2011 and 2012). The outcome of this empirical and qualitative evaluation comes from the following perspectives: museums and curators, government bodies and other participants (e.g. insurance companies). Specific findings from the questionnaires and interviews are summarized concerning state indemnity and shared liability, methods of percentage reduction and the practice of valuation panels.

Chapter 4 draws conclusions from the findings documented in Chapter 3. It addresses whether models, typologies, best practice etc. can be identified (mapping). The authors highlight general conclusions and conclusions to relevant stakeholder group (museums and curators, governments and other participants).

Chapter 5 summarizes recommendations which are addressed on three levels: museums professionals and their organisations, EU Member States and the European Commission and relevant EU institutions in the context of the research objectives. Special attention is given to state indemnity, the issue of assistance in valuation matters and other relevant valuation dimensions. As requested, the authors provide in Chapter 5 a sample methodology (‘checklist’) for selected types of cultural objects.

The limitations of the report have to be seen against the background of both the challenging task - valuation of cultural goods as a long lasting difficulty in the area of cultural

economy - and of the very different and not 'at first glance' transparent practice in EU Member States.

A **timetable of the working process in 2011 and 2012** is given in **ANNEX 5**.

As a representative view of the questionnaire poll 2012 (including the results received in 2011) the following can be stated (see **FIGURE 1**):

- In the **stakeholder group of museums** the outcome of the questionnaire poll can be valued as representative. The return of the questionnaires in the stakeholder group of museums is unexpectedly high. 187 museums of 26 countries responded.
- For **government bodies** (with answers from 19 of the 27 EU Member States or 70 % of all EU Member States) the outcome can demonstrate some trends.

FIGURE 1: Questionnaire Poll 2012 and 2011

| see also ANNEX 2 | Museums | Governments |
|--|--------------|--------------------------------|
| Total return of questionnaires | 187 | 20 |
| Number of EU Member States represented (out of 27) | 26 Countries | 19 Countries |
| Percentage of EU Member States represented | 96 % | 70 % |
| Number of Member States missing | 1 | 8 |
| List of Member States from which no replies have been obtained | MT | AT; CY; DK; DE; GR; HU; IE; LU |

In addition to sending out the questionnaire to museums and governments the authors conducted interviews with representatives of the countries in 2011 (see **ANNEX 3: List of Interviewees in 2011**).

In 2012, **25 interviews with curators coming from 21 countries** were conducted by the authors (see **FIGURE 2** and **ANNEX 4: List of Interviewees in 2012**).

FIGURE 2: Interviews with curators

| see also ANNEX 4 and ANNEX 8 | Curators |
|--|----------|
| Number of Interviews with curators | 25 |
| Percentage of EU Member States represented | 78 % |
| List of Member States from which no curators have been interviewed (*) | |

| | |
|--|------------------------|
| | BG; GR; LU; LV; SK; SI |
|--|------------------------|

(*) It has to be noted that curators of these countries have already answered the questionnaire sent out to museums in 2011.

The results of the interviews with curators and other participants have been included in the qualitative assessments in **Chapter 3**.

2. Setting the Stage for the Report

2.1. Valuation of cultural goods – the Cultural Economy Perspective

“Values are not given, nor does the economist provide a neat process of calculation.” (Arjo Klamer 2011)

This report addresses **fundamental questions of cultural economy**. Valuation of cultural goods and in particular valuation of works of art, are the subjects of a long debate between different scientific disciplines. On the one hand there is the discourse of economic theory with models of supply and demand, price, economic impact, contingent valuation, etc.; on the other hand, there is the discourse of cultural theory with aesthetic, humanist, sometimes anti-utilitarian, etc., approach and discourse. Only recently, the two disciplines have become interrelated and involved in the creation of the foundations of the contemporary cultural economy. At the heart of the cultural economy discourse is a challenging question: How to determine the value of culture including the arts?

Using the cultural economy perspective provides a number of important insights and suggestions, as well as ways to realise the value of museums and the works of art that they take care of, present and communicate to audiences.

Although theoretical positions of the cultural economy discourse on valuation of cultural goods are both diverse and contradictory depending on ‘schools’ and contexts, we focus here on key issues which can help us to ‘set the stage’ in the context of the task of our report.

The outcome of the literature review that the authors have undertaken demonstrates that the financial valuation of works of art is an active topic of theoretical discussion in the broader context of valuation of cultural goods. The existing literature, however, contains little information about the concrete processes of financial valuation of works of art. Therefore, our report explores a research gap.

Based on the review from the cultural economy perspective, we highlight the following findings which are relevant to the study:

- **The specific nature of cultural goods:** Cultural goods compared to other goods are exceptional because of their ‘double nature’, being both a public good and a commodity. Some flourish in the market while others do not, which raises the

question of the need for public funding. The double nature of cultural goods makes it difficult to understand and define their value and the influence of the art market.

- **Defining the value of cultural goods:** This appears to happen in the cultural economy discourse on different levels, such as of defining the cultural, the social and the economic values. Obviously, the weakest position in defining value comes from defining the cultural and social value of cultural goods. This is determined by the rapid changes that the value of cultural goods has when offered for example, on the commercial art market.
- **Measuring the value of cultural goods:** Economic values can be measured more easily than cultural and social values. Measuring the economic value of cultural goods has been the key issue according to the literature provided by economists (such as in economic impact studies, the contingent valuation of cultural heritage, etc.).

These overarching findings are reflected and commented from the narrower perspective of museums below (see **Chapter 2.3**).

The problem with determining financial value is discussed in **Chapter 2.4**.

In addition the authors provide a comprehensive Glossary in **ANNEX 1** and an overview of different participants in the value chain of the arts market (see following **Chapter 2.2**).

2.2. The Value Chain in the Art market & the Participants

The significance of the art market has increased in recent years. It encompasses visual artists, the retail sales of works of art and antiques, auctioning, arts and crafts as well as museums and art exhibitions, restorers, art agencies, shipping, insurance agencies, etc. **In general, it can be contested that strong dependencies exist between the commercial art market and the public art offering.**

Using a **value chain framework** to look at today's art market provides interesting insight into the market's current state and the above mentioned different participants or actors. Within the value chain, the **process of valuation of museum objects** which have a particular nature and which distinguishes them from other assets is particularly relevant in the phase of mediation and distribution. Within the value-creation chain different participants are concerned with the financial valuation of works of art (see **FIGURE 3**).

FIGURE 3: Participants in the Arts Market Source: Compilation by authors

| Creative act | Production | Mediation | Distribution |
|--|---|---|--|
| <ul style="list-style-type: none"> - Visual artists - Photographer - Arts & crafts - Restorers - Photo studios - Video - Conceptual art | <ul style="list-style-type: none"> - Services: frame building, artwork production, print shops, etc. - Stone sculpture - Metalsmiths | <ul style="list-style-type: none"> - Museums (public and private) - Art exhibitions (public and private) - Curators - Art Agents - Art Magazines - Internet platforms | <ul style="list-style-type: none"> - Auctioning - Art Retailing/Galleries - Art Fairs - Customer/Collector - Commercial Services: Shipping, Forwarding Agencies - Insurer/Insurance agencies - Broker - Valuers - Lawyers |

From an art market perspective it is obvious that financial valuation of works of art affects different professions and interests, ranging from public to commercial.

Artists work to get established with art world credentials via dealer and curator attention; private galleries validate work in shows for which they already have collectors, or they attempt to show work that they think can entice collectors to buy; auction houses validate cash value in getting the highest possible price for a work when it enters private marketplace; public museums and galleries are committed to the public contract but in terms of valuation of works of art they do not operate independently from the arts market and the media discourse (see **Chapter 2.3**).

2.3. Cultural versus Financial Value – The Museum Perspective

The value of a work of art can be measured by factors such as its history, cultural significance and aesthetic appearance and these can be quite separate from its monetary value. Museum collections are generally judged by these considerations. Objects often have no assigned financial value (except when going on loan) and it is cultural value that is

more important for curators. **Since museum objects are unlikely to be sold, the financial value is not the prime consideration.**

Since many museum collections are national cultural property, however, **most transactions have to include a monetary value. To lend and borrow, purchase, donate, insure or transfer museum objects, a financial valuation is required.** In addition, the high-value of art and the desirability of cultural objects make financial value inseparable from cultural value in many cases.

Museums may prefer to distance themselves from the art market as their role is to preserve objects for posterity while the art market is concerned with sales and the circulation of goods. The financial value of an object, such as a high sales price at a recent auction, should not affect the intrinsic value of a museum object. However, inevitably it will affect not just the monetary value, but its intrinsic value to the museum and its 'loan value' will increase.

Most museum collections do not have individual values for every object and a valuation is required only when faced with an activity, such as acquisition (tax valuation or purchase price) or loan (insurance). **But financial value has to be considered in any transaction.** For example, every director is highly aware of the museum's acquisition budget and of the public importance attached to its highest-value works. It is not unknown for museum directors to increase the value of an object requested for loan as this somehow increases the 'importance' of the work.

Many museums agree that art market prices should not affect objects in national collections. However, **the museum and commercial sectors are growing closer**, with many exhibitions crossing the divide. For example, many art fairs now include a display of "public" art intended to raise funds for the participating museum and some museums show "for sale" exhibitions or share platforms with commercial galleries. There is also an increasing flow of staff from public to private art organisations and an awareness of transferable knowledge and skills. Many commercial galleries are looking for historical accuracy to lend authority, while some recent relaxations in the prohibition on selling museum objects may open the gates for more sales from public collections. Both the commercial and public art worlds face a conflict between 'cultural' and 'financial' considerations which have to be negotiated and balanced on a daily basis.

The monetary value of museum objects affects every area of museum operations. Risk management is fundamental: If a museum agreed not to insure an item to save the insurance premium and there was a major loss, questions would be asked by the trustees or by government as to why it was not insured. The financial value of an object will affect terms and conditions of storage or transport. For example, there may be a financial ceil-

ing per shipment for insurance purposes and a very high-value object may be required to be transported alone in a single truck. High financial value may necessitate satellite tracking or a police escort for the object.

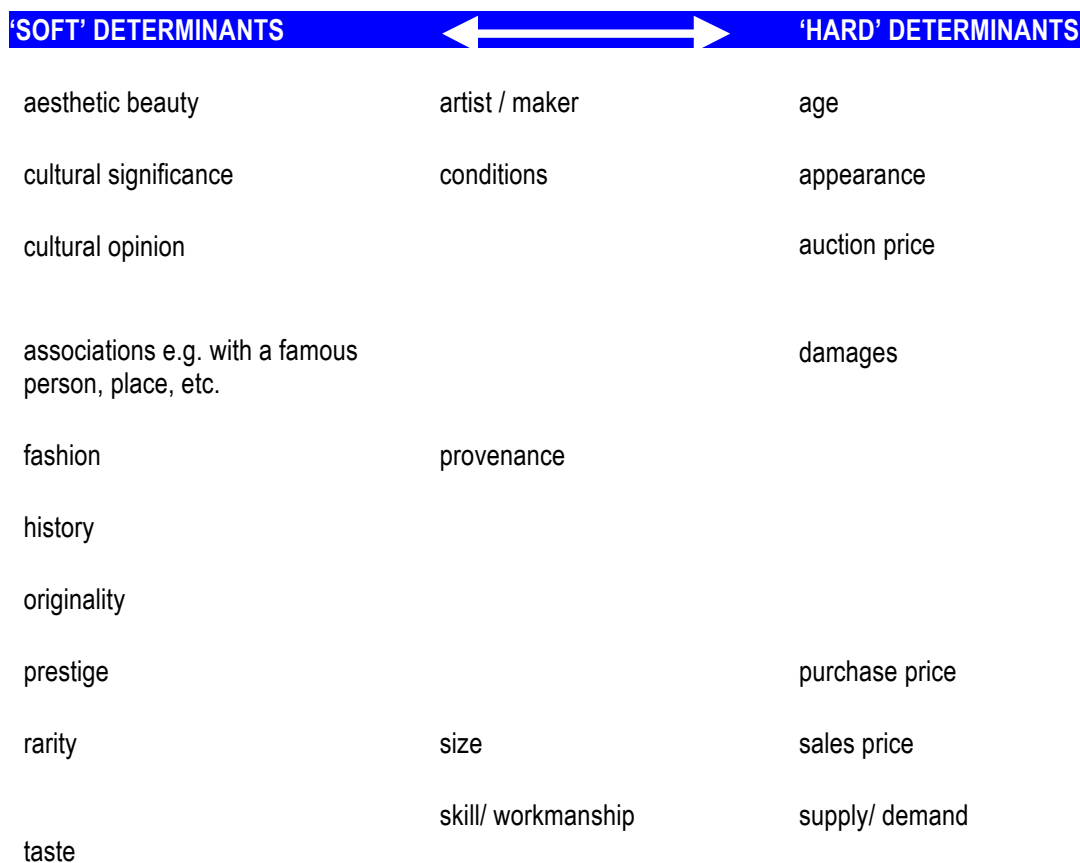
2.4. The Problem with Determining Financial Value

Arriving at a monetary value for a unique object presents significant challenges but is not impossible. In valuing land or buildings, a real estate agent arrives at a value based on factors such as location, size, condition and recent sales of similar properties. This is similar to the way in which a work of art can be valued but cultural goods are more problematic as many are unique and comparisons cannot be made. In addition, if there is a very small pool of similar objects or no identical objects at all, the actual price depends on how much an individual is prepared to pay. A determined collector of a particular type of art can push a price beyond reasonable expectations.

Since many of the determinants of the importance of a cultural object – history, beauty, uniqueness – are matters of opinion, they make it impossible to value with any certainty (see **FIGURE 4**: Determinants of Value).

FIGURE 4: Determinants of Value

Source: Compilation by authors



In this vacuum, many museums (and valuers) consult the art market for comparisons with recent sales. Even two identical works, however, such as two prints from the same print run, could fetch wildly different auction prices. A carefully constructed argument for a particular value could collapse if there are two keen rival bidders.

The art market is a poor indicator of value in many ways. Unlike other 'commodities' such as stocks and shares, gold, minerals, etc, the objects are unique. The buyers and sellers are few. Rather than international financial institutions, there is a relatively small group of collectors, dealers, governments and museums who are interested in purchase.

The value of anything is simply what one person is prepared to pay for it. It can be argued that a high auction price is 'unrealistic' or 'excessive' but on the other hand, this is the actual market price and all future valuations (or sales) will be based on this sum, unrealistic or not.

Faced with all these difficulties, it is up to governments and museums to walk a careful path between excessive valuations and adequate provision. There has to be some attention paid to the art market but it should not be the only guide to value. There should be a better and more transparent way of assigning financial values to unique cultural objects.

Since most museum objects will never be for sale, a way of valuing for the benefit of the public and to reduce costs is the desired outcome.

The major challenges of high value and the difficulty of valuation are challenging but not impossible to overcome.

2.5. Excursus: Valuing an Entire Collection

Although this study looks at valuing individual items for loan, it is important to know that some collections are valued as a matter of policy. This can be for national audit purposes, inventory, understanding the museum's assets, or for general insurance. In the example from Romania⁴, a methodology was used to re-assess the value of the national collections every few years. This type of methodology is sometimes used by museums in order to come up with a "best-guess" total sum of the museum's collection.

Most museums have reasonably accurate values for their key pieces. These are the ones that are requested frequently for loan so the value is checked every time they are borrowed. This group of "star" pieces forms the "top tier" of the collection. Below these are a number of high-quality objects which may have been lent in the past or where similar items come up for auction from time to time. It is relatively easy to value these. The third tier is of objects which have little or no value, are mass produced, or can easily be replaced.

Range of objects/values:

- A. Key pieces in collection with known value
- B. Important pieces which are sometimes lent and which can be compared to similar objects in auctions or other collections
- C. Low value or very common items

⁴ See more details of the system in Romania in Section 3.3.

Methodology:

- A. If the value is not up-to-date, an outside valuer, such as an auction house, can be asked for a current value.
- B. These items can be valued by the curator using their knowledge and expertise, according to recent market prices.
- C. Objects with low or no value can keep their current estimate with a small percentage increase for inflation.

In this way, an entire collection can be valued fairly easily without recourse to using outside valuers, which would, in most cases, be too time-consuming and too expensive.

Items with little or no value

This study focuses on the high value of individual museum objects as one of the barriers to lending. We will demonstrate in our main findings of the research (see **Chapter 3**) how the value of works of fine art is tied to recent sales prices and that this presents a problem which is not related to the cultural value of the item. **There are, however, many museum objects which have little or no market value and are therefore even more difficult to assess.**

Natural history collections may contain some high-value items that are of supreme scientific value or much prized by collectors. Some entomology items, e.g., butterflies, and geology samples, e.g. fossils, are sought after and are bought and sold through trade fairs and over the internet. There are also many items, however, such as biology or geology samples, with no “collectible” value at all. The value of these lies in their research potential as they are vital for scientific purposes. The difficulty arises when an item is requested for loan. Some collections put a basic sum, e.g. €20 per item, for each loan. Others use the estimated cost of having to replace the item (sourcing a rock or a plant sample) as a guide to its value.

With other low-value collections, the importance is in the information held in the object rather than the object itself. This is the case in archive, film and photography collections. A very insignificant piece of paper may reach a high auction price if it is associated with a famous person or event. In these cases, the importance of the association has to be calculated by the curator rather than the usual criteria of materials, artist/maker or aesthetic importance.

The sample checklists can also be used as a guide for this type of collection (see **Chapter 5.2**).

3. Main Findings – Results of the research

In the following Chapters the results based on the compilation of the questionnaires to the stakeholder groups of museums and governments are summarized (see **ANNEXES 6** and **7**), as well as the main findings based on interviews with curators in 2012 and other participants which have been additionally undertaken in 2011 and 2012 (see **ANNEXES 3** and **4** List of Interviewees).

3.1. Museum Perspective

General

There were **187 replies from museums** coming from approximately 96% of EU Member States. In the museum poll, in 20% of the cases questionnaires from museums have been filled in by chief curators and curators of the museums.

Assigning values (see ANNEX 6: question 3)

Museums assign values mainly for loans out (100%) although also for acquisition (73%) and purchase (69%). To a lesser degree, museums assign value as part of general inventory (60%) or for loans in (53%). Around 43% of museums say that they are called upon to give opinions to governments or other outside bodies but this tends to concern the cultural significance rather than the economic value. Against the background of this finding, it can be concluded that museums in Europe are required to assign values for a broad spectrum of reasons and in the context of a range of different processes.

Responsibility for valuation (see ANNEX 6: question 4)

The museum questionnaire poll confirmed the prominent role of the profession of curators in the valuation process of museums. 93% of the respondents said that valuation is usually the task of the curator. This underlines the importance of the additional qualitative interviews with curators (see **Chapter 3.2**).

Nevertheless, 60% of the museums reported that valuation is also done by the director and 20% stated that the registrar is involved in valuation.

Most museums say that there is some consultation and the process is done by a team or committee. Outside experts are consulted in exceptional cases such as a purchase from a private vendor or where there are no comparable objects.

Declaring, insuring and up-dating collections (see ANNEX 6: question 10 - 13)

The majority of respondents (60%) say that they do not have to declare the value of their collection to the state; against 40% who have to declare. Around 30% of museums reported that their entire collection is insured (in part by 23% museums).

The main reason for not insuring is that national collections cannot be insured. For the majority (79 museums) declaring the value of their collections it not permitted. In this context it should be noted that after all 43 museums stated that insuring their entire collection is too expensive.

For countries that have to declare values to the government, the period of re-valuation varies widely from 3-15 years. Re-valuing could also occur when an object goes on loan or if there is a recent sale of a comparable object. Some collections have a global value rather than an individual value for each object.

How valuations are made (see ANNEX 6: questions 5 - 9)

The actual valuation is done by consulting a variety of resources; the main one is auction sales. There are also in-house experts, comparative online research and researching museum records.

65% said that they had some kind of process and consulted resources to arrive at a reasoned valuation. 90% said that they use a set of resources to decide on a value.

Auction sales records and sales price databases are the main resource but many do also independent and historical research. Some have built up their own database of information if they have specialist collections but again, this is mainly sales price.

About 61% say that valuations are checked by a senior staff member and approximately 73% keep records of valuations.

Type of insurance cover (see ANNEX 6: questions 15 - 19)

84% said that they always ask for insurance for loans. The other 16% could be accounted for in loans from one national museum to another national museum within the same state, which cannot be insured, or in non-insurance agreements. Some museums say that they have reciprocal arrangements with partner museums where they have built up trust over a number of years and agree to waive insurance or insure only for transit. If there were a loss or damage, the borrower would cover the cost of repair.

From the museums which have insurance for loans out, 98% always insure for nail-to-nail.

For the various types of cover available, 97% insure for total loss and 76% insure for depreciation of value. Each second museum requires cover for war (50%) and terrorism (59%). Some only ask for war or terrorism cover in exceptional circumstances. 83% of museums ask for cover for negligence.

Questioning values (see ANNEX 6: questions 22, 23)

The vast majority of borrowers – 73% - never question values. 64% of museums coming from states which have state indemnity schemes reported that they never check or question values. Obviously, any coherence between questioning values and the existence of state indemnity schemes does not exist.

However, there were several examples of museums seeing valuations out of line with comparable objects and following discussion, the lender agreed to lower the value. It was pointed out that often a lender was willing to reduce a value when the reasoning process was explained.

Height of insurance premiums as a barrier (see ANNEX 6: questions 25, 26)

There were however 38% of respondents who said that they had had to cancel a loan because they couldn't afford the insurance premium.

81% of museums responded that high insurance premiums were seen as a barrier to lending and borrowing.

State indemnity (ANNEX 6: see questions 2, 23, 24)

As a result of the questionnaire poll of museums the following finding is of relevance: 51% of museums responded that they use state indemnity, 91% stated that they use commercial insurance and 71% use both.

The figure of 51% for state indemnity seems low given that most states have an indemnity. The problems mentioned in the curator interviews, such as the complexity of the process or the lack of understanding of indemnity could explain this, but it suggests a real need to educate and encourage more indemnity use. The 71% saying that they use both indemnity and commercial insurance shows a large amount of combining the two. This is usually so in states where the indemnity is not 100% but could also be in cases where indemnity cannot be used because the risk is too great. A combined use of indemnity with insurance can work well provided that the premium is low and the risk is low. Of most concern is the 91% saying yes to commercial insurance. We would have expected this

figure to be far lower. **This shows that there is still an imbalance in the use of indemnity in European museums.**

The numbers of museums who reported that some lenders refuse to accept state indemnity was approximately 33%. The reasons given were mainly ignorance and a lack of understanding of what state indemnity is or how it works. This can make lenders suspicious and lead to a lack of trust.

It is most common with private lenders who want to use their own insurance policy but also some museums, particularly in Germany, insist on insurance with their own commercial policy.

Valuation panel (see ANNEX 6: questions 27 - 30)

63% said that they would welcome the setting up of a valuation panel or body to address current difficulties in the process of lending and borrowing. However, the answers to the question as to which level the panel should be on - museum, state or EU - did not give a clear preference. It has to be noticed that only half of the respondents answered this question which might indicate a kind of uncertainty. Around 80% museums voted for a valuation panel at both state and EU level. A clearer trend concerning the establishment of valuation panels has been identified via the curator interviews (see **Chapter 2.3**)

77% said that they would like some form of template or process to help them determine value. For a clear majority (85%) this should be decided by the museum itself. To a lesser extent respondents see this process as a state system (61%) or as a European system (68%).

It is seen as important that any such body or process should support and advise museum curators in their work rather than being complex, adding an additional layer of bureaucracy or having to pass up decisions to a higher level.

Alternatives (see ANNEX 6: question 31)

In general, museums do not accept the various alternatives to all-risk, nail-to-nail insurance cover. Two-thirds of museum respondents said no and one third said yes.

Of all the suggestions, the one most likely to be considered is insuring for less than market value (33%). 26% said they would insure for transit only and 21% for only repair/conservation. 13% would accept an alternative object instead of insurance.

Some pointed out that decision on the type of cover required are often on a case-by-case basis with careful consideration of when to waive the various requirements.

3.2. Curator Perspective

General

The authors conducted **interviews with 25 curators** coming from 21 EU Member States. **ANNEX 8** provides a statistical compilation of the results

Alternatives to asking for 100%, full-value, nail-to-nail insurance cover (see ANNEX 8: questions under A)

The vast majority of curators said that they always requested full insurance with only 2 saying they did not. There appeared to be a reluctance to consider waiving the various options for cover. Of the suggested options, there was no clear preference for which option might be considered. Not insuring for war or terrorism were the most popular options but with only a slight edge of 15%. The least popular option was not insuring for gross negligence with only one reply saying they would consider this. Not insuring for depreciation or for display were less popular.

Twice as many curators responded that they would not consider shared liability with another museum, where lender and borrower manage the situation together should there be a loss, and yet in the curator interviews there was a wish for more cooperation between museums.

It is interesting that curators are so keen to get the maximum cover for their loans when we know that in most cases, the loan is very low-risk and besides, the object cannot be sold. It appears they have never considered looking for less than 100% cover and have not been asked to do this by their museum. **It seems clear that neither the museum director nor the trustees or the state have taken an active role in reducing the cost of premiums.**

One respondent said that the decision on the type of cover is not his to make but is up to the director. Curators obviously feel very protective of the collections in their care and responsible for them and this may lead them to want the highest level of cover. Or perhaps they do not feel able to take decisions over the type or extent of insurance cover. We know from interviews with curators that some directors “mark up” the value after it has been assigned by their curator as they believe it will increase the importance of the object. In this way, neither curator nor director considers lowering costs but instead they are keeping insurance costs high.

The question of whether there was any national legislation or museum rules which required curators to ask for 100% nail-to-nail cover received a 50%-50% split answer but it is not clear exactly what such guidance involves, where it exists, or if it requires 100% cover. This would leave the other 50% free to be more flexible in the type of cover they request but this does not appear to be the case. It seems that this is the decision of the curator and director and there is scope here for museums and governments to give permission to decrease cover for state collections where the risk is low.

For loans out, 60% said they had never been asked to lower a value. For those who had, several said they were sometimes asked to lower a value for a loan. However, the reasons given were not because the value was considered to be wrong but more often because they were trying to save money or the budget was limited and they could not afford to borrow the item at this premium. This suggests that they do not check values or make comparisons with similar objects.

For loans in, 55% said that they checked values but most said they had never asked for a value to be lowered and accepted the sum given by the lender. One respondent said it was important that the curator's value was accepted as stated in the loan agreement as he was the expert in his own collection and the agreement was a legal contract. This again seems strange as curators have considerable expertise in values and a borrowing curator should be able to spot something out of line. It is not clear why they do not do this; perhaps they are so keen to get the loan that they are not interested in the insurance or could it be simply a matter of time?

On the other hand, some curators show a willingness to lower values to help other organisations keep costs down and to help the loans process. One respondent from Ireland said that "some museums assign values that are purposely lower as a courtesy to sister institutions borrowing a work of art. It would be nice to have some sort of agreement or balance in this respect."

For the type of value assigned, most go for auction house (85%) or market value (65%) with replacement value as the third most popular choice (60%). Only 25% chose the lower options such as probate or private treaty value. This shows that the majority are looking at the most recent sales price for a similar object rather than considering other categories of assessment. There seems to be no consideration of a value which would cover repair or conservation only. Yet one respondent said that using market price as the only criterion made the value even higher as the object was of "museum quality". He suggested that where the risk was low, insurance should be for damage limitation only.

For items that cannot or will never be sold, the whole idea of insurance could seem unnecessary. Besides, museums have an excellent record of loss or damage and insurance companies acknowledge that they are a “good risk” so why do museums insist on market value for insurance? It is understandable in the case of private lenders since the objects are their property but it makes no sense at all for museum collections.

One respondent suggested that museums “fuel” the market by not only keeping values high but by even trying to “add a bit on”. In this way, museums are acting against their own best interests by ensuring that values and therefore premium, are kept high. It might make more sense to do something radical such as agreeing to assign no monetary value at all to museum objects since they cannot be sold. It would make a huge difference in the cost of loans if museums agreed to either shared liability or insure for only damage repair.

Only 25% said they used double market value but from the interviews, it seems that this is quite common, if not by the curator, then by the director who wants to “add value” to his object. Some curators said that simply by being in a famous museum collection, the object has more “value” than the same object in a private collection. When museums invite auction houses to give valuations, they can assign a higher value than they think would be reached at auction to encourage owners to sell despite the fact that the objects cannot be sold.

State indemnity (see ANNEX 8: questions under B)

Most countries in the EU now have a state indemnity but the vast majority (85%) do not have any rules or guidance about accepting other states’ indemnity for loans. **The state indemnities vary considerably and some are more flexible than others.** Several do not provide 100% cover while others have limitations such as only coming into effect once the objects have entered state territory. 65% of curators said that they did not always accept indemnity for loans. **More than one curator said that the biggest problem with indemnity was that all indemnities are different and it would be helpful if they all had the same terms and conditions.**

For others, it was the complexity of the indemnity that was the problem. Some curators said that applying for indemnity was a long and complicated process. They had to apply too far in advance of the exhibition before all the objects had been chosen. In some cases, the indemnity arrived too late when the objects were already in transit. In the curator interviews, many said they did not have time to analyse the details of all the indemnities they were offered, sometimes in a language they did not know, and that it was much easier and quicker to ask for commercial insurance because they knew what they were getting. They also said that they also used indemnity for large, high-value exhibitions and that it was “too much trouble” for small or low-value loans.

This could account for the fact that several said that they did not always accept another state's indemnity despite the fact there is no state or museum guidance on this. The vast majority said there was no rule or guideline about accepting other states' indemnities so it is clear that it is up to the individual curator or director to make this decision.

Approximately 65% said that some lenders had refused to accept indemnity and of these 86% said that the lenders insisted on using their own commercial insurance policy. Lenders were reluctant to explain why this is but curators believe that sometimes it is because they do not really want to lend the object and use a high commercial premium as an excuse. Other lenders do not understand or trust the indemnity. Usually, however, it is because they insist on their own commercial insurance policy. This is understandable for private lenders as they are concerned with "property" but does not make sense for museums, most of which receive public money. Some museums, notably from Germany, Italy and Switzerland, insist on using their own commercial insurance and will not even accept the commercial policy of the borrower, even if the terms and conditions are just as good or even better and even if the premium is lower. One curator said that lenders refuse indemnity because they have a "special relationship" with an insurance company. It is suggested that museums who refuse indemnity have a contract with the insurance company or even receive a financial incentive for any business they give them.

It is also known that private lenders believe that states do not have funds assigned specifically to pay out in a claim whereas insurance companies have ready funds in place from commerce.

The main problems with state indemnities were seen as:

- Too many differences between all the indemnities across the EU
- Most indemnities do not provide 100%, nail-to-nail, full cover
- Many indemnities are complex to understand or to apply for
- There is a perception that they will not pay out in a claim

Assigning values (see ANNEX 8: questions under C)

Most curators said they are very experienced in making valuations. They draw on an array of resources to help make decisions with the majority (96%) relying on their own knowledge and judgement. This is closely followed by auction house figures (85%) and museum records (80%). Some curators are recognised experts outside the museum and are asked to advise governments.

None of the curators had had any formal training in assessment. Most had learned on the job from senior curators and had built up their own expertise. One said it was regarded as part of the duties of a curator to become an expert in values and to keep up-to-date with the market. Another suggested that curators had more knowledge than outside “official” appraisers.

In most cases (83%) valuation was done by the curator but in some (35%) the director took the final decision. In other cases, it was a shared responsibility. One curator expressed surprise that values were not normally discussed and agreed by a group or a panel as this would make them fair and reasoned. This would prevent just making a guess or choosing the highest value possible.

Most of the respondents (80%) said they keep up-to-date with values. They know their own collections well and know where to go to find the latest sales, auctions or private sales. They often visit art or trade fairs to look at prices and have a network of colleagues in other institutions to share information. Most update their records whenever there is a loan or sale.

As for support or advice, some complained that they had had no training and were just expected to pick this up. Others would have welcomed a system. Many said they would like access to other museums’ values or an EU database for items of major cultural significance. Some said the cost of access to online databases was a problem and at times curators had to pay themselves for access. As a Polish curator stated, “Free access to a database with values of many collections would be helpful for museums to do valuations.”

The biggest difficulties with assigning values were seen as:

- Difficulty of valuing a unique or irreplaceable object
- Some items have no market value at all
- Some items are ‘illegal’ (e.g. ancient firearms or objects in armouries or military museums; as well as those governed by international agreements such as CITES)
- Difficulty of finding similar objects to compare
- “Abstract” items such as conceptual art, installations or e-media present problems of full-value or components only

Valuation panels (see ANNEX 8: questions under D)

There appears to be little state involvement over valuation and only three respondents said they had state valuation panels.

Some states, however, have panels assigned for specific tasks, e.g., Lithuania for national acquisitions, Malta's Committee of Guarantee for issues of state importance and the UK for treasure and spoliation. Assembling similar panels for valuations could be a possibility for items of national cultural importance.

Nearly twice as many curators said they would welcome a valuation panel compared to those who would not. The preference was for museum or state level with the EU seen as potentially too slow or bureaucratic.

Several have either informal valuation panels (40%) or work in collaboration with colleagues within the museum and appreciate the shared responsibility and being able to justify their decision should it be questioned.

One stated that in America indemnity review is always conducted by a panel with results monitored and expressed surprise that this is not the case in Europe. He said he was always prepared to explain his values, whereas another respondent said that the curator's decision should not be challenged as he is the expert and his knowledge should not be undermined.

It was mentioned that even with valuation panels, there will always be uncertainty as it is impossible to predict exactly what the market value of any item would be and to balance it in a scientific way against cultural value.

3.3. Government Perspective

General

There were **20 replies from 19 countries** representing approximately 70% of EU Member States (see statistical compilation in **ANNEX 7**).

It has to be noted that in the EU Member States specific institutional settings and legal frameworks as well as the existence or non-existence of state indemnity influence the process and methods of **valuation of museum objects on government level**.

Involvement of governments in valuation (see ANNEX 7: questions 3, 4, 5)

Most governments are not involved in valuations in any sense: Twice as many said that they were not involved in valuations compared to those who were. If they have some contact with valuations, **it is usually for loans, assessment of the state collection or most frequently, for state indemnity.**

As for valuation of the national collection **two thirds said that they required their state collection to be valued for state accounting purposes.**

There is a large disparity in governments' involvement in determining values. In **Greece** and **Spain**, there is an official committee which sets values for national cultural heritage going on loan. The Greek Valuation Committee is formed every time there is a loan request from abroad and consists of three archaeologists who are all curators or heads of collections in national museums. The final decision is given by the Minister of Culture. In Spain there is a valuation committee as part of the Committee for the Export of Cultural Goods.

In other countries, such as the **UK**, there is no valuation committee but the Department for Culture, Media and Sport (DCMS) and the Acquisitions, Export, Loans and Collections Unit, at Arts Council England, a DCMS sponsored body, are involved in various ways in agreeing values for tax, export licences, indemnity, treasure and finds. Panels of outside experts are assembled by the Government which include museum curators and commercial dealers in order to arrive at a fair and accurate value. It is seen as essential that valuation is done by outside experts and not by government.

The UK requires fair and reasonable values for objects covered by Government Indemnity and scrutinises all high-value applications to make sure they are not over-inflated. If valuations appear excessive, the museum and the owner have to justify the value by reference to comparables or other market evidence and are sometimes asked to agree to a reduced value.

In **The Netherlands**, there is some experience of shared liability but generally this is only for long-term loans. There is also an agreement for national museums not to insure for loans, even during transit. The Art Price Index is generally used as a basis for establishing value for loans with various other factors such as quality and age taken into account. There are examples of The Netherlands' state property going on exhibition to Belgium on a shared-liability basis.

In **Germany**, there is a large variety in the involvement of the 16 German Länder in determining values. Each has their own practice and currently no exact overview exists.

In **Hungary**, the State Department dealing with listed objects can advise on valuations but there is no requirement for national collections to be valued, except when going on loan. The only state methodology for valuation was found in **Romania**, although this formula is no longer used. There was previously a requirement for national cultural objects to be re-valued every ten years. The methodology consisted of a number of categories (e.g. artist, age, condition), each assigned a percentage weight in the rating of the object. The value

was increased every ten years by raising the percentage weight according to the level determined by the Ministry of Culture.

High valuation as a barrier to lending (see ANNEX 7: question 2)

Three times as many said that they saw high valuations as a barrier to lending, compared to those who did not.

Reducing costs (see ANNEX 7: question 6)

When questioned about ways to reduce premiums, for example by not insuring for war risk, **two thirds said that they would not agree to change the type of cover that they currently request or to reduce the extent of this cover.**

Only 2 countries were willing to consider accepting an equivalent object as a replacement instead of insurance. The only suggestion that met a favourable response was that of agreeing to insure only for transit and/or repair rather than all risks.

In this section there seemed to be a North-South divide with Northern countries being more flexible in their willingness to consider alternatives to all-risks, market price insurance. It is also interesting to note that Belgium (Flanders) and The Netherlands and Finland and Estonia showed most flexibility.

While acknowledging the difficulties caused by high values, there was little enthusiasm from governments for alternatives to market-value, nail-to-nail, all-risks insurance cover. No-one was willing to be the first to agree not to insure. Since governments are responsible for state property, they feel obliged to protect it. There is some flexibility, however, in not insuring for war or depreciation.

State indemnity (see ANNEX 7: questions 8 - 11)

States with indemnity show a slight tendency to be more flexible over insurance arrangements and to consider alternatives. However, the vast majority do not require values to be kept low or to check or question them. 84% of respondents said that they had never asked for a value to be lowered.

In the questionnaire sent to governments, the following states indicated to have no indemnity scheme: Portugal, Latvia, Estonia, Belgium and Slovenia. **States who indicated that they have no indemnity** demonstrate also different practices of involvement of governments in valuations or in checking or questioning values.

A clear trend can be stated concerning the establishment of indemnity schemes on state level: Except Portugal, all EU Member States which currently have no such scheme, try to establish it.

As a Bulgarian interviewee noted, “Currently, state indemnity appears to be the most reasonable and appropriate opportunity for Bulgarian museums to participate in mobility of collections.”

3.4. Other Participants

Insurance agencies – Interviews 2011

There is very little transparency in how values are arrived at. There are certainly ‘invisible’ factors, such as political instability or how much the market can bear. Insurers interviewed said that they accept without question the value given by the owner as this is reflected in the premium. In the case of a loss or damage however, the insurance company will call an expert to assess the amount of depreciation.

Specialised fine art insurance companies (e.g. AXA Art, Nationale Suisse, Mannheimer, Allianz, Uniqua, XI Insurance) work for different clients within a broad range of institutions such as museums, government bodies and private collectors. They do not specialise in either the public or the private sector.

The majority say that they always accept the client’s value although this is only for public collections.

But insurers do not accept the client’s valuation in every case. From comments given in the questionnaire it appears that valuations are accepted when they come from public institutions such as state museums, ministries of fine arts, municipalities etc. In contrast, private clients have to provide a valuation by an independent expert. This draws attention to the role of ‘third parties’ in the valuation process who may be recognised experts, professional valuers, specialised institutions and also experts from established international networks of insurance companies.

The type of insurance cover provided is for a variety of different types of value, mainly current market value and repair. The highest category reported, however, is for depreciation of value.

Some insurers said that they sometimes provide a valuation when required but there is no indication of how they do this. In the one interview conducted, the respondent said that

they had a series of outside experts in various countries who they called on when required.

When there is a claim, the settlement is equally for repair cost and depreciation value.

Finally, to demonstrate the difficulty of valuation processes of works of art, we quote a comment given by an insurer: "Evaluation of works of art is a difficult process due to the fluctuation of certain styles, markets, etc., and has become even more dynamic as a consequence of globalisation."

The general difficulty of relationships between museums and insurance companies demonstrates the following comment of a Spanish curator: "As good customers of insurance companies, museums have developed habits that increase the costs of insurance. It is necessary to investigate whether these companies are prepared to improve their services to museums. Maybe there could be a European recommendation about this."

Valuers

The profession of valuer does not exist in many countries. In some, they are exclusively attached to dealerships and auction houses; in others there are independent appraisers who have built up experience over the years and in a few there are chartered valuers with qualifications (profession of Chartered Surveyor). In many countries, particularly Eastern Europe, the market is still too small to have much auction activity and it is therefore difficult to establish market price. This has led to some cases of items going on loan abroad at significantly under-value.

In France there are 'experts' who are independent valuers. They can choose to be 'approved' by the *Conseil des Ventes Volontaires* but have no qualifications or certification. There are three professional bodies (e.g. *Chambre nationale des experts spécialisés en objets d'art*) with their own requirements and codes of conduct. Although there are no national standards, terms for describing works of art are stipulated under French law. This applies mainly, however, to authentication rather than value as the intention is to prevent fraud.

There is a large range of experience and professionalism. Some valuers will only give a verbal quote while others produce a detailed written report with reasoning and comparisons. Many museums will consult outside valuers from time to time, but rely on those with whom they have a long relationship and who they know to be objective. In the USA there

are many 'appraisers' due to the high demand for assessments for tax-deductible purposes but this is not the case in Europe.

Lawyers

If there is a claim, the state indemnity or commercial insurance company generally call an independent expert to value depreciation. For museum property this is not usually an issue as only repair costs are required. Private lenders however, usually also ask for depreciation compensation: There is usually a negotiation between the insurer and the claimant, based on the expert's opinion in order to arrive at an agreed sum. Public and private collections are quite different in their attitudes to insurance and risk.

4. Conclusions: Mapping Current practice

4.1. General Conclusions

In its Final Report on "**Practical ways to reduce the costs of lending and borrowing of cultural objects among Member States of the European Union**", the OMC Working Group of EU Member States experts on the Mobility of Collections devoted one chapter to the subject matter of "Valuations".⁵

In the introductory remarks to this chapter, the OMC Working Group "agreed that valuation is a very difficult topic since there are no exact or scientific rules, given that valuation is 'an art and not a science' ". This statement was also supported by the preliminary findings, in 2011, of the authors of the current report.

Giving a value to a cultural object is not and can never be an exact science. Because of factors such as taste, condition and the reputation of the artist, the value assigned is, at best, the educated guess of an expert.

⁵ OMC Working Group on the Mobility of Collections (2012b), Chapter 3.3. Available at http://ec.europa.eu/culture/our-policy-development/policy-documents/omc-working-groups_en.htm.

As many curators whom the authors have interviewed have given very helpful general comments to financial valuation of works of art, some statements will be quoted below:

“The concern is that we depend on market value as much as the market sometimes depends on us: in the first instance, when buying or valuing an item, we have to tie ourselves to the current market value. The instant we value something, the market inflates the item as it is of ‘museum quality’ and therefore historically and culturally valuable. More often than not, we have to be wary of certain donations due to this phenomenon, i.e. inflating the price since there are similar examples in the national collections.” (Malta)

“Every now and then, the same official valuation officer comes in to do valuations. In principle, he does the same as I would do: checking websites and art prices. The difference is that I know the collection better, including the lending history of the objects, and I am a lot cheaper.” (Netherlands)

“The difficulties are the instability of the decorative arts market in Spain, mainly since the beginning of the crisis; the lack of information about some rare specializations or objects; the difference between the valuations of the same objects in the Spanish market and foreign markets.” (Spain)

“It is difficult to find a balance between commercial prices and museum valuations (considering the condition of the object, the potential risks of every loan, etc).” (Romania)

4.2. Conclusions – Museums & Curators

Conclusions stemming from museums

1. **Insurance premiums as a barrier:** Given the high number of 81% of the museums which stated that high insurance premiums are a barrier for lending and borrowing, it can be concluded that museums should be better informed on national indemnity schemes.
2. **Insuring for depreciation:** The fact that the majority of museums who responded insure for depreciation of value seems surprising as most national collections cannot be sold or de-accessioned. The practice of insuring for depreciation should be questioned.
3. **Type of insurance cover:** The proposal that museums insure only for transit was the most popular of the alternatives. Museums should be encouraged to adopt this when the risks are considered low.
4. **Questioning values:** It was interesting to see that several respondents questioned values that seemed excessive and that the values were lowered after negotiation with the lender and when the reasoning process was

explained. This suggests that high values should be questioned as a matter of course and that lenders are more flexible than previously thought.

5. **How valuations are made:** The majority of museums said that they did have some kind of process for determining value based on a variety of comparative steps. Recent or current market value, however, is always the key element in the decision. Nevertheless, guidance and capacity building for museums in determining value remains an issue of concern (see conclusion 7).
6. **Acceptance of state indemnity:** The high number of museums reporting that lenders have refused to accept state indemnity is a cause for concern. It is well-known that having a state indemnity scheme significantly reduces insurance costs. The prejudice against indemnity on the part of lenders is largely based on ignorance and a lack of trust. Museums should make more effort to explain how indemnity works and to reassure their lenders. This could be taken further with a requirement for all national museums, or those in receipt of state funds, to accept indemnity for loans where it exists.
7. **Guidance and capacity building in determining value:** Finally, there was a significant desire of museums to have a template or process or some form of guidance to help determine a valuation. A sample process is provided in this report (see **Chapter 5.2**).

Conclusions stemming from curator interviews

8. **Alternatives to asking for 100%, full-value, nail-to-nail insurance cover:** There is no requirement for curators to request 100% cover for loans out and most expect full cover for loans. Curators seem to like “maximum value” for their objects and request insurance for replacement or market value. They have not considered reducing cover. There is a reluctance to question values for loans in. Curators and directors are not encouraged to reduce the cost of loans and seem keen to keep values high for their own collections. There appears to be little guidance or policy on insurance for national cultural objects.
9. **Acceptance of state indemnity:** Although most states in Europe have indemnity, there is a major problem with the differences between these systems and most curators would welcome similar terms and conditions across the EU. Many indemnities do not offer the same cover or flexibility as commercial insurance and some curators find the complexity or the application process too cumbersome. Many lenders refuse to accept indemnity because of either lack of understanding of what indemnity means or because they have an agreement with their own insurance agent.

10. **Assigning values:** Curators have no training or methodology but build up knowledge over years. This forms the basis for the experience of Curators who have significant expertise in assigning values. They take this role seriously and keep up-to-date with values, but these are mainly market-based. They recognise that valuation is difficult and many would welcome some kind of guidance or process or to share and discuss the value.
11. **Valuation panels:** Only two respondents had state valuation panels yet they exist in some form in several countries. Most curators said that they would welcome guidance or shared decision making in order to reach a collective and defensible decision. In the end, however, valuation always has to be an educated guess. Since two third of curators said they would welcome a valuation panel, this should be looked at in both a museum and state context. Most respondents said that a panel at EU level might be too slow, complex or bureaucratic, although some form of European database with recent sales prices would be welcomed.
In some states, national panels are brought together from time to time for specific purposes such as topics of major cultural importance, spoliation, or export licences. Such panels could be extended to include valuation.
12. **Methodologies in valuation:** There is no profession of 'valuer' although there are many people with significant expertise who work in this field and some have accreditations. No methodologies were produced, but during the interviews, it became apparent that there is often a process with a series of similar steps to determine a valuation.

4.3. Conclusions - Governments

13. **Involvement of governments in valuation:** In general, states seemed to have little or no involvement in valuations, which is surprising considering that most said that they saw high values as a problem. Most countries were not involved in valuations in any sense and for any purpose. Even states with indemnity had little input into values and did not check or monitor them or require values to be kept low as one of the conditions of providing indemnity. This is surprising considering the excellent record of claims.
14. **Reducing costs:** In reducing costs, the suggestion of a North-South divide cannot be seen as fact since differences in national laws and requirements were not taken into account. However, four states who are close neighbours showed the greatest willingness to consider the alternatives. This could be because of geographical proximity, a shared history and culture or

a high degree of knowledge and trust. It would be interesting to explore this further.

15. **Acceptance of state indemnity:** Since *Lending to Europe* was published in 2005, the number of EU Member States with state indemnity schemes has been extended (see OMC Working Group, Final report, 2012b). Nevertheless, the broader establishment of state indemnity schemes in the EU Member States does not mean that the role and the use of these schemes is fully understood and supported in the process of lending and borrowing by governments. The results of the research undertaken to this report demonstrate that the acceptance of state indemnity between EU Member States that do have an indemnity scheme is still underdeveloped and less supported by the states.
16. **Valuation panels at state level:** Most governments have an arms-length attitude to valuations. Only two had an actual valuation panel (Greece and Spain) although many are involved in valuations for a range of purposes such as export licenses, treasure and tax exemption.

4.4. Conclusions - Other Participants

The sample in 2011 which included interviews with **auction houses and insurance companies** was too small to draw clear conclusions. Auction houses and insurance agents were generally reluctant to take part in this survey and interviews obtained by the authors were generally off the record. However, some conclusions can be made.

17. **Insurance companies:** It is interesting to note that since insurance companies often commission valuations, there may be a possibility of a discussion on keeping values for museums on the low side. The importance of depreciation of value in the insurance package is surprisingly significant.
18. **Auction houses:** The perception is that auction houses and insurance agents want to keep values as high as possible.

5. Recommendations

5.1. General Recommendations (Museums, Governments, EU)

Against the background of the research on the subject of financial valuation for lending and borrowing, **following initial research in 2011 the researchers had already given recommendations on three levels: museum professionals, governments and European Institutions.**

The **OMC Working Group of EU Member States experts on the Mobility of Collections** has taken over several recommendations of the authors in its Final Report on “Practical ways to reduce the cost of lending and borrowing of cultural objects among Member States of the European Union” in **chapter 3.3 on Valuations**.⁶

The additional findings of the research undertaken in 2012 allow the authors of this report to clarify and broaden their final recommendations as follows.

1. Recommendations for Museum Professionals

1.1 Create a policy for valuations

Museums should place more importance on valuing objects and have a valuation policy, equal to their acquisition or exhibition policy. It should state their attitude to valuation and demonstrate clarity and transparency over the process.

⁶ OMC Working Group on the Mobility of Collections (2012b), Chapter 3.3. Available at http://ec.europa.eu/culture/our-policy-development/policy-documents/omc-working-groups_en.htm.

1.2 Develop a transparent methodology for valuation

A simple step by step process for staff should be developed within the museum so that staff can follow a proscribed format to ensure that valuation is not guess work. The value arrived at will then be seen as the result of a more objective process and can be explained or justified.

1.3 Train staff in methodology and procedure

Many curators said they would welcome training on how to undertake valuations. Training in methodology and resources would support them in making judgements.

1.4 Provide resources and information

Curators use a variety of resources such as auction catalogues and consulting experts to determine a valuation. They would welcome more resources and support and especially, free access to online databases of information.

1.5 State indemnity and shared liability

There should be a requirement for any museum receiving state funds to have to accept indemnity when offered by another state. Museums should consider shared liability as an alternative to commercial insurance.

1.6 Valuation panels

On a more informal basis, museums should consider creating a valuation panel in order to support their curators. A valuation panel could adopt a systematic method of valuing a museum object. By using a methodology, the final sum assigned would be more scientific and more transparent. The panel could draw on a wider range of resources and meet at regular intervals when various experts could gather together in one place to decide on a number of cases.

A valuation panel would also share the responsibility for decision making and remove the pressure from the curator. It would also prevent the situation where the director adds to the recommended sum in the belief that this makes his object more important. In this way a valuation panel would solve many of the problems of lack of clarity and over-valuation cited in this report.

2. Recommendations for Governments – EU Member States

2.1 Develop a policy for realistic valuations

Governments could take the lead in recommending that state-funded museums adopt a policy for low valuations and agree not to follow market prices.

2.2 Make state indemnity and shared liability better work at Member State level

There is much variety in the various indemnity schemes across the EU. States with indemnities should try to make them wider and more flexible in order to encourage all lenders to accept indemnity. The process of applying for indemnity should be simplified.

2.3 Support capacity building and provide resources for this

More education on how indemnity works would be helpful with a guarantee that payment will be made in a claim.

3. Recommendations for EU Institutions

3.1 Develop a policy for valuation of cultural goods held in / exhibited by museums intended to reduce costs

EU institutions should take more of an active role in the subject of the values of objects in European collections. They should support the idea that objects which are state property and cannot be sold should be covered by state indemnity when on loan or, if insured commercially, they should be valued at below market price.

3.2 Advocate for state indemnity and shared liability

Encourage non-insurance agreements between EU Member States by raising the awareness of state indemnity schemes. A system of shared liability would help to reduce the costs.

3.3 Support capacity building and provide resources for this

Resources could be provided for information, expertise, databases and other resources, which would be available, free of charge to European museums.

3.4 Commit to supporting the rights of cultural institutions over the free-market pressure of commercial insurance companies

At present there is no requirement for museums to use indemnity rather than commercial insurance. EU institutions should encourage the use of state indemnity and require an explanation when a museum chooses commercial insurance instead.

5.2. Sample Methodology ('Checklist')

The attached checklists have been created by the authors following interviews with curators, valuers and insurance agents.

While everyone agrees that there is no scientific accuracy in assessing value, **there can still be a methodology which the curator can follow step-by-step**. Several of the interviewees talked about having a process but none of them had produced a formula or written this down. This chart could therefore be the very first guideline in valuation for curators. None of the curators surveyed said that they had any training in assigning value and most would welcome more guidance or a system on how to conduct valuations.

The attached sample checklists are designed for anyone who has to decide a valuation and suggests the kinds of questions they should ask. The checklist is only one of the tools available and should be used in combination with other resources such as databases, comparisons with similar objects and consulting experts. In order to create a methodology for determining value, **there are many factors to consider including the object, its rarity and the resources available to inform the decision.**

The checklist leads the curator through a process which should indicate how important the object is culturally and financially and therefore acts as a guide to high or low value. The more famous the artist or more rare the object, the higher the value will be.

No one methodology will be suitable for the vast range of cultural goods and different methodologies may be created depending on the type of object. The attached checklists are only examples of what can be done. We suggest that each museum should make up their own methodology using a variety of criteria appropriate to the type of object.

The **General Checklist** is designed to apply to any object and has a series of generic questions as to rarity and importance. The General Checklist can be used on its own for any cultural object.

It is followed by a series of additional sample questions which can be used for specific types of collection. These suggested questions look at some of the determinants of value for items that may not have a market, such as ethnographic or social history items. These additional questions should be used in conjunction with the General Checklist. **Curators are encouraged to create their own checklist of questions for valuation purposes, based on their knowledge of their own collections.**

| Sample Methodology ('Checklist') - General |
|---|
| Source: compilation by the authors |
| Title of item |
| Maker or artist |
| Date of creation/ discovery |
| Place of creation or find spot |
| Materials |
| Dimensions |
| Classification |
| Is it unique? |
| How rare is it? |
| Is it from a reputable source? |
| How historically important is it? |
| Is the item of scientific value? |
| How important is the item in its class/field? |
| Is this item associated with a famous person/place/event? |
| Does this item add something important to world culture? |
| Is the item of local/national/international importance? |
| Is there a market for this item? |
| Are similar items in demand from collectors? |
| Are similar items for sale on databases? |
| Have any similar items gone to auction recently? |
| Do you have any similar items in your collection already and what is the value? |
| What condition is it in? |
| Will it require any conservation treatment, mounting or framing? |
| Is it of good quality? |
| Is it fragile? |
| Does it contain any intrinsically valuable materials such as gold or gems? |

Additional sample questions are provided to the following:

- Archaeology
- Archives & Historic Books
- Contemporary Art / Installation
- Fine & Decorative Art
- Natural History
- Photography, Film & E-Media
- Science, Technology & Industry

Sample questions - Archaeology

Source: compilation by the authors

Is it authentic?

Can you verify that it was excavated and exported legally?

Does it come from a reliable source?

Is it unique?

How rare is it?

Is it complete?

Was it part of a larger whole?

Is it from an important site?

Is it from an important group/civilisation?

Does it show a high degree of craftsmanship?

Is it of display quality?

Does it add significantly to our knowledge of this subject area?

How easy/difficult would it be to replace?

Is the market for this type of object specialist/general?

Archives & Historic Books – additional sample questions

Source: compilation by the authors

Does it come from a reliable source?

Is it printed or manuscript?

Was it published or private?

Is it unique?

Is it of historic interest?

Does it relate to an important place or event in history?

How easy is it to find items of this kind?

How important is the information in the document/book?

Is the writer of local/ national/ international importance?

Is the subject of local/ national/ international importance?

If one of a series or published edition, how many were published?

Is this item complete or would it have been part of a whole?

Does it contain a famous signature?

Contemporary Art / Installation – additional sample questions

Source: compilation by the authors

Is this unique?

Is there a market for similar pieces?

Is there a market for works by this artist?

How important is it in terms of contemporary/installation art?

How large is it?

How complex is it to install/ maintain?

Can the parts be sourced easily?

Are there any obsolete parts?

How easy or difficult will it be to store/care for?

Does it present any particular challenges?

Fine & Decorative Art – additional sample questions

Source: compilation by the authors

Is the artist of local/ national/ international importance?

Is this artist/maker likely to attract a high price at auction?

Is it a particularly important item in this artist/maker's work?

Is it of art-historical significance?

Does it belong to an important group or school?

Is it aesthetically beautiful?

Is it made of any precious materials such as gold or gems?

Is there a market for works by this artist/ maker?

Are works by this artist/maker currently saleable?

How important is this piece in relation to this artist's work?

Does it show high craftsmanship?

Is it of display quality?

Will it require conservation, mounting or framing?

Is it likely to attract a high price at auction?

Is it being sold by a reputable source?

Natural History – additional sample questions

Source: compilation by the authors

Is it historically important?

Is it scientifically important?

Is it a holotype (does it define a species)?

Does it form part of an important grouping?

Does it add significantly to our knowledge of this subject?

Is it complete?

Is it for display/research purposes?

How easy/ difficult would it be to replace this item?

How easy/ difficult would it be to prepare/process a similar item?

Is the object affected by any legislation, e.g. CITES?

Can you prove it was legally excavated/exported from its country of origin?

Is there a market for this type of object – specialist/ general?

Are there many others of these on the market?

Is there a standard way to value this item?

Photography, Film & E-Media – additional sample questions

Source: compilation by the authors

How rare is this item?

Is it a negative or print?

If a print, was it made at the same time as the negative?

Is it by a famous photographer/ film maker?

Is the subject of local/ national/ international importance?

What were the reasons for taking the photo/making the film/video?

Is it of documentary/artistic importance?

What is the quality?

What is the condition?

Will it require specialist storage conditions?

Is it possible to reprint/reproduce from the original?

Is it unique or does it form part of a whole, e.g. an album?

Science, Technology & Industry – additional sample questions

Source: compilation by the authors

Is this item of significant scientific or technological interest?

Is it unique or was it mass-produced?

Is it associated with a particular scientific/technological breakthrough?

Is it a prototype?

Is it associated with a famous scientist/engineer?

Is it of historical importance?

Does it add to our knowledge of a particular subject or research area?

Is it of local/national/international importance?

Is it a discrete item or was it part of a whole?

Does it contain any precious materials?

Is it a collectable?

Does it have any moving parts?

Will it be difficult to handle, store or maintain?

References

General – value and valuation of cultural goods

Andriessen, Daniel (2005), *Value, Valuation and Valorisation*. Netherlands.

De la Torre, Marta (2002), *Assessing the Values of Cultural Heritage*. Los Angeles.

Dr. O'Brien, Dave (2010), *Measuring the Value of Culture: a report to the Department for Culture Media and Sport*. London.

Graw, Isabelle (2009), *High Price: Art between the Market and the Celebrity Culture*. Germany.

Klamer, Arjo (1996), *The Value of Culture, On the relationship between economics and arts*. Amsterdam.

Noonan, Doug (2002), *Contingent Valuation Studies in the art and Culture: An Annotated Bibliography*. New York.

Reports, papers, lectures: mobility of collections, state indemnity, shared liability etc.

Art Price (2010), *Art Price Report 2009- 2010*. Lyon.

Buurman, Hans (2010), *Insurance, non insurance, state indemnity*.

De Brabander, Stephanie; Collinet, Ute; and Gille, Stephanie (2003), *EU Study State indemnity schemes*. Berlin/ Paris.

Galambos, Henriëtta, Bergevoet, Frank (2009), *Hand- outs, Workshop Valuation, insurance, state indemnity, shared liability*.

Galambos, Henriëtta, Szecsi, Diana, Tsilidou, Sofia, Feys, Hans (2010), *State Indemnity and shared liability agreements*.

Government Indemnity Scheme (2004), *Guidelines For National Institutions*. London.

Pettersson, Susanna, Hagedorn- Saupe, Monica, Jyrkkiö, Teijamari, Weij, Astrid (2010), *Encouraging Collections Mobility – a Way Forward for Museums in Europe*. The Netherlands. Available HTTP: http://www.lending-for-europe.eu/fileadmin/CM/public/handbook/Encouraging_Collections_Mobility_A4.pdf (accessed 18 August 2011)

Pettersson, Sussana (2010), *Long- term loans best practices report*. Finland.

Lending to Europe, Recommendations on Collection Mobility for European Museums (2005), A Report produced by an independent group of experts, set up by Council resolution 13839/04.

Nout van Woudenberg, *State Immunity and Cultural Objects on Loan*, Leiden/Boston 2012

OMC Expert Working Group on the Mobility of Collections (2010), *Final Report and Recommendations to the Cultural Affairs Committee on improving the means of increasing the mobility of collections*.

OMK- Expertenarbeitsgruppe (2010), *Mobilität von Kunstsammlungen*. Executive Summary in German of the OMC Expert Working Group on the Mobility of Collections (2010), quoted above.

OMC Expert Group (2011), *Examination of ways and means to simplify the process of lending and borrowing*, Brussels.

State Indemnity for art Exhibitions (2009), *Guide for applicants*.

OMC Working Group on the Mobility of Collections, *Practical Ways to Reduce the Costs of Lending and Borrowing of Cultural Objects among Member States of the European Union*, Executive Summary (2012a). Available at <http://ec.europa.eu/culture/our-policy-development/documents/moc-mob-of-collections-ex-summary.pdf>

OMC Working Group on the Mobility of Collections, *A Report on Practical Ways to Reduce the Cost of Lending and Borrowing of Cultural Objects among Member States of the*

European Union (2012b). Available at http://ec.europa.eu/culture/our-policy-development/policy-documents/omc-working-groups_en.htm

OMC Working Group on the Mobility of Collections, *Toolkit on Practical Ways to Reduce the Cost of Lending and Borrowing of Cultural Objects among Member States of the European Union* (2012c). Available at http://ec.europa.eu/culture/our-policy-development/policy-documents/omc-working-groups_en.htm

Further recommended literature

State indemnity

Resolution on indemnity by the Bizot group (2009), http://www.lending-for-europe.eu/fileadmin/CM/public/documents/indemnity/Indemnity_Resolution.pdf

http://www.lending-for-europe.eu/fileadmin/CM/public/documents/references/Indemnity_for_Loans_Subsidy_Scheme_2005.pdf

Free movement of collections

http://www.lending-for-europe.eu/fileadmin/CM/public/documents/references/summary_indemnity_nl.pdf

http://www.lending-for-europe.eu/fileadmin/CM/public/documents/indemnity/Lecture_IEO_15_April_website_transcription.pdf

Relevant Websites

Collections Mobility 2.0, Lending for Europe 21st century, <http://www.lending-for-europe.eu>

NEMO – The Network of European Museum Organisations, <http://www.ne-mo.org>

International Council of Museum's standards and guidelines:
<http://icom.museum/professional-standards/standards-guidelines/>

ICOM's bibliographies: <http://icom.museum/resources/bibliographies/>

UK Registrars Group: <http://www.ukregistrarsgroup.org/>

The Registrars Committee of the American Association of Museums (RC-AAM):
<http://www.rcaam.org/>

International Convention of Exhibition and Fine Art Transporters (Icefat):
<http://www.icefat.org/>

ANNEXES

| ANNEX Nr. | |
|-----------|--|
| ANNEX 1 | GLOSSARY (including different types of value) |
| ANNEX 2 | Survey Monkey - BASIC INFORMATION per EU MEMBER STATES |
| ANNEX 3 | LIST OF INTERVIEWEES 2011 |
| ANNEX 4 | LIST OF CURATOR INTERVIEWEES 2012 |
| ANNEX 5 | TIMETABLE – Actions in 2011 & 2012 |
| ANNEX 6 | Survey Monkey - QUESTIONNAIRES COMPILATION - MUSEUMS |
| ANNEX 7 | Survey Monkey - QUESTIONNAIRES COMPILATION - GOVERNMENTS |
| ANNEX 8 | Compilation of results - Interviews CURATORS |

ANNEX 1: GLOSSARY

Acquisition value: The value assigned upon acquisition by the museum, could be a purchase price, tax valuation or insurance valuation.

Agreed value: A price agreed between both parties in the transaction e.g., buyer and seller, lender and borrower.

Comparative value: Because of the unique nature of works of art, their market value cannot but be seen as a comparative value. Seeing that pieces from museum collections are rarely found on the market, their market value can only be estimated by comparing them with art works of equal importance. (See *Lending to Europe* 2005: 76)

Compensation value: A calculation of value based on several factors including providing compensation for the loss as well as the value of the object and/or restoration costs.

Commercial or market value: The commercial or market value of a work of art is expressed in monetary terms, determined by market criteria. It has relevance for auctioneers, gallery owners and private persons, since for them a work of art is an investment. (See *Lending to Europe* 2005: 76)

Cultural value: The cultural or artistic value is the decisive reason for making a work of art an exhibit. It cannot be expressed in monetary terms. This is where compensation lim-

its come into play. The uniqueness reflected in this concept of value is nevertheless an aspect that influences the prices of art work. (See *Lending to Europe* 2005: 76)

Declared value: See 'Replacement value'

Depreciation: Loss of commercial value of a work after damage and restoration resulting in compensation paid on the advice of a loss-adjuster and in agreement with the insurer.

Exclusions: Eventualities which are not covered in the insurance policy.

Fair market value - mid-auction value: A value set at mid-range between high-auction estimate and low-auction estimate.

Facsimile value: Cost of creating a new replacement for the object.

Nail-to-Nail: Insurance or indemnity cover from the point when an object leaves the wall or shelf where it usually resides until it returns to that wall or shelf, i.e. for the entire duration of the loan.

Non-insurance: An agreement that both parties in a loan transaction will equally bear the risk of loss or damage and not take commercial insurance.

Open market value - mid-auction value: see 'Fair market value'

Probate value: A value set for items left in a will and given by bequest.

Replacement value: The sum that would be required to compensate for a loss. The declared value of a work of art is therefore also its replacement value. (See *Lending to Europe* 2005:77) The replacement value is determined by the cultural value, by market prices (purchase, sale, auctions) and trends in the art market.

Retail replacement: Usually double the estimated auction price and covers buyer's premium, VAT, etc.

Self-insurance: The owner / lender agree to bear the risk instead of taking out insurance.

Shared Liability: Lender and borrower agree to share responsibility for any loss or damage and to settle any such loss or damage by negotiated agreement.

State indemnity: A national scheme whereby the state undertakes to provide financial compensation for the loss or damage of a work on loan, without any insurance company acting as an intermediary (OMC Toolkit 2012c: 59).

Subrogation: A principle that gives the state / insurance agent the right to take action against any person for damages in respect of a claim which has been declared.

Tax value: Value for tax purposes, usually at a low rate.

Valuation tolerance: A given range of values for a single object.

ANNEX 2: SURVEY MONKEY - BASIC INFORMATION PER EU MEMBER STATES

Source: Compilation by the authors & Interarts

| | Countries | | Number of questionnaires received back (2011 and 2012) | |
|----|----------------|----|---|-------------|
| | | | Museums | Governments |
| 1 | Austria | AT | 9 | |
| 2 | Belgium | BE | 11 | 2 |
| 3 | Bulgaria | BG | 3 | 1 |
| 4 | Cyprus | CY | 7 | |
| 5 | Czech Republic | CZ | 6 | 1 |
| 6 | Denmark | DK | 3 | |
| 7 | Estonia | EE | 5 | 1 |
| 8 | Finland | FI | 9 | 1 |
| 9 | France | FR | 8 | 1 |
| 10 | Germany | DE | 2 | |
| 11 | Greece | GR | 5 | |
| 12 | Hungary | HU | 5 | |
| 13 | Ireland | IE | 4 | |
| 14 | Italy | IT | 2 | 1 |
| 15 | Latvia | LV | 3 | 1 |

| | | | | |
|----|----------------|------|------------|-----------|
| 16 | Lithuania | LT | 5 | 1 |
| 17 | Luxembourg | LU | 2 | |
| 18 | Malta | MT | | 1 |
| 19 | Netherlands | NL | 10 | 1 |
| 20 | Poland | PL | 7 | 1 |
| 21 | Portugal | PT | 3 | 1 |
| 22 | Romania | RO | 9 | 1 |
| 23 | Slovakia | SK | 4 | 1 |
| 24 | Slovenia | SI | 2 | 1 |
| 25 | Spain | ES | 24 | 1 |
| 26 | Sweden | SE | 7 | 1 |
| 27 | United Kingdom | UK | 15 | 1 |
| | n.a. | n.a. | 17 | |
| | Total | | 187 | 20 |

ANNEX 3: LIST OF INTERVIEWEES 2011

| European Commission or Land | Name | Organisation | Position |
|------------------------------------|--------------------------|--|---|
| European Commission | Xavier Troussard | Directorate General Education and Culture (DG EAC) | Director of EAC-D1 Culture policy, diversity and intercultural dialogue |
| European Commission | Catherine Magnant | Directorate General Education and Culture (DG EAC) | Deputy Head of Unit EAC-D1 |
| European Commission | Leonor Wiesner | Directorate General Education and Culture (DG EAC) | Policy Officer, EAC-D1 |
| European Commission | Petar Miladinov | Directorate General Education and Culture (DG EAC) | Policy Officer, EAC-D1 |
| Denmark / Government | Jesper Stub Johnsen | National Museum of Denmark | Head of Conservation |
| France/ University | Sophie Vigneron | University of Kent | Lecturer in Law |
| Germany/ Government | Werner Weber | Federal Government Commissioner for Culture and the Media (BKM) | Department of International Cultural Relations / OMC |
| Germany/ Government | Norbert Haase | Saxon State Ministry for Higher Education, Research and the Arts | Policy officer in the Ministry / OMC |
| Greece/ Government | Sophia Tsilidou | Hellenic Ministry of Culture | Department of Museums and Research |
| Hungary/ Museum | Henrietta Galambos | Museum of Fine Arts, Budapest | Deputy Director and Head of the Registrars Department / OMC |
| The Netherlands / Government | Frank Bergevoet | Cultural Heritage Agency | Collections Mobility Coordinator, Programme Manager Museometry |
| Poland/ University | Dorota Folga Januszewska | Cardinal Stefan Wyszyński University, Warsaw | Professor of Art History and Museum Studies |
| Poland/ University | Kasia Zalasinska | University of Warsaw | Lawyer |
| Romania/ Government | Raluca Capota | Ministry of Cultural Heritage | Expert |
| Spain/ Government | Leticia De Frutos | Ministry of Culture | National Museum Collections |
| UK/ Government | Hillary Bauer | Department for Culture, Media and Sport | Head of Cultural and International Property Unit / OMC |

ANNEX 4: LIST OF CURATOR INTERVIEWEES 2012

| | Coun-try | Museum | Name and Position |
|----|-----------------|--|---|
| 1 | AT | Museum für Moderne Kunst - Stiftung Ludwig Wien | Dr. Susanne Neuburger, Head of Collection |
| 2 | BE | Royal Museum of Fine Arts, Ministry of the Flemish Government, Antwerp | Herwig Todts, Senior Curator, Modern art 19th and 20th century |
| 3 | CY | Ministry of Education and Culture | Louli Michaelidou , Cultural Officer, Curator for Cypriot contemporary art |
| 4 | CZ | National Gallery Prague | Olga Uhrová, Curator |
| 5 | DK | The National Museum of Denmark | Bodil Bundgaard Rasmussen, Chief curator |
| 6 | EE | Art Museum of Estonia | Rita Kroon, Head of the Painting Collection, Curator |
| 7 | FI | Tampere Museums/ Museum Centre Vapriikki | Marjo-Riitta Saloniemi, Head of Exhibitions |
| 8 | FI | Helsinki Art Museum | Mikko Oranen / Leena Mattelmäki, Deputy Chief Curator / Curator |
| 9 | FR | Musee de la Musique Paris | Eric de Visscher, Director |
| 10 | DE | Staatliche Kunstsammlungen Dresden | Dirk Burkhardt, Managing Director |
| 11 | DE | Stiftung Kunstsammlung NRW | Dr. Anette Kruszynski, Head of Curatorial Department |
| 12 | HU | Hungarian National Galerie Budapest | Dr. Mariann Gergely, Head of the Department for 19 th and 20 th Century Art |
| 13 | IE | The National Galerie of Ireland | Adriaan Waiboer, Curator of Norther European Art |
| 14 | IT | MartRovereto -Museo di arte moderna e contemporanea di Trento e Rovereto | Clarenza Catullo, Registrar and Chief Curator |
| 15 | LT | National museum Palace of the Grand Dukes of Lithuania | Ėrika Striškienė, Chief Curator of Collections |
| 16 | LT | National Gallery of Art/ Lithuanian Art Museum | Lolita Jablonskiene, Chief curator modern and contemporary art |
| 17 | MT | Heritage Malta | Martin Spiteri, Collections Manager |
| 18 | NL | Amsterdam Museum | Norbert E. Middelkoop, Curator of Paintings, Prints and Drawings |

| | | | |
|----|----|--|--|
| 19 | PL | The Royal Castle in Warsaw - Monument of National History and Culture | Aldona Modrzewska, Assistant in Head Registrar Department |
| 20 | PT | Museu Nacional de Arqueologia / National Museum of Archaeology, Portugal | Ana Isabel Santos, Curator, Portuguese History |
| 21 | RO | Brukenthal Museum Herrmannstadt | Alexandru Gh. Sonoc, Head of Art Galleries, curator for art and archaeology |
| 22 | ES | Museo Nacional de Artes Decorativas | Sofía Rodríguez Bernis, Director |
| 23 | SE | Moderna Museet | Fredrik Liew, Curator, Swedish and Nordic art |
| 24 | UK | The National Gallery London | Christopher Riopelle, Curator of post 1800 paintings |
| 25 | UK | British Museum | Jill Maggs, Head of Loans with assistance of Curator for Modern European Collections |

Curators of the following states were not interviewed in 2012: Bulgaria, Greece, Latvia, Luxembourg, Slovakia and Slovenia. Curators of some of these states have already responded to the questionnaire sent out to museums in 2011 (**see information presented on sections 1.3 and 3.1**).

In the context of the curator interviews in August and September 2012, Freda Matassa has additionally interviewed the following resource persons:

Dr Sam Alberti, Director, Royal College of Surgeons Collection, London

Patricia Eaton, Curator of Photographs, Royal Academy of Arts, London

Richard Ferguson, Collections Documentation Manager, Royal Museums Greenwich, London

Dr Sarah Long, Head of Paleobiology Collections, Natural History Museum, London

Mark Pomeroy, Archivist, Royal Academy of Arts, London

Andrew Spicer, Head of Jewellery & Silver, Bonhams Auctioneers, Chester, UK

ANNEX 5: TIME TABLE- ACTIONS IN 2011 & 2012

| Timetable | Activities in 2011 |
|----------------------------------|--|
| End of July 2011 | Preparation phase: authors and Interarts / Culture Action Europe |
| 8 August 2011 | Briefing in Brussels with DG EAC and first meeting of the authors |
| 23 August send out questionnaire | Expected return 15 September 2011, second reminder for return till 22 September 2011 |
| 30 September 2011 | Return of compilation from Interarts to authors |
| August and September 2011 | Structured interviews with three stakeholder groups by the authors |
| October 2011 | Elaboration of the preliminary report by the authors |
| 18 October 2011 | Draft Preliminary Report sent for comments to Interarts and Culture Action Europe |
| 25 October 2011 | Final Preliminary Report sent to DG EAC |
| November 2011 | Presentation of the preliminary results in Brussels |

| Timetable | Activities in 2012 |
|----------------------------|---|
| June 2012 | Briefing and Preparation phase |
| 5 June 2012 | Briefing in Brussels with DG EAC |
| July 2012 | Send out Questionnaires Museums and Governments |
| End of August 2012 | Compilation by Interarts |
| August and September 2012 | Structured interviews with curators by the authors |
| September and October 2012 | Elaboration of the report by the authors |
| 19. October 2012 | Draft Report sent for comments to Interarts and Culture Action Europe |
| End of October 2012 | Final Report sent to DG EAC |

ANNEX 6: SURVEY MONKEY- QUESTIONNAIRES – MUSEUMS

ANNEX 7: SURVEY MONKEY - QUESTIONNAIRES – GOVERNMENTS

ANNEX 8: CURATOR INTERVIEWS 2012 – COMPILATION OF RESULTS

Note of the authors: This compilation of results contains the statistical evidence base of the interviews the authors have conducted in August and September 2012. Not all questions had been answered by all interviewees.

Several qualitative assessments and comments were given by the interviewees, which form a relevant basis for the documentation on how valuation is done in both the current practice and in view

of experienced curators in Europe. See the full list of 25 curators coming from 21 EU Member States who have been interviewed by the authors in **ANNEX 4**.

| A) Alternatives to 100% full-value, nail-to-nail cover | yes | no |
|--|------------|-----------|
| 19. Do you always ask for 100% full-value insurance and for nail-to-nail cover? | 23 | 2 |
| If yes, would you consider waiving some aspects of insurance if the risk is low? | 11 | 11 |
| If no, would you consider not insuring for: | | |
| a) depreciation | 5 | 6 |
| b) terrorism | 7 | 5 |
| c) war | 7 | 5 |
| d) gross negligence | 1 | 8 |
| e) display (transit only) | 4 | 8 |
| Would you consider shared liability, i.e., non-insurance with any claim managed between lender and borrower? | 7 | 16 |
| 2. Is there any legislation in your country or any rule in your museum which requires you to insure for full value and nail-to-nail? | 11 | 12 |
| 3. Have you ever been asked to lower a value for a loan out? If yes, please explain. | 11 | 14 |
| 3. For loans in, do you check the values? | 15 | 9 |
| Have you ever asked a lender to lower a value if you thought it was too high? Please explain. | | |
| 5. When determining values, what type of value do you assign: | | |
| a) replacement | 14 | 4 |
| b) probate | 4 | 9 |
| c) market | 17 | 1 |
| d) auction house | 17 | 2 |
| e) low market/median market | 8 | 8 |
| f) double auction house estimate | 3 | 11 |
| B) Government / State Indemnity | yes | no |
| 1. Do you have a state indemnity? | 21 | 4 |

| | | |
|---|-----------|-----------|
| 2. Do lenders ever refuse your state indemnity? If yes, please explain why. | 14 | 6 |
| Do they insist on their own museum's insurance policy? | 15 | 2 |
| 3. Do you always accept state indemnity from other countries when lending? If not, please explain. | 18 | 6 |
| 4. Is there any legislation in your country or rule in your museum about accepting state indemnities? | 3 | 20 |
| 5. What do you see as the main problem with state indemnities? Please explain. | | |

| C) Assigning values | yes | no |
|---|------------|-----------|
| 1. What resources do you use in assigning values? | | |
| a) databases | 17 | 3 |
| b) outside experts | 17 | 4 |
| c) in-house experts | 21 | 1 |
| d) personal knowledge | 23 | 1 |
| e) auction houses | 21 | 2 |
| f) museum records | 21 | 0 |
| g) other resources. Please explain. | | |

| | | |
|--|-----------|----------|
| 2. What training have you had in assigning values? Please explain. | | |
| 3. Is valuation in your museum done by: | | |
| the curator | 17 | 1 |
| the director | 8 | 3 |
| shared responsibilities | 10 | 3 |
| 4. Do you keep up-to-date with valuations? Please explain how you do this. | 21 | 3 |
| 5. What support, advice or resources would help you to do valuations? Please explain. | | |

| D) Valuation panels | yes | no |
|--|------------|-----------|
| 1. Is there a state valuation panel in your country? If yes, please explain how it works. | 3 | 21 |
| 2. Is there any state legislation on valuations? | 3 | 20 |

| | | |
|---|-----------|-----------|
| 3. Is there a valuation panel in your museum? If yes, please explain how it works. | 6 | 17 |
| 4. Are there any rules or guidance in your museum on valuations? | 8 | 17 |
| 5. Do you think a valuation panel would be a good idea? | 15 | 8 |
| If yes, should this be at the level of: | | |
| a) state | 12 | 5 |
| c) museum | 9 | 5 |
| d) Europe | 4 | 9 |