



Australian Government
International Exhibitions
Insurance Program

Australian Government International Exhibitions Insurance Program Review Summary

Ministry for the Arts
Attorney-General's Department

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Introduction

The Australian Government International Exhibitions Insurance (AGIEI) program

The objective of the Australian Government International Exhibitions Insurance (AGIEI) program is to provide the Australian public with access to significant cultural material to which they would otherwise not have access. The program achieves this objective by granting funding for the purchase of commercial insurance for major international cultural exhibitions touring to Australia with a value in excess of \$50 million. The AGIEI program receives ongoing administered funding of around \$2 million per annum.

The AGIEI program commenced in 2009-10, replacing the Art Indemnity Australia (AIA) program which had operated since 1979. The change from a Commonwealth indemnity program to an insurance grant program was part of an initiative to better target and risk-manage Australian Government support for the development and touring of exhibitions of significant Australian and international cultural material.

In line with best practice for government grant programs, the AGIEI program was reviewed during 2013. The terms of reference for the review are listed on page 20. This report summarises the key findings from the review and includes the report's recommendations, which aim to ensure the program continues to strongly meet its objectives while responding to the current needs of the sector.

Outcomes of consultation

The AGIEI program review received 12 written submissions and included 27 meetings with public art galleries/museums and arts officials in all states and territories. The majority of stakeholders are highly supportive of the AGIEI program.

The key issues identified through the consultation process were that:

- the perception of Australian Government involvement is valuable to international negotiations
- both single and multi-venue tours require support
- the program's \$50 million value minimum threshold disadvantages museological exhibitions, and
- there is a need for flexibility around timing for funding proposals.

In addition, one program stakeholder argued for significant change to the program, primarily through the reintroduction of Australian Government indemnification for international exhibitions.

Key findings

Performance

- The aim of the AGIEI program to increase Australian access to significant cultural material continues to be valid and appropriate.
- The program has successfully increased access to significant cultural material and has provided cultural, educational and economic benefits that far exceed the original funding investment.
- The program provides effective and efficient delivery of insurance support for major international exhibitions. There is ongoing strong demand for the AGIEI program and support for its continuation among stakeholders.
- There is scope to improve delivery to enhance outcomes for the sector.
- Dovetailing AGIEI and state indemnity support remains difficult given the inconsistencies between schemes, and differing requirements of lenders.

Impact

- The AGIEI receives annual Australian Government funding of \$2 million (indexed) and since commencing has supported 17 exhibitions with a total artwork value of \$6.1 billion seen by total audiences in excess of 2.3 million.
- While major exhibitions have the capacity to deliver significant benefits, they are costly and subject to financial risk. Insurance costs generally range from hundreds of thousands to over a million dollars for any one exhibition.
- Without some form of support to meet insurance costs, the presentation of international exhibitions would be affected, as organising bodies are not always able to absorb these costs.

Alignment with Australian Government policy

- Australian Government institutions are insured through Comcover, the Commonwealth's self-managed insurance fund, which is administered by the Department of Finance. Comcover provides standard liability and property insurance cover for the usual activities of the national collecting institutions and exhibitions valued below \$50 million. The AGIEI program complements this support by providing assistance for exhibitions valued at or above \$50 million. AGIEI also has the ability to provide support to non-Commonwealth institutions which are not members of the Comcover fund.
- Comcover does not support a return to an indemnity arrangement due to the risk it would pose to the Fund, and has expressed its support for the AGIEI program.

Sustainability of the AGIEI program

- The sustainability of the program is subject to a number of pressures including:
 - Reliance on annual appropriation
 - Long lead times for the development of exhibitions and fluctuating demand makes management across financial years challenging
 - Increased future demand and increasing costs of insurance may impact on the ability of the program to effectively meet the needs of the sector
- A key opportunity for the program is the possibility of Comcover providing coordinated broking services for Australian Government programs including AGIEI funding recipients

which, while not absorbing the costs, has the potential to deliver more competitive arrangements as a result of Comcover's collective buying power.

Minimum funding threshold

- The \$50 million threshold disadvantages museological exhibitions, as the financial value of these artefacts are generally lower than for fine art works.
- The introduction of a \$20 million threshold for museum exhibitions would provide greater equity across the collections sector, where state institutions are ineligible for Comcover support and state-based indemnity programs only exist in three jurisdictions.
- A more equitable threshold has the potential to increase geographic reach and better meet the program objective. The threshold of \$50 million would continue to apply to fine art exhibitions.
- The increased demand is expected to be able to be absorbed within current resourcing.

List of Recommendations

To ensure the AGIEI program continues to meet the requirements of the sector and aligns with current Australian Government policy the following recommendations are made.

Recommendation 1: That the AGIEI program continues to be supported by the Australian Government and that current funding levels for the program be maintained.

Recommendation 2: That a minimum funding threshold of \$20 million be introduced for museological exhibitions to provide equitable support for these activities (the \$50 million minimum threshold will be maintained for fine art exhibitions).

Recommendation 3: That the Attorney-General's Department explore options to more effectively manage demand across financial years on AGIEI program funding within the budget allocation.

Recommendation 4: That the administration and guidelines of the AGIEI program be modified to include the following (described further on pages 5-7):

- a) Strengthening the principle of complementary support from states and territories, recognising the economic and cultural benefits delivered to them
- b) Facilitating Australian Government endorsement for proposals which demonstrate strong cultural diplomacy outcomes
- c) Institutional partnerships to be encouraged but multiple and single venue tours to be equally eligible for program support
- d) Maintaining the competitive basis of the program
- e) Providing greater clarity for the assessment of support in exceptional circumstances
- f) Ensuring program responsiveness and flexibility with regard to the timing of applications, the provision of forward plans by applicants to demonstrate future demand on the program, provision for fluctuating final funding requests, and support for full transit insurance costs.

Recommendations for program improvement and streamlining

General principles

The general principles described below take into account the themes and issues raised in submissions to the review and are proposed for inclusion in future AGIEI program guidelines.

Competitive funding (Recommendation 4d)

- The AGIEI program is a discretionary and competitive program. The criteria described below are proposed as a basis for determining funding priorities. The guidelines describe the basis for assessment but, with the range of complex variables associated with international exhibition touring, there will be exceptional circumstances that require consideration on a case by case basis in the context of existing priorities and available funding. All funding decisions will be considered within the limits of available funding with a view to maximising outcomes for Australian audiences.
- The predictability of funding decisions cannot be assured. The program has finite resources and is demand driven. The guidelines specify the criteria for assessment, however individual proposals must be considered in the context of other funding support available and opportunity-costs to the program, and therefore require a level of flexibility to respond to significant opportunities.
- The “exceptional circumstances” category in the Guidelines recognises that there will be occasions when either partial or full Australian Government funding is required but falls outside of stated priorities (see description of exceptional circumstances below). Examples include where a foreign lender stipulates their own commercial insurance or a single policy to cover a multi-venue tour.

Complementary funding (Recommendation 4a)

- Funding decisions will be strongly influenced by contributions from state and territory governments, either through state indemnity cover or other contributions. These contributions appropriately recognise the likely economic and cultural benefits to host states/territories and the audience pool.
- In recognition of the significant economic yields to host states, state and territory government commitment is expected to be demonstrated prior to seeking Australian Government funding commitment.
- Where a state insurance/indemnity scheme exists, AGIEI may be used as a “top-up” if required. This is consistent with state arrangements where organisations are bound to particular providers.

Australian Government endorsement (Recommendation 4b)

- AGIEI funding provides a concrete demonstration of Australian Government involvement for the purposes of international negotiations, however it should not be

used to imply Australian Government indemnity for the exhibition. Where funds allow, applications will be assessed with a view to providing at minimum some contribution to demonstrate the Australian Government's endorsement of the proposed activity. The level of contribution will be considered on the basis of demonstrated need for funding and determined strictly in the context of available funding after priority proposals have been met.

Multiple and single venue tours

- Multi-venue itineraries remain a program priority, reflecting both the objective of the program and the particularly high costs of touring cultural material from international lenders, predominantly from Europe and North America, to Australia. For this reason, the Program strongly supports partnerships and consortia by host institutions.
- The program recognises the range of variables that may affect the feasibility of staging multi-venue tours, or indeed the advantages of delivering single venue tours. Over the life of the AGIEI program, approximately 25 per cent of applications to the program have been for multiple venue tours. There is nothing to suggest that this is likely to alter dramatically in the future and therefore, although a lower priority, single venue tours will continue to be well supported by the program.

National Collecting Institutions

- The National Collecting Institutions play an important role in promoting cultural activities and awareness in the lives of all Australians. They make vital contributions to tourism, education and training by being centres of learning, knowledge, enjoyment and understanding of Australian life and society.
- Given the primary funding relationship between the Australian Government and the national collecting institutions, their legislated national charters, and their limited access to ancillary state or territory support, it is appropriate that these institutions continue to be significant beneficiaries under the program. Under present Comcover arrangements, national collecting institutions are limited to cover for exhibitions valued below \$50 million.

Minimum funding threshold (Recommendation 2)

- As museum exhibitions are generally more likely to have lower monetary values than fine arts exhibitions, they face a potential disadvantage in meeting the program's minimum exhibition value threshold of \$50 million. The introduction of a parallel threshold of \$20 million for museological exhibitions is proposed to address this issue. A museological exhibition could be defined as an exhibition with a predominantly (at least 50 per cent) non-fine art content. The eligibility of single items within an exhibition for funding support should also be clearly articulated in the program guidelines.
- The threshold of \$50 million for fine arts based exhibitions should remain so that there is less chance of duplication with state indemnity schemes.

Table 1: Proposed thresholds

	Applicable minimum threshold	Maximum AGIEI contribution to total insurance costs
Museological exhibitions	\$20m	up to 100%
Fine Art exhibitions	\$50m	up to 100%

Partnerships (Recommendation 4c)

- To encourage the sharing of exhibitions between major institutions as well as partnerships between major and smaller institutions, it is proposed to include partnerships as an assessment criterion in the program guidelines.

Forward Plans (Recommendation 4f)

- To assist with program planning in the out-years, the five-year forward plans of applicant organisations will be used to identify potential future year priorities, noting that they are subject to change and that unforeseen opportunities will not be precluded.
- The emphasis on forward plans could also be used to encourage the development of consortia between collecting institutions by including an assessment weighting for such partnerships.

Timing of funding round (Recommendation 4f)

- The current program guidelines provide for applications to be considered outside of the annual funding round at the discretion of the Ministry for the Arts, on the basis of unforeseen circumstances.
- The continuation of a defined annual funding round date supports a methodical approach to funding allocation that allows for the bulk of applications to be considered through a single comparative analysis. The program will promote the eligibility of out of round applications, particularly where potential exhibitions have been flagged previously in five-year plans.
- The two-stage process is designed to ensure timely confirmation of support, recognising that fluctuation in quotes and final costs are commonplace.

Transparency of assessment

- Under the Commonwealth Grant Guidelines, agencies must publish information on individual grants no later than fourteen days after the grant agreement for the grant takes effect.
- Due to the commercial nature of exhibition negotiation and development, the AGIEI program should continue to maintain a policy of not publishing individual exhibition titles when reporting on grants funding, but to describe the activity broadly as the purchase of insurance for a significant international exhibition. There may be a further opportunity to provide general information about the types of activities and expected outcomes that have been supported, at the conclusion of each funding round.

Extending transit cover for multi-venue tours (Recommendation 4f)

- That full transit costs be covered for multi-venue tours, recognising the significant costs of transit insurance and the limitations on coverage by some state indemnity or insurance schemes in regard to jurisdiction.

Criteria used to identify funding priorities

- **Level of state contribution** – through state indemnification and/or other contributions. Where there is no access to a state indemnity scheme or a lender specifies its own insurance or a single policy, the level of state contribution will be a key consideration, except for national collecting institutions.
- **Number of venues** – due to the small number and wide reach of multi-venue tours, they will be prioritised over single venue tours (noting that single venue tour applications account for only one quarter of applications under the program).
- **Where the tour is going** – the program aims to support venues across Australia and will prioritise tours that include non-east coast venues (10 per cent of applications have included non-east coast venues)
- **Is the activity the outcome of a partnership?** – additional weighting to be provided for proposals that are based on partnerships between collecting institutions to develop and tour an exhibition.
- While **benefits to audiences** is a key funding outcome, given the nature of major international tours and the reputations of applicant organisations, the program assumes the likely benefits to audiences and does not seek to make comparative assessment of the significance of proposed exhibitions.

Exceptional circumstances (Recommendation 4e)

- The proposed tour supports, or is linked with, an event of special significance (anniversary, major international event such as CHOGM, G20, Olympics)
- State capacity to contribute has been adversely affected eg. by natural disaster
- Loans are conditional on use of the lender's preferred insurer or the provision of a single insurance policy. The level of state contribution will be a key consideration when assessing such proposals.
- Tour is to a venue outside of a major eastern Australian capital city (for the purposes of the program this means outside Sydney, Melbourne, Brisbane, or Canberra). State contribution will be considered in determining funding priority.

Summary of proposed changes to guidelines:

- Greater weighting on the level of state/territory contributions
- Greater weighting on partnerships between applicant organisations
- Introduction of a \$20 million threshold for museological exhibitions
- General acceptance of out of session applications
- General acceptance of single venue tours
- Full costs of transit insurance to be eligible for support even where a state scheme operates

Appendix A - Other options considered by the review

A **matched funding model** where states and territories are required to match the Australian Government contribution was considered with the aim of equal “buy in” to exhibitions, recognising the significant benefits to host states. The principle of complementary investment should underpin the AGIEI program, however a direct split of costs is problematic for a number of reasons including capacity of smaller states to contribute; where a single policy is required; or where a lender has specified their own insurer. Any change to the AGIEI guidelines should emphasise the weighting provided to state/territory contributions but without a mandatory equal contribution.

A **matrix approach** to determine funding was considered, with the aims of leveraging state contributions, encouraging geographic diversity and allowing a separate threshold for museological exhibitions. In order to capture these aims within a variety of scenarios, the resulting matrix was complex and rigid and ultimately would not serve the need for flexibility which was a key issue raised in submissions to the review.

A three-stage application process that introduced a **preliminary statement of intent** by institutions as early as two to three years in advance of the exhibition was also considered. The aim was to assist organisations with their planning and negotiations, and enable the Program to identify likely calls on funding well in advance. As the statement of intent would be at a stage where very little detail was established, it would be difficult to provide a rigorous comparative assessment of proposals, and would create an additional impost on applicants and administrative process for program staff. The model could also lead to “first in first served” outcomes, as institutions would need to demonstrate very little commitment to commence the process. Further, it is unlikely this approach would satisfy requirements for approval under the *Public Governance, Performance and Accountability Act*. Instead, the review considered that the current two-stage process provides the most appropriate balance of information for the purposes of assessment and commitment.

Lastly, some submissions raised the possibility of lost opportunities by having a single annual application date. An **unfixed application period** was therefore considered, where applications could be lodged at any time. The main disadvantage of this approach is that it, also, would make comparative analysis difficult, it would be administratively less efficient and it was considered desirable to continue to have a set application period to assist cultural institutions with their planning. There is, however, merit in accepting proposals for unforeseen opportunities, or where an organisation requires in-principle confirmation up to two years in advance. The current guidelines allow for out of session applications in exceptional circumstances and this could be further relaxed in the guidelines.

Proposed return to an indemnity program

One of the submissions to the review proposes a return to an indemnification scheme. It argues that the costs of commercial premiums significantly outweigh claims on indemnity and that a national scheme would be more attractive to overseas lenders as it demonstrates commitment by the Australian Government, and is consistent with the practice of many major lending partner countries which have indemnity schemes in place.

Under the previous Art Indemnity Australia scheme, the Australian Government bore the financial risk for loss or damage to works loaned for eligible exhibitions touring in Australia, removing the burden from public art galleries of having to seek costly commercial insurance.

The position of the Australian Government, articulated by the Department of Finance, is that it does not support indemnification primarily due to the significant risk it poses to the Comcover Fund. The introduction of the AGIEI Program was consistent with this shift in risk management principles – the program removes the potential risk to the Australian Government of indemnification by providing support for organisations to seek insurance cover through the commercial market.

The AGIEI program is a competitive program open to a broad range of institutions, including government collecting institutions, not-for-profit public collecting institutions, and incorporated not-for-profit bodies specialising in touring cultural collections, ensuring a greater distribution of Australian Government support. The review found no evidence to suggest that the numbers of exhibitions have been negatively affected by a move away from an indemnification scheme.

The introduction of the AGIEI program also responded to existing and emerging issues affecting the ongoing appropriateness, effectiveness and efficiency of the previous indemnification scheme. These included highly complex and restrictive administrative arrangements, high compliance costs, lack of transparency, and a failure to fully utilise the expertise of collecting institutions in managing major exhibitions.

The submission also argued that the AGIEI program has increased competition in the sector as it applies a limited funding pool, and this is exacerbated by a trend towards “exclusive” exhibitions. The level of unmet demand by the AGIEI program is low and suggests that this is currently not a significant factor. In addition, several other key program stakeholders advised that while there is a trend for “exclusive” exhibitions this has been driven by state government major events and tourism factors rather than as a result of the AGIEI program.

Other submissions were supportive of the move away from indemnification, on the basis that a greater number of exhibitions are cost-effective under the current arrangements, and for the increased flexibility and options for negotiation with overseas lenders. Under previous arrangements, the burden of administrative requirements including independent condition checks at the lenders’ premises and security escorts meant that Australian Government indemnification of exhibitions with a value less than \$200 million were economically unattractive.

Appendix B - Review Findings

Is the AGIEI program objective being met?

The objective of the AGIEI program is to provide the Australian public with access to significant cultural material to which they would not otherwise have access.

Funding for high value exhibitions and audience access

Since the AGIEI program was introduced in 2009-10, it has contributed to insurance costs for 17 touring exhibitions, collectively valued at \$6.1 billion and seen by over 2.3 million visitors.

Submissions to the review were highly supportive of the role of the AGIEI program in encouraging the organisation or hosting of major exhibitions, with key points including:

- The critical role AGIEI plays in making the staging of exhibitions viable by extending access to insurance to cultural institutions where no state indemnity scheme exists, or in bridging the funding and cross-border limitations where a state indemnity scheme is in operation.
- The positive influence of AGIEI support to negotiations with overseas lenders who highly value the endorsement of the Australian Government.
- Australian Government funding addresses gaps where overseas lenders do not recognise state indemnity schemes and require specified commercial insurance providers.
- The facility provided by AGIEI to offer a single policy to cover multi-venue tours, where a lender sets this as a condition of loan.
- The cost-efficiency of the AGIEI program. The NGA has reported that it would not consider applying for indemnity under the AIA scheme unless an exhibition was valued at more than \$200 million due to the high administration and compliance costs.

Cultural and economic benefits of major exhibitions

Final activity reports under the AGIEI program confirm that benefits of primary access to rare and significant cultural material include: understanding the cultural heritage of other nations; enhanced appreciation of our own collections when seen in the context of a broader exhibition; exposure to alternative ways of thinking, creating and innovating; and educational benefits through public programs.

Developing exhibitions in partnership with international cultural institutions also provides valuable opportunities for enhanced cultural exchange, curatorial stimulus, capacity-building and innovation. Major exhibitions also help to build awareness of the important role of the collections sector and to build the public and international profiles of individual organisations.

The economic benefits of international exhibitions are highly significant. Cultural tourism is a high-yielding sector – in 2011-12, 25.9 million visitors participated in some form of

cultural tourism in Australia, spending a total of \$24.5 billion in-country over the course of their trips.¹

Over a four month period the NGA's *Masterpieces from Paris* exhibition in 2012 drew crowds in excess of 470,000, with 80 per cent of visitors from interstate or overseas, and delivering an economic impact of \$95 million² to the local economy.

Major exhibitions have the capacity to deliver direct economic benefits to Australian states and territories including through tourism revenues and employment opportunities, and to host institutions through ticket sales, merchandising and market profile. In addition, the economic yields from blockbuster exhibitions often deliver indirect benefits by providing cultural institutions with a means to offset the costs of high education/aesthetic exhibitions which, although culturally significant and provide curatorial balance to an institution's programs, may offer lower commercial potential and present a financial risk.

From 2009 to 2013, 38 major international exhibitions were hosted by venues across Australia. Approximately 40 per cent of these received funding through AGIEI. Remaining exhibitions received various types of support to cover the costs of insurance including state indemnification, or commercial insurance funded by exhibition promoters, private sponsorship and philanthropy, and exhibition generated income.

Without the AGIEI program, a significant number of exhibitions would be at risk of not proving viable at the early stages of exhibition planning if required to rely on other sources of support which, in the case of state indemnification, exists in only three states, or in the case of sponsorship and philanthropy, is already a highly competitive sector.

International exhibitions presented in Australia are a recurrent and valued aspect of our cultural landscape. Attendances at major exhibitions in Australia demonstrate the ongoing high level of engagement with audiences wishing to experience rare and significant cultural material first hand. The intent of ensuring ongoing opportunities for access remains appropriate and is consistent with broader Australian Government arts policy in relation to access and participation.

¹ Tourism and Transport Forum Australia submission

² Tourism Research Australia – Destination Visitor Survey Strategic Regional Research – Australian Capital Territory: major Blockbuster Events in the ACT, 2012.

How effectively is AGIEI meeting the needs of the sector and delivering insurance support for major international exhibitions?

Insurance considerations for international exhibitions

The procurement of insurance may be affected by a range of issues including:

- the value and fragility of artworks and therefore the costs of insurance, transit logistics, reputation of insurance brokers, and which party will take out insurance.
- The limited number of specialist providers operating through multiple subsidiaries, which may lead to a lack of competition and artificial inflation of premiums.
- Fluctuations in exhibition insurance quotes due to: final confirmation of exhibits, volatility in financial markets and, long-term, the impacts of natural disasters on the costs of insurance.

Submissions to the review identified some common themes in relation to the areas that most keenly influence the outcomes of negotiations with foreign lenders.

Value of Australian Government involvement

Many submissions stated that the involvement of the Australian Government is often expected when negotiating with foreign lenders and, submissions to the review pointed to the positive influence of Australian Government involvement. It has been suggested that the involvement of the Australian Government is also of value in attracting corporate support for major exhibitions.

Support for single venue tours

While the AGIEI guidelines prioritise multi-venue tours to maximise audience access to exhibitions travelling long distances to Australia, a number of factors may limit the possibility for multi-venue tours including:

- lender reluctance to loan works for extended periods, particularly for important or fragile works;
- the financial viability of major exhibitions if hosted by more than one Australian venue;
- high loan fees and other costs associated with Australia's distance from the majority of lenders – particularly freight costs – which impact on the feasibility of multi-venue exhibitions;
- the increased risks associated with multiple transits; and
- an exclusivity requirement for exhibitions with a heavy financial reliance on state tourism and/or event funding.

Terrorism Insurance

Following the terrorist attacks in the United States in September 2001, cover for terrorism risk was progressively withdrawn by insurance and reinsurance companies or alternatively, the premiums for policies including terrorist risk significantly increased. The *Terrorism Insurance Act 2003* (Cth) implemented a scheme for replacement terrorism insurance in an area of market failure, and established the Australian Reinsurance Pool Corporation (ARPC) to provide reinsurance cover to insurers for losses arising from a declared terrorist incident.

The Act renders terrorism exclusion clauses (in eligible insurance contracts) ineffective in relation to loss or liabilities arising from a declared terrorist incident. Cover extends to contents within buildings but does not cover goods in transit, or Commonwealth property (which is covered by Comcover). As it is a reinsurance scheme there is still a cost passed on to the client for policies which utilise the Reinsurance Pool, however the costs have stabilised and are in part determined by the ARPC.

The specific terms of commercial insurance remain a matter for negotiation between the applicant and the insurer. Anecdotal evidence suggests that the main risk factors for international touring exhibitions are damage, criminal activity and terrorism, but that security risks have not increased significantly over recent years.

Alignment with Australian Government policy

The establishment of Comcover in 1998 as the Commonwealth's self-managed insurance fund signalled a more cost-effective approach to managing the insurable risks of the Australian Government which involved a move away from Commonwealth non-insurance. Agencies within the General Government Sector are insured through Comcover and contribute annual premiums to the fund.

Comcover provides support to member Commonwealth cultural institutions for exhibitions valued below \$50 million. These Fund Members declare the value of their collections on Comcover's asset schedule. The AGIEI program complements this support by providing assistance for exhibitions valued at or above \$50 million, as well as extending support to non-Commonwealth institutions. Two Commonwealth and seven non-Commonwealth institutions have received support through the AGIEI program.

The Department of Finance (Comcover) does not support a return to an indemnity arrangement due to the risk it poses to the Comcover fund. However, Comcover has recently engaged Arthur J Gallagher (AJG) as its broker to place external insurance policies for Fund Members. The arrangements under the new broking contract extend to participants of the AGIEI program who are able to insure exhibitions over the \$50 million threshold. Comcover has been able to negotiate highly competitive placements rates under the new contract.

Can the AGIEI operation, administration and funding model be enhanced?

The AGIEI program is designed to minimise the administrative burden on institutions that manage exhibitions. It is also designed to be flexible while still delivering certainty in the initial stages of exhibition planning. Submissions to the review were generally positive about the administrative requirements for the program but a number raised concerns in relation to particular aspects of the program guidelines, as discussed below.

Timely and flexible support

Due to the cost, duration and complexity of international negotiations, early confirmation of support is critical to provide certainty for the institutions involved and to help maintain the reputation of Australian institutions. The two-stage application process under the AGIEI program is designed to meet this purpose, and to recognise that final costings may fluctuate from the quotes provided as the basis for in-principle support.

There is general support for the program's two-stage process, however, there was mixed support for the timing of funding rounds and announcements, with some submissions stating there was too much lead time and others saying there is not enough: early notification provides applicant's with some certainty to proceed with negotiations whereas notification closer to the exhibition timing means that final values are more likely to be confirmed.

There appears to be a general conception among stakeholders that the approved in-principle funding amount is "locked in" and that it is not possible to seek approval for a different final amount. Submissions to the review also raised the possibility of exhibitions arising outside of the annual funding round and expressed concern that the program guidelines did not appear to provide the flexibility to respond to these opportunities.

Submissions generally raised the need for more flexibility within the program, particularly in relation to fluctuating insurance estimates but also being able to respond to lender requests for a single policy to cover a tour. A single policy can achieve economies of scale in multiple venue tours and reduce potential disputes where damage or loss occurs under multiple policies. Flexibility will necessarily be subject to the funding demand in any given year.

In practice, the AGIEI program is generally able to respond flexibly to changes in funding amounts and even to new exhibition opportunities that may emerge, however this could be more clearly articulated in the guidelines to meet the concerns of stakeholders.

Transparency of AGIEI assessment

Applications are assessed by the Department against the published AGIEI program guidelines, with the aim of providing some degree of support to all eligible proposals within the available funding allocation.

One submission to the review raised concerns about a lack of transparency around the assessment of funding in 'exceptional circumstances' and sought the provision of more information on how the assessment criteria are used to enable more predictability in funding outcomes under AGIEI. It was also suggested that a list of funding recipients be published on an annual basis.

The review found that there is scope for better articulating the assessment process but that ultimately, the program is discretionary and competitive and therefore no funding can be "predictable" or guaranteed. Under Commonwealth Grant Guidelines, the program is required to publish a list of all approved funding. Due to the commercial nature of AGIEI funded exhibitions, specific details about the exhibition are not published. Further discussion on these issues is included below under *Potential Model*.

AGIEI funding threshold

A number of submissions raised the issue of the funding limits for the minimum exhibition value threshold. The eligibility threshold of minimum exhibition value of \$50 million is seen by some institutions as restrictive, as insurance costs for exhibitions less than \$50 million are, in many cases, equally prohibitive. The review found that the high value threshold remains viable for fine arts exhibitions and promotes interaction with state schemes, which tend to fund insurance for lower value exhibitions.

The review found that the \$50 million threshold disadvantages museum-based exhibitions, as the financial value of these artefacts are generally significantly lower than for fine art works. A reduction in the threshold for museum-based exhibitions to \$20 million would make the AGIEI program more equitable across the arts and cultural sector and would extend support to a larger number of institutions around Australia. This would enable funding support to a broader geographic reach, including institutions in Western Australia, Tasmania and the Northern Territory, which are currently under-represented in terms of AGIEI support.

Introducing a lower threshold for museological exhibitions would be expected to create increased demand on program funding. Future capacity to respond to any increase could be accommodated, particularly if the program introduces greater emphasis on complementary support from other stakeholders. This change would increase accessibility to significant cultural material for more Australians, and the effect of increased competition for funding could be monitored by the Department.

Sustainability of the AGIEI program

The AGIEI program receives annual Australian Government funding of \$2 million (indexed). The sustainability of the program is subject to a number of pressures including:

- Sole reliance on annual appropriation
- Increased future demand and competition on funding, particularly if the applicable threshold is reduced to meet the needs of museological exhibitions
- Long lead times for the development of exhibitions and fluctuating demand require careful management which is challenged by the inability to carry funds over financial years
- Potential future increases to insurance costs

Insurance costs could be defrayed through ticket prices although ticket prices generally already reflect the price the market is likely to support and this would conflict with the program objective of providing increased access for Australians.

A contingent liability scheme could be considered as an alternative to direct financial support where the Commonwealth could provide a guarantee against financial loss for an exhibition where the loss is up to the value of the insurance costs. This would not, however, satisfy one of the key issues identified in consultations around the value of Australian Government support when dealing with overseas lenders.

A cap could be introduced for AGIEI support to enable Australian Government branding coupled with a guarantee against loss arrangement eg. 50 per cent of insurance costs, where a state scheme is unable to be used.

A key opportunity for the program is the provision of broking services by Comcover. While not absorbing the costs, this arrangement has the potential to deliver more competitive arrangements as a result of Comcover's collective buying power.

Annual funding allocation

The issue of the total annual funding allocation to the AGIEI program was raised in a number of submissions and consultation meetings. One submission stated that the current funding levels of \$2 million per annum were insufficient to meet the demand from the sector.

With the review's proposal to introduce a reduced threshold for museum-based exhibitions, as outlined above, the program may experience a growth in demand that puts pressure on the current funding allocation. In addition, during the course of the review a number of institutions that have not applied for AGIEI funding previously have expressed an intention to apply in the future.

On balance, the review found that with a 94 per cent success rate for applications (and that all partially funded proposals were able to proceed) there is not a strong case to seek an increased budget allocation. The Department should continue to monitor demand on the program, but considers the current allocation appropriate.

Can the interaction between AGIEI and State and Territory indemnity and insurance schemes be improved?

The level of funding support provided to individual proposals takes into consideration the applicant organisation's access to other sources of support, particularly state-based indemnity schemes. The various state schemes differ in terms of the funding support they provide and the intention is that AGIEI supplements, rather than duplicates, alternative sources of funding. In states and territories that do not have access to an indemnity scheme, AGIEI funding is available to cover the full costs of both transit and static insurance. Where a state indemnity scheme can be accessed, the AGIEI guidelines allow for exhibitions to be assessed for funding in exceptional circumstances, and for cost sharing arrangements to be considered.

Although only a small portion of exhibitions has been supported by a combination of AGIEI and state indemnity, submissions to the review identified AGIEI as an important complement to state support. Submissions noted that institutions are often constrained by the funding available through state schemes and the limitations of indemnification beyond state borders where multiple partners are involved. There are currently government indemnity schemes operating in Victoria, New South Wales and Queensland.

Applications to the AGIEI program have also cited concerns by foreign lenders about the use of state indemnity schemes as they often do not have an understanding of the role of states in the Australian system of government or they lack confidence in the reliability and integrity of these schemes. In a number of cases this has resulted in lenders requiring the use of their own preferred insurer, with the host organisation having to meet the costs, despite the availability of a state indemnity scheme.

With inconsistent availability of indemnity support across states and territories, and no consistency of the type of support where a state scheme does exist, dovetailing state and territory support with the AGIEI program – while avoiding cost-shifting – remains a difficult and contentious issue for the program. This issue could be considered further at a cross-jurisdictional level such as through the Cultural Ministers' Arts Accord or explored by Comcover through its regular forums with states and territories.

Transit insurance

Transit insurance is often the highest proportion of total insurance costs for international loans. The AGIEI guidelines establish a framework for cost sharing with state schemes, however, one of the aims of the Review has been to examine if this framework is working appropriately and whether adjustments are required to make it more effective.

One of the mechanisms established in the current guidelines is that a maximum of 30 per cent of the transit insurance costs for exhibitions in state or territories with an indemnity scheme are eligible for support by the AGIEI program, unless exceptional circumstances exist. In practice, the majority of multi-venue exhibitions touring to states

with schemes, however described, have had the full insurance costs supported by the AGIEI program (due to the loan conditions specified by overseas lenders). In addition, many single venue exhibitions in states where a scheme exists have cited exceptional circumstances and been supported by the AGIEI program, with full transit and static insurance costs supported (again, generally where an overseas lender has specified a particular insurer).

To simplify arrangements, and to reflect the practical outcomes of the funded activities, the program could consider providing full transit costs for multi-venue tours. This would provide greater certainty to applicants and could potentially be offset by greater emphasis in the selection criteria of state support for individual proposals. While it would not be a mandatory requirement, proposals including contributions through state schemes would be a funding priority.

Appendix C - Terms of Reference

The terms of reference for the review were to:

- assess whether the objective of the AGIEI program is being met;
- assess whether the AGIEI program is meeting the needs of the sector and is an effective and efficient approach to the delivery of insurance support for major international exhibitions;
- analyse the operation, administration and funding model for the AGIEI program, including usage and demand on the program; and
- consider the interaction of AGIEI with State and Territory indemnity schemes.

Methodology

The review was conducted by the Ministry for the Arts and involved:

- the release of a consultation paper in March 2013 to a range of stakeholders including Commonwealth, State and Territory government departments and collecting institutions (including galleries, museums, libraries and archives), exhibition facilitators and other interested individuals and organisations;
- a period of public consultation and written submissions in response to the consultation paper. The initial two month consultation period was extended in response to stakeholder requests;
- meetings, either in person or via teleconference, with a range of stakeholders including Commonwealth, State and Territory collecting institutions, government officials and exhibition coordinators; and
- analysing the data from the first three years of operation of the AGIEI program.

Twelve written submissions were received and stakeholder consultations were held with twenty seven organisations through meetings and teleconferences held around the country.

Appendix D - List of submissions and consultations

Written submissions received

1	Queensland Art Gallery – Gallery of Modern Art
2	Arts Queensland
3	Art Gallery of South Australia
4	Tourism and Transport Forum
5	Museum Victoria
6	Government of South Australia
7	Australian Reinsurance Pool Corporation
8	Arts New South Wales
9	National Gallery of Australia
10	Council of Australasian Museum Directors
11	Council of Australian Art Museum Directors
12	Art Exhibitions Australia

Direct consultation meetings

1	Arts South Australia
2	Art Gallery of South Australia
3	South Australian Museum
4	National Library of Australia
5	Arts New South Wales
6	Art Gallery of New South Wales
7	Australian Museum
8	State Library of New South Wales
9	Art Exhibitions Australia
10	Arts Victoria
11	National Gallery of Victoria
12	Museum Victoria
13	Victorian Managed Insurance Agency
14	National Gallery of Australia
15	National Museum of Australia
16	Western Australian Museum
17	Australian Reinsurance Pool Corporation
18	Arts Queensland
19	Queensland Art Gallery
20	Queensland Museum
21	Queensland State Library
22	Comcover – Department of Finance and Deregulation
23	Arts Western Australia
24	Western Australian Museum
25	State Library of Western Australia
26	Art Gallery of Western Australia
27	Western Australia State Records Office

Appendix E

AUSTRALIAN GOVERNMENT INTERNATIONAL EXHIBITIONS INSURANCE (AGIEI) PROGRAM

Program Guidelines

What is the AGIEI program?

The Australian Government International Exhibitions Insurance (AGIEI) program is a funding program designed to offset insurance costs for touring major exhibitions of cultural material. Generally, these exhibitions will include works from international collections.

Program objective

AGIEI aims to provide the Australian public with broad access to significant cultural material to which they would otherwise not have access.

Meanings of terms used in the Program guidelines

Please note that the capitalised terms used in these guidelines have specific meanings, as outlined in the Definitions section (see Appendix).

Eligibility criteria

- The Cultural Material in the Exhibition must have a minimum value of AUD \$50 million.
- Organisations eligible to apply for funding include Commonwealth, state and territory government collecting institutions; incorporated not-for-profit public collecting institutions, and incorporated not-for-profit bodies specialising in touring significant art and cultural collections.
- Exhibitions are eligible for AGIEI funding if:
 - the Exhibition is a Single Venue Exhibition; or
 - the Exhibition tours interstate; or
 - there are exceptional circumstances (discussed below).
- Applications from Organisations with outstanding reports or financial acquittals from Australian Government funding programs, or from Organisations that are otherwise in breach of a funding arrangement with the Australian Government, are not eligible and will not be considered.

Where the Commonwealth considers there are exceptional circumstances, an Exhibition which goes to only one Venue where the applicant or Venue has access to an indemnity scheme (however described) may be eligible for funding.

- Such applications will be considered on their merits on a case-by-case basis subject to funding availability.
- Any AGIEI funding provided will only be to supplement and not replace funding provided through the State/Territory indemnity scheme (however described).
- Such applications will be afforded lower priority than Single Venue Exhibitions or Exhibitions touring interstate.

General Principles for determining the scope of funding

The amount of funding provided under AGIEI will be determined by whether the applicant and any other Venues hosting the Exhibition have access to state or territory indemnity programs (however described). As this may be different for each Exhibition, the amount of funding will be determined on a case-by-case basis, according to the following general principles:

- funding is available to cover the full cost of transit and static insurance for touring to a state or territory without access to an indemnity scheme;
- static insurance costs for touring within a state or territory where the applicant or Venue has access to an indemnity program (however described) will not be supported unless exceptional circumstances (discussed above) apply;
- where the applicant or a Venue has access to a state or territory indemnity program (however described), relevant transit insurance costs will be supported to a maximum of thirty (30) per cent of the total transit insurance costs for the Exhibition.

General funding scenarios for eligible Exhibitions

The application of the above principles will generally result in the following funding scenarios for Exhibitions:

- a Single Venue Exhibition or an Exhibition which is only displayed at Venues without access to a state or territory indemnity scheme (however described) would be eligible to receive funding for the full cost of transit and static insurance.
- for an eligible Exhibition which is only displayed at Venues with access to state or territory indemnity schemes (however described), transit insurance costs would be supported to a maximum of thirty (30) per cent of the total transit insurance costs for the exhibition.
- for other eligible Exhibitions, funding would be determined by examination of each individual transit leg and the access each Venue has to a state or territory indemnity scheme (however described). The funding for each transit leg would be determined on a case by case basis:
 - for a Venue without access to a state or territory indemnity scheme (however described), funding would be available to cover all the static and transit insurance costs for the Exhibition for which the Venue would be responsible;
 - where a Venue is able to access funding through a state or territory indemnity scheme (however described), it would be expected to do so. AGIEI funding would be provided for a proportion of the transit insurance costs for relevant transit legs to a maximum of thirty (30) per cent of those costs.
- As an international exhibition may tour to more than one country, funding for the cost of insurance for an eligible Exhibition's transit from and to another country would be determined on a case by case basis.

Funding is not available for:

- a Commercial Exhibition;
- any costs of Exhibition insurance incurred prior to funding being approved;
- administration or management costs associated with obtaining insurance or meeting requirements stipulated by the insurer;
- insurance of Exhibition items such as plinths, display cases and frames (unless integral to the work).

Funding assessment criteria

Eligible Exhibitions will be assessed against the selection criteria below in a merit based selection process. These selection criteria have been developed to ensure that support is provided to those Organisations best able to deliver the Program objective.

Selection criteria:

- 1.1 Benefit of the Exhibition to the Australian public
 - Outline the benefit of the Exhibition to the Australian public in terms of factors such as access to rarely available Cultural Material, underlying rationale for the Exhibition, curatorial strengths and any other relevant matters.
- 1.2 Audience access to Cultural Material
 - Explain how the Exhibition will appeal to and attract audiences and outline any factors that may prevent or discourage audiences from visiting the Exhibition and how these might be addressed.
- 1.3 Geographical spread and number of Exhibition venues
 - Provide details of the proposed Venues and geographical spread of those Venues, particularly Venues outside the Organisation's home state or territory, and regional Venues.
- 1.4 Demonstrated ability to develop, manage and tour Exhibitions of a similar nature, including the dollar value of the Exhibition.
 - Outline the Organisation's experience and qualifications in relation to curating and/or managing a touring Exhibition.
- 1.5 Demonstrated ability of the Organisation to manage risk, including the estimated cost of insurance.
 - Outline the Organisation's risk management strategies for assessing and managing risk associated with the Exhibition.
- 1.6 Financial viability
 - Provide a full indicative budget and estimated costs for the insurance premium for transit and static insurance costs. The costs should be based on quotes from insurance providers.
- 1.7 Duty of disclosure
 - Provide details of any other factors that may have an impact on a decision to provide funds from the Program.

Application process

Applications for the initial application stage will be invited via the www.arts.gov.au website and will close on 1 April each year for funding for Exhibitions commencing on or after 1 January of the following year. **Please note that for 2014-15, applications will close on 16 June 2014 for exhibitions commencing on or after 1 January 2015.** Applicants will receive notification in August 2014.

Applicants must also submit a five year forward schedule of planned Exhibitions for which funding may be sought under this Program at the same time that they submit an initial application.

At the discretion of the Ministry for the Arts, and subject to funding availability, applications may be considered outside the annual round where the applicant can demonstrate unforeseen circumstances which warrant special consideration of the application.

Applications for the initial application stage should be submitted on the application form which can be downloaded from the www.arts.gov.au website. Organisations will be notified in writing as to whether or not their initial application has been approved-in-principle.

Applications are made in a two stage process:

Stage 1. Initial application for in-principle approval for funding

Stage 1 applications must include:

- claims against each of the selection criteria;
- dates of and venues for the proposed Exhibition;
- indicative costs for insurance required;
- a summary of state or territory indemnity schemes (however described) for which the Exhibition is eligible and, where applicable, a brief description of the applicant's or Venue's progress in applying for indemnity through such schemes; and
- a brief statement regarding alternative options for the Exhibition's insurance funding, should the Organisation be unsuccessful in obtaining any or all of the AGIEI funding sought.

Applications will be assessed by the Ministry for the Arts against the selection criteria and recommendations for in-principle approval will be provided to the Minister for the Arts for consideration. If in-principle approval is given, it is not a guarantee that funding will be provided. Funding remains subject to final application approval which will be at the discretion of the Minister for the Arts.

Stage 2. Final application for funding

The final application is only completed by Organisations notified that their initial application for in-principle approval was successful. Applicants that have received in-principle approval for funding will be required to provide a final application not later than 60 business days before the Exhibition is due to commence.

The final application must contain the following information:

- a statement addressing any changes to the Exhibition since the initial application against the relevant selection criterion;
- confirmation of dates and venues;
- confirmation of the value of the Exhibition;
- confirmation of the cost of insurance and of any indemnity that will be provided under a state or territory indemnity scheme (however described); and

- a detailed list of all Works in the Exhibition together with their institution of origin and any special conditions attached to the loan of each Works.

Final approval will be provided by the Minister for the Arts.

Where a final application has substantial changes from the initial application, it may not receive funding under the Program. In this situation, the Ministry for the Arts will reassess the application against the selection criteria and against other relevant considerations such as whether sufficient funding is available for any projected increase in the cost of insurance. Following this review, the Ministry for the Arts will make a recommendation to the Minister on whether or not to approve the application.

Funding agreement

Funding offers will be made in writing to successful applicants following acceptance of the final application. All funding Recipients are offered funding on the same terms and conditions.

Funding will only be provided after the Organisation and the Commonwealth of Australia (represented by the Ministry for the Arts) have entered into a legally enforceable funding agreement and after an invoice is received by the Ministry for the Arts setting out the actual costs of the insurance cover including appropriate evidence from the relevant insurer.

Final report

The final report, as required under the funding agreement, is due 60 business days after the date on which the Exhibition ends. The template for the final report can be downloaded from the www.arts.gov.au website.

Submitting applications

By email:	By post:	By hand:
penny.sherburn@arts.gov.au	Program Officer	Program Officer
	AGIEI program	AGIEI program
	Ministry for the Arts Attorney-General’s Department	Ministry for the Arts Attorney-General’s Department
	3-5 National Circuit BARTON ACT 2600	4 National Circuit BARTON ACT 2600

PLEASE NOTE THAT EMAILED APPLICATIONS ARE ACCEPTABLE TO MEET THE PROGRAM DEADLINE, BUT A HARD COPY MUST ALSO BE SUBMITTED.

Applications must be received in the Ministry for the Arts by close of business on the closing date.

Further information

Further information may be obtained from the www.arts.gov.au website or by phoning the Program officer on 02 6141 3625.

Definitions

In these Guidelines:

Commercial Exhibition means an Exhibition that involves the sale of Cultural Material displayed in the Exhibition.

Cultural Material includes:

- works of art including fine and decorative art;
- archaeological items and antiquities;
- documents and manuscripts;
- books and other printed materials;
- photographs and graphic, film or television material or sound recordings; and
- artefacts including ethnographic items, mechanised items, numismatic or philatelic objects of cultural, artistic, historical, scientific, technological or educational significance.

Exhibition means a show that has a Works value of not less than AUD \$50 million and is:

- (a) a Single Venue Exhibition; or
- (b) a show that will tour to at least two venues within Australia, at least one of which is outside the state or territory of the applicant; or
- (c) a show that is considered to be eligible for support due to exceptional circumstances.

Organisation means:

- (a) a Commonwealth collecting institution;
- (b) a state or territory government collecting institution;
- (c) an incorporated not-for-profit public collecting institution; or
- (d) an incorporated not-for profit body specialising in touring exhibitions of Cultural Material.

Program means the Australian Government International Exhibitions Insurance Program.

Recipient means an Organisation that receives funding under the Program.

Single Venue Exhibition means an Exhibition that will be displayed at only one Venue where:

- (a) the Venue is in a state or territory that does not have an indemnity scheme (however described); or
- (b) the applicant or Venue does not have access to an indemnity scheme (however described).

Venue means an institution (including the Recipient) that is identified in the itinerary in the application as hosting the Recipient's Exhibition.

Works means:

- (a) for the purposes of an initial application – an itemised list of indicative Cultural Material to be included in an Exhibition; or
- (b) for the purposes of a final application – an itemised list of the actual Cultural Material to be included in an Exhibition.