

**NATIONAL FOUNDATION ON THE
ARTS AND THE HUMANITIES**

45 CFR Part 1160

**Indemnities Under the Arts and
Artifacts Indemnity Act**

AGENCY: National Endowment for the Arts.

ACTION: Final rule.

SUMMARY: This rule describes the procedures of the Arts and Artifacts Indemnity Program. The previous rules had not been updated since 1976. The revisions reflect changes in the statute and Program guidelines over the last fifteen years.

EFFECTIVE DATE: November 1, 1991.

FOR FURTHER INFORMATION CONTACT:

Alice M. Whelihan, Indemnity Administrator, Museum Program, National Endowment for the Arts, 1100 Pennsylvania Avenue, NW., Washington, DC 20506. 202/682-5442. from whom copies of the program guidelines are available.

SUPPLEMENTARY INFORMATION: This rule adopts as a final rule a proposed rule published in the *Federal Register* on July 15, 1991 (56 FR 32155). The rules govern the Arts and Artifacts Indemnity Act as amended (20 U.S.C. 971-977). The legal counsel of the Federal Council on the Arts and the Humanities reviewed suggestions made by staff and made further adjustments to revise and update the rules. The members of the Indemnity Advisory Panel and Federal Council on the Arts and the Humanities approved the revisions. The revised rules will be included in guideline packages for prospective applicants and in Certificates of Indemnity. The Catalogue of Federal Domestic Assistance number for the Arts and Artifacts Indemnity Program is 45-201.

No comments were received with respect to these proposals. A technical change was made in § 1160.4(e) to clarify the request for information on the significance and value of the exhibition. With that minor change, it has been determined that the proposed rule should be adopted as a final rule.

List of Subjects in 45 CFR Part 1160

Indemnity payments.

Alice M. Whelihan,

Indemnity Administrator, National Endowment for the Arts.

For reasons set out in the preamble, Title 45, Chapter XI, part 1160 of the Code of Federal Regulations is amended as set forth below.

**PART 1160—INDEMNITIES UNDER
THE ARTS AND ARTIFACTS
INDEMNITY ACT**

Sec.

- 1160.1 Purpose and scope.
- 1160.2 Federal Council on the Arts and the Humanities.
- 1160.3 Definitions.
- 1160.4 Application for indemnification.
- 1160.5 Certificate of national interest.
- 1160.6 Indemnity agreement.
- 1160.7 Letter of intent.
- 1160.8 Loss adjustment.
- 1160.9 Certification of claim and amount of loss to the Congress.
- 1160.10 Appraisal procedures.
- 1160.11 Indemnification limits.

Authority: 20 U.S.C. 971-977

§ 1160.1 Purpose and scope.

(a) This part sets forth the exhibition indemnity procedures of the Federal Council on the Arts and the Humanities under the Arts and Artifacts Indemnity Act (Pub. L. 94-158) as required by section 2(a)(2) of the Act. An indemnity agreement made under these regulations shall cover either:

(1) Eligible items from outside the United States while on exhibition in the United States or

(2) Eligible items from the United States while on exhibition outside this country, preferably when they are part of an exchange of exhibitions.

(b) Program guidelines and further information are available from the Indemnity Administrator, c/o Museum Program, National Endowment for the Arts, 1100 Pennsylvania Avenue, NW., Washington, DC 20506.

§ 1160.2 Federal Council on the Arts and the Humanities

For the purposes of this part (45 CFR part 1160) the Federal Council on the Arts and the Humanities shall be composed of the Chairman of the National Endowment for the Arts, the Chairman of the National Endowment for the Humanities, the Secretary of Education, the Director of the National Science Foundation, the Librarian of Congress, the Chairman of the Commission of Fine Arts, the Archivist of the United States, the Commissioner, Public Buildings Service, General Services Administration, the Administrator of the General Services Administration, the Director of the United States Information Agency, the Secretary of the Interior, the Secretary of Commerce, the Secretary of Transportation, the Chairman of the National Museum Services Board, the Director of the Institute of Museum Services, the Secretary of Housing and Urban Development, the Secretary of Labor, the Secretary of Veterans Affairs, and

the Commissioner of the Administration on Aging.

§ 1160.3 Definitions.

For the purposes of this part:

(a) *Council* means the Federal Council on the Arts and the Humanities as defined in § 1160.2.

(b) *Letter of Intent* means an agreement by the Council to provide an indemnity covering a future exhibition subject to compliance with all requirements at the date the indemnity is to be effective.

(c) *Lender* means the owner of an object.

(d) *Eligible item* means an object which qualifies for coverage under the Arts and Artifacts Indemnity Act.

(e) *Exhibition* means a public display of an indemnified item(s) at one or more locations, as approved by the Council, presented by any person, nonprofit agency or institution, or Government, in the United States or elsewhere.

(f) *On Exhibition* means the period of time beginning on the date an indemnified item leaves the place designated by the lender and ending on the termination date.

(g) *Indemnity Agreement* means the contract between the Council and the indemnitee covering loss or damage to indemnified items under the authority of the Arts and Artifacts Indemnity Act.

(h) *Indemnitee* means the party or parties to an indemnity agreement issued by the Council, to whom the promise of indemnification is made.

(i) *Participating institution(s)* means the location(s) where an exhibition indemnified under this part will be displayed.

(j) *Termination date* means the date thirty (30) calendar days after the date specified in the indemnity Certificate by which an indemnified item is to be returned to the place designated by the lender or the date on which the item is actually so returned, whichever date is earlier. (In museum terms this means wall-to-wall coverage.) After 11:59 p.m. on the termination date, the item is no longer covered by the indemnity agreement unless an extension has theretofore been requested by the indemnitee and granted in writing by the Council.

§ 1160.4 Application for indemnification.

An applicant for an indemnity shall submit an Application for Indemnification, addressed to the Indemnity Administrator, National Endowment for the Arts, Washington, DC 20506, which shall be described as fully as possible:

(a) The time, place, nature and Project Director/Curator of the exhibition for which the indemnity is sought;

(b) Evidence that the owner and present possessor are willing to lend the eligible items, and both are prepared to be bound by the terms of the indemnity agreement;

(c) The total value of all items to be indemnified, including a description of each item to be covered by the agreement and each item's value;

(d) The source of valuations of each item, plus an opinion by a disinterested third party of the valuations established by lenders;

(e) The significance, and the educational, cultural, historical, or scientific value of the items to be indemnified, and the exhibition as a whole;

(f) Statements describing policies, procedures, techniques, and methods to be employed with respect to:

(1) Packing of items at the premises of, or the place designated by the lender;

(2) Shipping arrangements;

(3) Condition reports at lender's location;

(4) Condition reports at borrower's location;

(5) Condition reports upon return of items to lender's location;

(6) Security during the exhibition and security during transportation, including couriers were applicable;

(7) Maximum values to be transported in a single vehicle of transport.

(g) Insurance arrangements, if any, which are proposed to cover the deductible amount provided by law or the excess over the amount indemnified;

(h) Any loss incurred by the indemnitee or participating institutions during the three years prior to the Application for Indemnification which involved a borrowed or loaned item(s) or item(s) in their permanent collections where the amount of loss or damage exceeded \$5,000. Details should include the date of loss, nature and cause of damage, and appraised value of the damaged item(s) both before and after loss;

(i) If the application is for an exhibition of loans from the United States, which are being shown outside the United States, the applicant should describe in detail the nature of the exchange of exhibitions of which it is a part if any, including all circumstances surrounding the exhibition being shown in the United States, with particular emphasis on facts concerning insurance or indemnity arrangements.

(j) Upon proper submission of the above required information an application will be selected or rejected

for indemnification by the Council. The review criteria include:

(1) Review of educational, cultural, historical, or scientific value as required under the provisions of the Arts and Artifacts Indemnity Act;

(2) Certification by the Director of the United States Information Agency that the exhibition is in the national interest; and

(3) Review of the availability of indemnity obligational authority under section 5(b) of the Arts and Artifacts Indemnity Act (20 U.S.C. 974).

[Approved under OMB control number 3135-0094.]

§ 1160.5 Certificate of national interest.

After preliminary review the application will be submitted to the Director of the United States Information Agency for determination of national interest and issuance of a Certificate of National Interest.

§ 1160.6 Indemnity agreement.

In cases where the requirements of §§ 1160.4 and 1160.5 have been met to the satisfaction of the Council, an Indemnity Agreement pledging the full faith and credit of the United States for the agreed value of the exhibition in question may be issued to the indemnitee by the Council, subject to the provisions of § 1160.7.

1160.7 Letter of intent.

In cases where an exhibition proposed for indemnification is planned to begin on a date more than twelve (12) months after the submission of the application, the Council, upon approval of such a preliminary application, may provide a Letter of Intent stating that it will, subject to the conditions set forth therein, issue an Indemnity Agreement prior to commencement of the exhibition. In such cases, the Council will examine a final application during the twelve (12) month period prior to the date the exhibition is to commence, and shall, upon being satisfied that such conditions have been fulfilled, issue an Indemnity Agreement.

§ 1160.8 Loss adjustment.

(a) In the event of loss or damage covered by an Indemnity Agreement, the indemnitee without delay shall file a Notice of Loss or Damage with the Council and shall exercise reasonable care in order to minimize the amount of loss. Within a reasonable time after a loss has been sustained, the claimant shall file a Proof of Loss or Damage on forms provided by the Council. Failure to report such loss or damage and to file such Proof of Loss within sixty (60) days

after the termination date as defined in § 1160.3(k) shall invalidate any claim under the Indemnity Agreement.

(b) In the event of total loss or destruction of an indemnified item, indemnification will be made on the basis of the amount specified in the Indemnity Agreement.

(c) In the event of partial loss, or damage, and reduction in the fair market value, as a result thereof, to an indemnified item, indemnification will be made on the basis provided for in the Indemnity Agreement.

(d) No loss or damage claim will be paid in excess of the Indemnification Limits specified in § 1160.11.

§ 1160.9 Certification of claim and amount of loss to the Congress.

Upon receipt of a claim of total loss or a claim in which the Council is in agreement with respect to the amount of partial loss, or damage and reduction in fair market value as a result thereof, the Council shall certify the validity of the claim and the amount of such loss or damage and reduction in fair market value as a result thereof, to the Speaker of the House of Representatives and the President pro tempore of the Senate.

§ 1160.10 Appraisal procedures.

(a) In the event the Council and the indemnitee fail to agree on the amount of partial loss, or damage to, or any reduction in the fair market value as a result thereof, to the indemnified item(s), each shall select a competent appraiser(s) with evidence to be provided to show that the indemnitee's selection is satisfactory to the owner. The appraiser(s) selected by the Council and the indemnitee shall then select a competent and disinterested arbitrator.

(b) After selection of an arbitrator, the appraisers shall assess the partial loss, or damage to, or where appropriate, any reduction in the fair market value of, the indemnified item(s). The appraisers' agreement with respect to these issues shall determine the dollar value of such loss or damage or repair costs, and where appropriate, such reduction in the fair market value. Disputes between the appraisers with respect to partial loss, damage repair costs, and fair market value reduction of any item shall be submitted to the arbitrator for determination. The appraisers' agreement or the arbitrator's determination shall be final and binding on the parties, and agreement on amount or such determination on amount shall be certified to the Speaker of the House and the President pro tempore of the Senate by the Council.

(c) Each appraiser shall be paid by the party selecting him or her. The arbitrator

and all other expenses of the appraisal shall be paid by the parties in equal shares.

§ 1160.11 Indemnification Limits.

The dollar amounts of the limits described below are found in the guidelines referred to in § 1160.1 and are based upon the statutory limits in the Arts and Artifacts Indemnity Act (20 U.S.C. 974).

- (a) There is a maximum amount of loss or damage covered in a single exhibition or an Indemnity Agreement.
- (b) A sliding scale deductible amount is applicable to loss or damage arising out of a single exhibition for which an indemnity is issued.
- (c) There is an aggregate amount of loss or damage covered by indemnity agreements at any one time.
- (d) The maximum value of eligible items carried in or upon any single instrumentality of transportation at any one time, is established by the Council.

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