

# INSURANCE

The events industry is highly innovative and creative; the pressure to create a unique event experience means there is a high level of risk in everyday work. Insurance and risk management is an important part of enabling creativity in a professional industry, and this module serves as a brief explanation of insurance available for events, with a particular focus on event cancellation or event insurance.

## What is event insurance?

At its simplest form, event insurance covers for the loss of costs and expenses, or revenues that result from the cancellation, abandonment, postponement, interruption or relocation of an event due to uncontrollable circumstances.

Event insurance is a niche insurance product and not all insurance companies or brokers will have access or expertise in this area. While insurance of business assets is essential for any well run business, the acute effect that a failed event may have for an event manager is at least as acute to financial performance as any natural disaster.

## What does event insurance cover?

The examples of costs and expenses or revenues that can be covered under event insurance are:

- Ticket sales,
- Travel expenses,
- Advertising,
- Sponsorship revenues,
- Venue costs.

Examples of perils which can be covered are:

- Weather,
- Natural disasters such as earthquakes and floods,
- Power failure,
- TV or media transmission failure,
- Public transport failure or denial of access,
- Terrorism or the threat of terrorism,
- The inability of key persons to appear, i.e. speakers, teams or performers' non-appearance.

## What does event insurance not cover?

Every insurance policy has exclusions or perils which are not covered under the policy. Examples of commonplace exclusions are:

- Financial failure, insolvency or default of parties (e.g. sponsors or contractors),
- Lack of sales or attendance,
- War or civil commotion,
- Variations in currency exchange rates,
- Communicable diseases or contamination that leads a public authority to shut down the event.

However, in some cases, like any insurance, exclusions can be deleted by the insurer for an additional premium. This underscores the importance of dealing with a company or broker with event insurance experience. Talking with other event professionals about their experiences is also beneficial.

## Insurance considerations or requirements

When applying for event insurance, the insurer will need information about a number of factors to consider the risk and calculate the premium based on possibility. In all cases for insurance the more information that can be provided the better. This will assist in the calculation of the risk and mean that the premiums will be priced more accurately, in most cases becoming cheaper.

Self-insurance is also an option. However, this is based on you calculating the risk based against the insurance premium. The considerations below should always be considered as should the contractual obligations of a venue or principal to the contract.

Some basic considerations are:

1. Type of event:
  - a. Conference/exhibition,
  - b. Festival,
  - c. Fete/fair/carnival,
  - d. Sporting event watching or participating
  - e. Concert/Performance,
  - f. Theatre production,
  - g. Gala dinner.
2. Size of event:
  - a. Budget,
  - b. Attendance.
3. Venue Infrastructure:
  - a. Indoors or outdoors?
  - b. Permanent or temporary structure?
  - c. Electricity supply and availability of backup?
  - d. Ground/surface type and drainage quality?
  - e. Public or private space?
4. Geographic location:
  - a. Coastal or inland?
  - b. Town/city or remote?
  - c. Exposure to bush/forest fires or other natural disasters?
  - d. Earthquake risk based on provincial region where the event is taking place.
  - e. NZ or overseas.
5. Sensitivity to weather:
  - a. Temperature,
  - b. Rainfall,
  - c. Wind,
  - d. Snow.
6. Availability of weather protection:
  - a. Stage coverings,
  - b. Electrical equipment protection,
  - c. Natural or man-made wind barriers,
  - d. Ability to move the event indoors.
7. Special coverage requirements:
  - a. Non-appearance of key persons/performers/speakers,
  - b. Communicable disease outbreak,
  - c. Terrorism,
  - d. War,
  - e. Event property and equipment loss/damage.

## Claims Examples

No matter how well planned an event may be there are always uncontrollable circumstances that may force the cancellation, abandonment, postponement, interruption or relocation of the event. Some examples of the types of circumstances or incidents that could jeopardize events are:

### Adverse Weather

- Freak snowfall causes curtailment of an exhibition,
- Gale force winds cause a marquee to collapse,
- Freak hailstorm causes cancellation of a speedway event,
- Flooding causes grandstand seating to sink,
- Fog causes cancellation of a snow sports event.

## Fire Damage

- Fire destroyed exhibition centre just prior to a major convention,
- Forest fires cancel a sports event at a nearby stadium.

## Structure Damage

- Boat show curtailed due to partial collapse of temporary pool structure,
- Roof collapse causes cancellation of a motor show,
- Assembly of marquee structure is hindered by poor work conditions causing delay in event opening.

## Utilities Failure

- Power grid supply failure causes shut down of theatres,
- Water supply failure causes shut down of exhibition,
- Denial of access to event location resulting from a gas leak.

## Other

- Performer attacked by an audience member,
- Injury to performer resulting in cancellation of tour,
- Incident on golf course causes police to restrict access to course,
- Stage hydraulic failure cause the stage to collapse at rock concert,
- Sprinkler leakage causes flooding and damage to exhibits and venue.

Event cancellation insurance and contingency products for prize indemnity promotions (such as Hole in One's or Sports catch promotions) are specialist covers.

Businesses involved in professional events also require a full range of insurances, such as;

- Liability protection including access to short-term Public Liability covers required for venue hire;
- Key person life and trauma insurance for business owners, accident insurance coverage for key personalities or stars in campaigns;
- As well as full business insurance cover for your day to day business as usual business assets and motor vehicles.

### **Case Example: Event X**

Event X is a large New Zealand based event which is reliant on international registrations. The Event X board and funders (some of whom were public) identified insurance as a priority during the event feasibility, planning and implementation stages.

Discussions with brokers experienced in events insurance were started as early as possible in the planning process. The board and key funders desired a risk adverse position and took out an accordingly broad range of insurance products.

#### Key Tips:

1. Factor in insurance issues as early as possible in the event planning process.
2. Talk with others in the event industry (Event managers, associations, government departments, territorial authorities) about insurance issues,
3. Select brokers / companies with event insurance experience,
4. Understand your partners appetite for risk (and your own appetite),
5. Always ask questions and gain a full understanding of each and every policy.

Note: Due to Commercial in confidence requirements, details of the event involved are not disclosed.

To find out more about expertise in helping understand your risk better and the insurance products that may enable you to be even more creative, you can access the insurance resources and suppliers on the NZAEP website.