

COVID-19 and the changing risk landscape for events

As a result of the ongoing pandemic, the events industry is faced with significant new challenges. The impact of COVID-19 has seen significant disruption and uncertainty over many future events. However, prior to the pandemic, the events industry was already adapting to a changing risk landscape following the impact of the devastating Australian bushfires. We explore the current state of play and share insights from industry experts on emerging risk issues and what the future of events may look like.

Current and future risks for event promoters

As the events industry continues to navigate through a year of disruption – bushfires, floods and now the COVID-19 pandemic – the key learning so far is that organisers, promoters and their events need to be prepared for the unexpected.

Simon Calabrese, Marsh Australia's National Manager for Entertainment, Leisure & Events has found that the general consensus amongst insurers is that extreme weather conditions are a continued and growing risk for event promoters.

Nic Jobling, Principal Contingency Underwriter at Altamont told Marsh that "many indoor events can be affected by extreme weather, due to transport delays, denial of access, or damage to the venues themselves," he said.



Allianz's Regional APAC Entertainment Manager, Damian Kerin added that event promoters should consider other key risks that could impact the success of their event.

"The main insurance exposures for event promoters consist of major weather events along with non-appearance of key talent, terrorism and communicable diseases.

"Drug related fatalities at music festivals over the last few years have also put additional legislative requirements on event promoters and hence additional time and cost have resulted in some events being cancelled," Kerin shared.

The risk landscape for events is constantly changing. While historical data can provide event promoters with a guide when quantifying risk, promoters should look to keep abreast of the new and emerging risks and trends for the industry.

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- **Mike Greenwood**, specialist contingency loss adjuster, Sedgwick Australia

Australian bushfires

Record-breaking temperatures and the impact of droughts have fuelled the bushfires that tore across the country during last summer. During this time, event promoters were not only cancelling events due to the imminent threat of a fire but also the hazardous air quality that swept across large parts of the nation. Event cancellation policies typically provide cover for bushfire, smoke haze and unsafe air quality. Promoters should ensure cover is arranged prior to the fire starting as insurance markets may stop providing cover after it becomes a known event.

Each type of event would also have a different level of tolerance to smoke haze, which should be considered if a promoter is planning to cancel their event. “A marathon would not be able to deal with the same amount of smoke haze as a music festival,” said Kerin.

Mike Greenwood, specialist contingency loss adjuster at Sedgwick Australia, highlighted that with any cause of cancellation, the key word in the policy’s insuring clause is “necessary”. “The policy only covers the necessary cancellation, abandonment, disruption, or rescheduling of the event, so it is up to the insured to show evidence that the bushfire smoke made it necessary to cancel the event,” explained Greenwood.

This can involve providing evidence of the air quality index score, or particulate matter record in the air. The Australian climate and weather conditions all play a role in the ongoing risk of bushfires across the country. Event promoters should continue to evaluate this risk when preparing for any upcoming events.

COVID-19 pandemic: “known event”

Australians are in an unprecedented territory as we collectively face the COVID-19 pandemic and adjust to a new normal as restrictions begin to relax across the country. The social restrictions imposed by Federal and State Governments were implemented to curb the COVID-19 health crisis, however, these restrictions have also created adverse effects on the event industry and will likely continue as restrictions ease. Almost all event cancellation insurance policies exclude communicable disease outbreak within the policy wording, however, this cover can generally be “written back” for additional premium. Communicable disease is typically defined as “an illness caused by a pathogen and transmitted from an infected person or animal to another person or animal”.

“New outbreaks, such as the current COVID-19 pandemic, are often instantly added to the Communicable Disease Exclusion. The insurance is intended to cover unexpected perils, not known perils,” explained Jobling.

However, if a communicable disease extension was purchased prior to an outbreak, then this outbreak would most likely not be excluded – subject always to the terms, conditions and exclusions of each policy. While outbreaks are rare and regarded as ‘black swan’ events, their impact can be devastating, making the communicable disease cover an important consideration for event promoters. While COVID-19 is now considered a known risk, it is a clear example of why taking out insurance well in advance of an event is crucial.



“Contingency insurance should always be included within a promoter’s risk management toolkit”

*- **Simon Calabrese**, National Manager - Entertainment, Leisure & Events, Marsh Australia*

How can event promoters minimise risk?

Every event, large or small, inherently comes with varying degrees of risks. It is recommended that event promoters follow a more holistic approach to risk management when organising their upcoming event.

Most promoters will have a risk management plan in place which will identify the main risks associated with an event. They tend to address risks that relate to the public (eg. personal injury) and property damage, as well as taking into account several statutory requirements.

Experienced promoters will also look to minimise other external risks which may cause postponement or cancellation of an event. Despite this, even the most experienced promoters can fail in addressing potential risks and are therefore exposed to unforeseen financial and reputational risk.

Insurance is only one aspect of risk management and comprehensive risk reduction starts at the very beginning of the event planning process. There are several components, including the location that should be evaluated in preparation for an event.

“Promoters will need to give very careful consideration to whether some sites which have been used regularly in the past are safe for future events. Some sites can be improved or upgraded, particularly if there is a good relationship between the promoter and site owner,” Jobling said.

Event cancellation

Marsh’s Simon Calabrese emphasised that an important area of consideration when developing a holistic approach to risk management is event cancellation.

“Contingency insurance should always be included within a promoter’s risk management toolkit,” said Calabrese.

Not only do these policies look to cover complete cancellation or abandonment of an event, but they are also of great benefit when looking to mitigate risk leading up to and during the event:

- Funds can be drawn from the policy to expedite services and ensure that an event can proceed;
- Expert real-time advice from the appointed loss adjuster at the time of loss;
- Specialist advice from your event broker to assist in reducing an event promoter’s reputational risk.

Contingency insurance: blind spots for event promoters

Time is a major blind spot for promoters, which can be an issue given timing is everything when it comes to the placement of contingency insurance. Gaining a complete understanding of the event(s) to be insured can also be a lengthy process. The process requires designing and negotiating a bespoke solution with the insurance market, presenting and reviewing the terms and conditions of the policy with the events promoter and then ultimately effecting the insurance.

“A promoter’s risk begins from the moment that they start taking on costs related to the event. In many instances, this could be months before the commencement date of the event. This is when the insurance should be put in place,” Allianz’s Damian Kerin reminds us that timing is critical when it comes to protecting the promoter’s financial interests.

Five key things promoters should be doing in relation to their contingency insurance is:

1. Engage with an experienced entertainment insurance broker;
2. Effect the insurance policy at least three months prior to the event date;
3. Avoid underinsurance;
4. Have clear terms for ticket refunds;
5. Ensure all contracts are formal and in writing, especially with venues and artists.

There are many hazards that can impact events several months out which could cause a financial loss for event promoters. When assessing event risks and ways to protect against them, especially as it pertains to the placement of contingency and public liability insurance, promoters should begin the process as early as possible. This will allow for adequate time to identify and understand the risk exposures, and explore various coverage options.

Market trends

As the events risk landscape continues to evolve, so too does the contingency insurance that underpins the risk management need of event promoters.

The effect of significant bushfires in Australia has been compounded by many major event cancellations across the U.S, Europe and Australia and would have a negative impact on the contingency insurance market.

“Large global losses combined with a reduction in underwriting capacity due to several large insurers withdrawing from the market has caused premium rates to increase significantly over the past two years. We are expecting to see premiums continue to rise for the next two years at least, and potentially more restrictive terms,” Jobling said.

The market has already seen rate increases in late 2019. The COVID-19 pandemic will result in contingency claims well into the billions. As a result, the contingency insurance market will significantly harden throughout 2020 and beyond.

Looking ahead

It is clear that the events risk landscape is one which will continue to challenge event promoters post COVID-19. From 2020 onwards, the industry should prepare for premium increases, higher deductibles and more restrictive coverage across the board. Marsh expects to see vigorous underwriting processes implemented from insurers as they look to take on a more selective underwriting appetite going forward.

Given the losses that event promoters have already suffered due to the COVID-19 restrictions, now more than ever is the time for event promoters to review existing covers, conduct risk assessments and explore the various options available to the industry as restrictions begin (and continue) to ease.

For more information pertaining to entertainment & event risk, visit www.marsh.com/au/entertainment or call 1300 655 931

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