



Risky Business

Live events are the economic and social currency of the consumer marketplace and innovative insurance strategies are making them viable.

Presented by:



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Terms like virtual reality and augmented reality have been the big buzzwords of the last few years. However, for all the attention that 'virtuality' has garnered, consumers instead have shown that they prefer to actually 'be there' in the moment, at the center of any number and type of live events. There has been a tectonic and well-documented shift in consumer values in the last several years away from things and towards experiences that generate a sense of happiness and well being. Spending on a variety of types of experiences, like travel, leisure and food service are projected to rise to an astounding \$8 trillion by 2030 globally.

Within this massive movement is a core trend: the growth in popularity and value of the live event. From concerts and cultural events (think Burning Man) to sporting events, from corporate conclaves to brand messaging affairs (Apple has raised these to a fine art), being a participant of the live event, as a fan in the stands or a concertgoer in the club, has supplanted material accumulation as that which we as a society aspire to. Live experiences offer a sense of community and a level of authenticity that virtuality likely never will. This shift has translated into very big business. Music concerts now generate over \$28 billion in revenue annually. Research from the Center for Exhibition Industry predicted trade-show events would grow by 2.4 percent globally. In the U.S., the world's largest market for live events, revenue from events of all types is expected to show an annual growth rate (CAGR 2018-2022) of 8.8 percent, resulting in

a market volume of \$16.7 billion in 2022, with sports the sector's largest single segment, with a market volume of over \$4 billion in 2018.

Looming Shadows

Not surprisingly, all of this positive news is shadowed by some serious concerns, and the music industry in particular serves as a canary in the coal mine. Several notable music events were turned into disasters in recent years due to terrorism and active shooters: the 2015 attack on musicians and attendees at the Bataclan in Paris during an Eagles of Death Metal show, a bombing in Manchester, U.K. at an Ariana Grande concert in 2017; and the devastating attack in Las Vegas later that same year in which 58 were killed and 851 injured when a lone shooter opened fire from a hotel perch, taking aim at those at the Route 91 Harvest Music Festival.

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Weather hasn't been especially kind to live music events, either — 2012 is regarded as the industry's meteorological *annus horribilis*, when wind blasts estimated at 60 miles per hour hit the stage at the Indiana State Fair in Indianapolis, killing seven and injuring 24 when the rigging collapsed on the crowd and stage; at the Pukkelpop festival in Hasselt, Belgium sudden violent wind and rain killed five and injured dozens, and the Ottawa Bluesfest saw several severe injuries when weather turned violent there.

Weather-related disasters have declined in number and severity in recent years, thanks to heightened awareness and initiatives by various organizations. But all types of danger are always possible when large groups of people gather together, and while live events are a massive driver of global revenues they are often also one disaster away from economic ruin.

Assess, Implement, Insure

Live-event producers and the vendors and services providers that support them can follow a basic and sound set of principles to mitigate and minimize the changing array of risks faced by that industry sector.

- **Assess:** Keep abreast of the most dangerous challenges facing live-even productions today. Compare what's been taking place with your own situations. The reporting around event-related disasters by media like the New York Times and the major news networks is usually extremely deep and comprehensive, and offers a remarkable amount of insight that

producers can apply to their own situations. For instance, a catastrophic fire in a nightclub in West Warwick, RI in 2003 uncovered a number of problem areas that other event producers could and did address, including the location, condition and markings of exits. It also led to more specific regulations, such as the requirement for crowd managers at a ratio of 1:250, which improved the environment for all stakeholders by establishing new clear and authoritative NFPA guidelines.

- **Implement:** A number of excellent resources have for live-event safety have arisen in the wake of various disasters. The Event Safety Alliance (ESA), which has organized conferences around the topic of event safety and created guidelines event producers can follow to minimize risk from meteorological dangers. The ESA has also adapted that same approach to address potential gun-violence incidents, even as these remain on the rise. The ESA publishes its Event Safety Guide, the most widely used operational practices currently available in the live-event industry, and part of the ANSI-accredited Technical Standards Program established by PLASA, the organization of professional lighting and sound providers. All of these protocols are available for implementation of by event production professionals.

- **Insure:** Insurance is the single biggest factor in the aftermath of an adverse incident, thus it ought to be one of the first to be considered ahead of time. However, it's complicated.

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(TRIPA)

Rapid growth around any phenomenon will outpace the development of conventions to manage them, that paradigm extends especially to risk insurance, which has had to adapt to the twists and turns of how risk is perceived. For instance, the Federal government's Terrorism Risk Insurance Program Reauthorization Act (TRIPA) was put into place in 2002 and was intended to provide for a "transparent system of shared public and private compensation for insured losses resulting from acts of terrorism," and is currently offered on virtually every commercial insurance policy available. However, not every mass shooting is an act of terrorism.

The shootings at the Bataclan Theatre in Paris in 2015 and the Pulse nightclub near Orlando in 2016 were declared terrorist incidents, while the shooting at the Harvest Festival in Las Vegas was not considered a terrorist act, using widely accepted definitions.

Companies and individuals who experienced business losses stemming from those events could look to their TRIPA coverage (assuming they had opted for it in the first place) only if the incident was declared a terrorist act, which in the case of Las Vegas it wasn't. And, even if their losses met that condition, those losses would have to have exceeded a minimum of \$5-million in aggregate loss. That's a high threshold to meet. Most rental systems, such as sound, video and lighting, brought on site for live-event production don't come close to that level of value. Or consider this: a sound-reinforcement provider or lighting company had equipment at an event that is subsequently designated as a crime scene, in which all elements on the site had to remain there for an extended period of time as investigators performed crime-scene metrics and other analysis, effectively rendering that equipment unavailable for those companies to rent out. Losses stemming from that circumstance, even if it were as a result of terrorism, would not be covered, and standard business-interruption insurance would not be applicable, since their place of business was not directly affected, only their tools.

There are more specific solutions coming to market. The first was the Combined Crisis Cover policy suite, developed by Take 1 Insurance, in 2016. This multi-peril policy provides event-production clients with an affordable way to recoup some of their business interruption, property damage, and certain liability losses. Unlike TRIPRA coverage, Take1 Combined Crisis Cover is not specific to the commission of a terrorist act as determined on a case-by-case basis by the Department of the Treasury or other authorities, and which has high-threshold minimum damages required in order for insurance coverage to respond. Coverage includes Active Assailant, Threat of Malicious Acts, Terrorism Property Damage and Business Interruption Loss, as well as Terrorism and Active Assailant Liability. The policy is designed to provide insurance protection for companies affected by tragedies that may never be deemed to be an act of terrorism, such as the Las Vegas shootings, but which nonetheless result in significant interruptions of their business activities.

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Unseen Costs

Most of the attention post-disaster has been focused on monetary awards resulting from lawsuits and settlements. That's not surprising: they are often eye-popping sums running in to the tens of millions of dollars. But those numbers don't tell anywhere near the whole story, and it's in these margins that event production vendors need to look to truly protect themselves, where tools of the trade — sound systems, cameras, video walls, entire production trucks — are rendered unavailable for extended periods of time, until they are either released by authorities or become available to be evaluated and declared total losses. In the meantime, a wide variety of service providers and vendors — equipment rental, audio/visual production and installation companies, documentary and other content producers, as well as event planners/promoters, touring entertainers, shell corporations, festivals, special events, and the venues themselves experience a degradation of their ability to generate revenue and absorb the costs of these interruptions in business.

A Different World

The world has changed, and the vast business universe around live events has changed irrevocably. Active-shooter scenarios, whether due to terrorism or not, and weather-related dangers, regardless of their cause, are now part of the landscape of risk. Therefore, the risk management around live-event production also has to change. The implementation of safety standards, such as those developed by the ESA are a critical step in lessening and better managing risk around live events. The same goes for the integration of the culture of safety and awareness that they support, on the part of event specialists. The right insurance is the third leg of that triad.

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