

## RISK AND INSURANCE FOR EVENTS

### READ THIS BEFORE YOU SIGN ANYTHING

#### *Basic Questions to Ask before You Start Organising Your Event*

What are our “insurable interests”?:

- PUBLIC – what are your potential legal liabilities to others arising out of the staging of the event?
- PROPERTY - what property or cash are you responsible for?
- PEOPLE - are the people at the event at risk, and how can we insure this?
- PROGRAMME – could this be disrupted forcing cancellation, curtailment abandonment or rearrangement?
- PROFITS - what would the financial consequences be?

#### *What are your potential legal liabilities arising out of the staging of the event?*

#### What is Legal Liability?

- **Legal liability generally arises under:**
  - Statute (e.g. Package Travel Regulations, Health & Safety legislation, Corporate Manslaughter)
  - Common Law – negligence
  - Contract
- Liability **can be for damages and cost and expenses**. Liability insurance is designed to cover these costs plus your own costs and expenses
- **Not every liability assumed under contract is insurable.**

#### Employer’s Liability Insurance

- Covers you against legal liability for personal injury ( including death and disease) sustained by an Employee in the course of their employment in your business
- **In the UK** this is a **requirement at law** in respect of any person in an employee/employer relationship – this may not be restricted to your own full time employees and can include:
  - Labour only sub contractors (e.g. freelancers)
  - Temporary employees and volunteers
  - Students and work experience personnel
- Check your insurance wording to make sure they are included in the **definition of Employee** – this will usually be the case with a good UK Employers Liability Insurance policy. **Tell your insurers that you employ such people.**

- The employees of **bone fide sub contractors** are generally their responsibility, but you should check that they have the required Employers Liability insurance in place – ask to see a copy of their certificate.
- **Care is required when employing direct labour overseas. Check your UK event or liability insurance to confirm that it includes cover for liability to these locally employed persons,** where this is permitted. **Contrary to popular belief, most UK issued Employer’s Liability insurances do not cover such persons automatically.**
- Also check to see what obligations you have to arrange local Workmen’s Compensation insurance in relation to locally employed labour. You may need to arrange this locally.

### Third Party Liability Insurance

Covers you against legal liability for injury to persons other than employees or damage to other people’s property arising out of your business.

#### Key areas to check:

- **Are you assuming liabilities or entering into contracts with anybody which may be outside the scope of your existing liability insurances?** Good third party liability insurance will cover liability assumed under contract (other than punitive or liquidated damages) provided conduct and control of claims is retained by your insurer.
- For example - The contract with the **venue** – are you assuming any additional responsibilities beyond Common Law?
- Are you accepting responsibility for the negligence of other parties such as the venue owners, contractors or event exhibitors? Ideally **you should resist accepting responsibility for the actions of any other party unless you are in control of what they do.**
- For **labour only sub contractors, make sure that your insurers are aware of who they are, what they are doing,** and what you are paying them. You are likely to be in an “employer/employee” relationship with such persons, and need to make sure that Employers Liability Insurance operates.
- If a main contract makes you responsible for the actions of sub contractors, or exhibitors, **make sure that your contracts with sub contractors and exhibitors require them to indemnify you in like manner.**
- Avoid waiving any rights against other parties - **retain rights of recovery against other parties.**
- **Does your insurance provide the right cover for what you are about to do?** Don’t assume it does, particularly if your insurance is part of a general package such office insurance or commercial combined insurance covering other activities (e.g. publishing). There is a continuing duty of disclosure under insurance contracts, so it is important to advise your insurers of any new, additional or unusual activities which may be undertaken at the event.
- Make sure that your insurance contains the **correct definitions of your business activities and geographical extent of cover.**
- Does your insurance cover liability for **damage to the venue?** What if the venue is a cruise liner? Most standard liability insurances will exclude damage to property in your care custody and control, and the application of this can be ambiguous in the context of venues, so make you’re your insurance refers to this. Speak to your insurance advisor, or preferably a specialist broker in the event insurance market (e.g. Event Assured).

- If the contract states that certain minimum levels of cover are required, **do you need to arrange extra cover** for this event?
- Assume the worst could happen, and **buy as much liability insurance as you can afford**. It sounds far fetched, but your liability could extend to the value of the whole building, and all the people inside it, and even adjoining premises!
- If your event involves an exhibition, are you providing adequate **security for your exhibitors' property** left at the venue? – you could be held liable for theft if you have not taken reasonable precautions
- **Check the insurances of exhibitors and bone fide sub contractors** – both limits of liability and wordings. Make sure they contain a clause (an Indemnity to Principals Clause) which indemnifies you for their negligence.
- **Are you responsible under equipment hire contracts for liabilities arising out of the use of the plant and for operators?** If so, tell your insurers and arrange additional cover if necessary.
- Special care is required in respect of events involving **motor vehicles** (where the Road Traffic Acts may apply), **incentive travel (where the Package Travel Regulations impose special responsibilities)**, **marine or aviation activities** – where specialist insurance may be required.

### ***What Property Are You Responsible For?***

**The main headings are:**

- Your **own equipment**, stands, furniture etc.
- Your own **computers and telecommunications** equipment
- **Hired plant and equipment and temporary structures**
- The **venue**

**Points to check:**

- If you are hiring equipment for the event, you normally have the choice to insure it yourself or pay the hirer for insurance (assuming he is authorised to sell you insurance under FSA rules – check this too). **It is normally more cost effective to insure it yourself**. Again, insuring for the correct value is important – check that the hire company is giving you a realistic value
- Check whether you are responsible for **breakdown risks &/or loss of hire charges** under hire agreements. **Check that your insurance includes cover for these potential charges.**
- Check if you are responsible for equipment in **transit to and from the venue**, or just once it has been delivered
- **Don't insure items twice** – you may have insurance elsewhere for items which are normally based at your premises.
- It is important to make **proper arrangements for the safe transport of equipment** – both packing and security. With some items (such as plasma screens) great care is required. If you don't feel comfortable leaving valuable equipment unattended at a certain location, don't expect an insurer to feel any differently!
- Check the **contract with the venue** to see what your responsibilities are for **damage to their property** – it may be more than just legal liability exposure.

- **If you are heavily reliant on certain equipment**, check to see if a replacement is readily available locally, in case of damage, breakdown or theft.
- Don't forget **money** – insurers view this separately, and will need to be satisfied that **adequate procedures exist for transporting money to safes and banks**. Think about the security of personnel and avoid large accumulation of cash.
- **Damage to Venue** – potential legal liabilities for damage to the venue can extend to its total value, and liability insurance limits should (if possible) be sufficient to cover such a loss. Cover for minor damage to the venue (up to £ 50,000) can generally be purchased as part of event risk insurance.
- **Insure the full replacement cost** of the property at risk – a fire at the venue could destroy everything
- **Terrorism** -

### ***What About the People You Are Responsible For?***

#### **Hazardous Activities**

- Are you taking a risk with the people involved? For example, does the programme include hazardous activities? If so can you justify the extra risk you put the participants to? This is not to say never do these things, only that the risk should be measured and undertaken consciously. A simple risk assessment can include:
  - **The physical risk:**
    - What risks are involved?
    - What is the likelihood of injury?
    - How severe could the injuries be?
    - How are the risks reduced or controlled?
    - If injury occurs, how do we mitigate the effects?
  - **The financial risk:**
    - What would be the financial consequences for the enterprise if injury to one or more individuals is the risk to the event and to the company for whom these people work?
    - Is the enterprise prepared to take that risk?
- **It is possible to insure against most activities at a price**, but remember that if the insurers think it's high risk, shouldn't you? Benefits can include:
  - Death
  - Permanent Total Disablement
  - Loss of eye(s), limb(s) or a range of detailed benefits (known as a Continental Scale)
  - Temporary Total Disablement (weekly benefits)
  - Medical Expenses (overseas)
- Insurance can be arranged **for the benefit of the individuals, or for the enterprise which stands to lose financially**.

## Travel Insurance

- **“Organisers”** as defined in the Package Travel Regulations **are obliged to offer the consumer an insurance** which they can take if they choose. This must include at least cover for cancellation and the cost of assistance and repatriation in the event of illness or injury. In practice, travel insurance covers a great deal more than this.
- **It is preferable that the organiser provides the insurance because:**
  - they can provide an **insurance designed specifically for business and incentive travel** – this gives confidence
  - it achieves **one consistent high level of cover** applicable to all attendees – different levels and quality of cover on mixed groups can lead to conflict and confusion.
- **Check that the travel insurance:**
  - 1) Offers the right level of and detail of cover for the market you are serving. **Most holiday travel insurances and those available on the internet are designed to a price for the consumer market and are generally unsuitable for business customers**, conference and incentive business, where the quality of cover needs to be higher.
  - 2) Covers **multi-national groups** including medical **repatriation of foreign nationals back to their home country**
  - 3) Provides cancellation cover to indemnify the party who actually paid for the trip? With incentive travel, these are generally not the same party.
  - 4) Includes wide “any cause” cancellation cover rather than restricted perils
  - 5) Replacement cost cover on personal effects – delegates will expect this
- **Watch the small print!** Poor policies may have:
  - Higher than normal excesses – up to £ 65 per claim in some cases
  - Pre-existing health conditions exclusions
  - Restrictive definitions of “disability”
  - Restrictive inner limits on single items, valuable, cash etc.
  - War and terrorism exclusions
- **Don’t be hypnotised by telephone number sums insured – the devil is in the detail with most travel insurances, so watch the small print!**

## What about Disasters? Crisis Management Insurance

- This is a specialist insurance which operates in respect of:
  - an accident which involves death, or hospitalisation to more than one traveller
  - kidnap or hijack to more than one insured person,
  - food poisoning involving more than 10 travellers in one specific incident

involving at least one customer of the Insured.
- **In the event of a Disaster**, the underwriters will meet the specific additional costs incurred up to the overall sum insured any one Disaster in respect of the following:
  - **Insured's emergency team** - travel and subsistence expenses ( up to 10 persons)
  - **Family or friends** - travel and subsistence expenses for the up to two friends or relatives for each customer involved who wish to travel to the scene
  - **Disaster response specialists** - the costs incurred in providing the services of a maximum of two each of the following at the disaster site:
    - **Physicians**
    - **Legal Personnel**
    - **Engineers**
    - **Crisis counsellors**
  - **Public Relations** – the costs incurred in employing the services of an external PR company to handle media relations
  - **Emergency necessities** - the cost of emergency necessities arranged for customers of the Insured involved
  - **Additional business costs** – reasonable and necessary additional expenditure in the operation of the business incurred as a direct result of the disaster in the four weeks following the disaster
  - **Crisis management service.** These services will be co-ordinated by the Emergency Assistance service appointed by the underwriters, which will provide personnel to travel to the scene and a crisis management and call centre in the UK if required.

## ***Event Risk - the Risk of Disruption:***

### **What Can Go Wrong?**

If you've not previously suffered a disruption to one of your events, you might be tempted to think it will never happen. However, give thought to what exposure you might have to some of the following:

- **Adverse weather** conditions disrupting air, sea and rail transport, or affecting outdoor activities.
- **Strikes** causing disruption to scheduled air services, public transport or at airports.
- **Speakers or entertainers** who fail to turn up due to illness, delays or other problems.
- The **venue may not be available** due to damage by fire, storm etc.
- The **failure of key services or elements in the production** such as power supplies, water, drainage etc.
- **Terrorism** damaging the venue or preventing access.
- Outbreaks of **infectious diseases** leading to quarantine or restricted access.
- Outbreaks of **civil disorder, revolution, war** etc. - this may also have indirect effects, for example by causing diversion of flights.
- **Unforeseen political events** such as coups or disputes with other countries causing withdrawal of visa facilities or closure of borders.
- Death of Head of State or a member of his family causing periods of **national mourning**.
- **You may not be able to leave the venue at the planned time**, which might incur penalties. For example what if bad weather makes it dangerous or impossible to remove all the exhibits from the venue?
- **Delay and disruption to travel arrangements** such as delegates stranded at the airport by bad weather or when a plane "goes technical" and can't take off.
- **Critical Mass non attendance** – where the event has to be abandoned because more than a specified percentage of booked attendees cannot get to the event due to death, injury, illness or other causes beyond their control and your control.
- **Reduced Attendance** – loss of revenue or other financial losses arising from a common cause preventing people from getting to the event

## What are the potential financial consequences of disruption?

These are some of the main headings of potential financial loss arising from disruption:

- **Lost expenditure** – “money down the drain”
- **Cost of advising** those who need to know
- **Costs of minimising or avoiding Disruption** and other **additional expenses**
- **Failure to vacate penalties**
- **Other Obligations** which arise in connection with the booking of optional accommodation, transportation, tours and the like
- **Loss of Profit – for revenue generating events**
- **Return of charges, fees for attendance, space and sponsorship** etc.
- Cost of calculating the insurance claim
- **Future event protection** – expenses incurred to minimise the effect on the next event.
- **Reduced attendance** – loss of income or refunds to attendees because people can't get to the event.

## Special risks

The following are either commonly excluded from event insurance or require special wordings and underwriting:

- **Key Featured Persons** – an individual or group whose non appearance would cause the event to be cancelled or aborted.
- **Related Persons** – persons not attending the event whose death or serious injury or illness would necessitate cancellation of the event
- **Critical journey timings** – would the event have to be abandoned if a large number of delegates were so delayed in getting to the event that there is no point in them leaving, and the event has to be abandoned?
- **Reduced Attendance** – loss because a significant number of people are prevented from getting to the event as the result of a common cause
- **Critical Mass Non Attendance** – a similar concept to Reduced Attendance, but applicable to events without gate receipts or “walk-in” patrons (e.g. corporate events.) where reduced attendance above a certain percentage means the event has to be abandoned or curtailed.
- **War**, civil war, & similar risks
- **Known construction , alteration or repair work at the venue**
- **Adverse weather affecting events in the open** or in temporary structures
- **Communication & technology events** - failure of communications

- **Existing strikes or labour disputes**
- **National Mourning** (limited cover is usually given in Europe)
- **Outbreaks of infectious diseases leading to restrictions on travel**
- **Terrorism** – read the insurance carefully, because the starting point can vary as follows:
  - a) No cover, to
  - b) Free cover - attack only within 5 miles/7 days up to £100,000, to
  - c) Free cover – attack only: at venue from inception plus 30 days/25 miles up to £ 300,000 ( this is clearly better than a) or b) )
- Beyond this, almost anything is possible at t price, including additional cover for:
  - Threat
  - Advice not to travel to a particular country, city or destination
  - Grounding of flights in a particular zone/closure of air traffic control
- It is not possible to insure against fear
- Different considerations apply organisers and events in England, Scotland and Wales as these are governed by the rules of Pool Re – the government backed reinsurer of terrorism risks in these countries. Very wide, low cost cover is available provided certain criteria are met.

### ***What is the Purpose of All This Insurance?***

Simple:

1. It **converts the unknown potential cost** of identified risk into **the known quantity of a premium in exchange for a contract** defining the terms of indemnification or compensation (an insurance policy or policies),
2. because most (even large) companies do not have the resources to quantify and fund their own risk, **it transfers that risk to an insurance carrier**
3. this **reduces the need for financial contingency provision** in event budgets or the corporate finance and (if complete) can eliminate the risk of loss affecting the financial stability of the enterprise.

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