

The show must go on, but what if it really can't?

Whether a music festival or a business conference, cancelling an event can be costly



Events are regularly cancelled for all manner of reasons - a key artist is sick or injured, a piece of machinery breaks down or the weather refuses to play ball. There are, of course, also tragic reasons for event cancellation, such as an act of terrorism or a musician who dies on the eve of a major global tour, as happened with Michael Jackson. Beyond the human impact of such an event, the financial repercussions of these cancellations can be tremendous and result in payouts to customers and suppliers running into millions of Rands.

Today, most organisers of large events take out insurance so that, wherever possible, the show can go on. Event cancellation policies come under the umbrella of contingency insurance and primarily encompass cancellation, abandonment, postponement, re-scheduling or interruption of an event for a reason beyond the control of the organiser or the promoter.

According to Francis Hernandez, Entertainment Manager for Overseas General Insurance at Chubb, almost

everything imaginable is insurable, including unpredictable factors such as the weather.

Weather adversary

“Each claim is considered on its own merit as there is certainly nothing more unpredictable than adverse weather at an outdoor event. Some insurance policies attempt to define what bad weather constitutes in terms of wind speed or the amount of rainfall experienced as examples, but you have to look at how the weather event plays out to make that call. As a rule of thumb, event cancellation insurance will respond favourably when the organisers or local authorities deem it too dangerous for the event to continue, such as a hail or lightning storm during an international cricket match,” says Hernandez.

“Events that are currently being cancelled due to the drought in the Western Cape region however would not be considered to be an insurable event as the drought is not sudden, nor unforeseen. A decision to cancel an event due to the drought conditions would generally form part

of a planned process that can be done in advance to minimise the risk and the cost of cancellation,” says Gena Jalink, Mid-Market Practice Manager for Chubb Insurance SA.

Adverse weather is one of the most longstanding and frequent risks event organisers face, but one of the more recent and most devastating risks is terrorism.

Terrorism cover at events

In the aftermath of a terrorist incident, financial implications are not the primary concern. But sometimes it is the threat of terrorism that stops planned events from taking place, with big financial repercussions.

“In the aftermath of the suicide bombing at an Ariana Grande concert in Manchester, UK, last year, the American singer cancelled a portion of her world tour, including concerts in London, Belgium, Poland and Germany. Event cancellation insurance not only responds to an actual act of terrorism, but also where there is a credible threat. Whilst the event and initial attack took place in the UK, it affected events in other European countries,” says Hernandez.

The terrorism landscape is also evolving, moving from highly organised militant groups to mini-cells of individual extremists, which makes the risk very challenging to monitor and rate. The region also has relevance in the rating as some countries are much more likely to be targeted than others.

“While terrorism is primarily viewed as a risk for European and Middle-Eastern countries, Africa is more prone to political risk exposures,” says Jalink.

Political risk

South Africa is no stranger to political activism and protest action which have the potential to disrupt or completely stop planned events such as conferences and trade shows. “If conference goers are prevented from accessing the building due to political demonstrations, the integrity of the event is compromised both from an attendance and exhibition point of view,” explains Jalink. “Even though the event most likely won’t be cancelled, the event organisers may need to refund entrance fees as well as exhibitor fees. This is known as an ‘enforced reduced attendance claim’, whereby we reimburse the organiser for lost revenue because people can’t attend.”

If an event needs to be relocated in anticipation of adverse situations, event cancellation insurance will typically cover the expenses incurred in moving the event to another venue, as it will generally cost significantly less than an outright cancellation of the event,” Hernandez adds.

Event liability cover

According to Jalink, it’s important to understand that there is a difference between event liability insurance and event cancellation insurance - they do not cover the same risks and are usually separate policies but can be provided as a packaged offering.

“It’s essential to have event liability insurance in place and ensure that their event plan complies with stipulations set out in the Safety at Sports and Recreational Events Act (the “SASREA”), which firmly places the responsibility on all parties involved to ensure event safety. The distinction between who is

responsible for what is sometimes blurred and all parties should have their own event liability insurance cover in place, whether a sponsor, supplier, contractor, event owner, advertiser or events coordinator,” explains Jalink.

Know the risks and manage costs

There are a number of important tips that event organisers can implement to limit their exposure to risks and manage the costs of their cover according to Chubb Insurance South Africa.

Consider the following:

- **Identify all potential risks from the outset and categorise them** - list all possible risks associated with an event and categorise them as either ‘low’, ‘medium’ or ‘high’ likelihood risks and assess also their likely impact. Insurance brokers and underwriters assist in this process.
- **Create an event management plan** - based on the identified list of risks, create a solid plan for the event, and do so before incurring any costs. Most large events are years in the planning, and costs will start to escalate as the event date approaches, so forward planning is crucial.
- **Buy event cancellation cover early** - as soon as you start incurring costs, you need to have event cancellation insurance in place. Many event organisers run the gauntlet and only take out cancellation cover just days before an event is due to take place, having already spent hundreds of thousands or millions of Rands which would be irrecoverable if something went wrong without cover in place.

- **Act as if you are uninsured** - As an event organiser, do everything in your power to make sure the event goes ahead and mitigate as many risks as humanly possible. If that means incurring some extra expense to mitigate a total loss, then your event cancellation insurance is designed to cover that expense.

- **Stay focused** - If you have a multimillion-Rand event taking place and something starts to go awry, it is easy to panic, but that often leads to further mistakes. Event organisers need to keep calm, stay focused and carry on.

Get in touch

Additional information can be found at:
www.chubb.com/za