

# Navigating event cancellation in a Post-COVID era

- Senior Associate

- Dubai International Financial Centre

Justin Carroll - Insurance / Sustainable Sourcing

**N.B.** A version of this article was first published in Middle East Insurance Review (MEIR) June 2020 edition.

COVID-19 has impacted the sports and events sector in an unprecedented manner. The changes that have occurred are on a scale that must surely reverberate well into the future. Leagues, teams, host venues, organisers and corporates involved in major sporting events as well as entertainment companies and music promoters will be familiar with event cancellation. But the COVID-19 pandemic provides us with an opportunity to review the key role this often misunderstood coverage can play in a crisis.

## Can event cancellation insurance help?

Yes, and no. But it is all in the name, right? If an event is cancelled and you have a policy, the economic losses resulting from cancellation should be covered, right? Not quite. In reality, event cancellation policies are often complex and because they typically relate to high values they tend to involve bespoke and feature nuanced language. As is always the case in terms of insurance coverage, whether cover is available or not, will depend on the precise nature and scope of coverage agreed, including specific policy language and due consideration for the particular circumstances giving rise to a potential claim in any given situation.

Event cancellation policies are written on an 'all-cause' basis and could, depending on the policy wording, provide cover for events cancelled due to an outbreak of an infectious or a communicable disease like coronavirus. Careful consideration of the policy wording would need to be given alongside the timing of the event and the circumstances surrounding the event's cancellation. Until January 2020, cover for infectious and communicable diseases was offered as an extension to standard event cancellation policies in the market. Since then, insurers have not, surprisingly, withdrawn this option from the market and many insurers have included specific exclusions in their event cancellation policies for coronavirus and/or pandemics.

While headlines were quick to note the policy pay-out to the All England Lawn Tennis Club resulting from the cancellation of this year's Wimbledon, for every Wimbledon there are many more entities like the Endeavor Group (parent to IMG and WME), which have seen falling revenues and downgraded credit ratings. What gets you to the 'yes or no' of coverage should not be a matter of luck but the result of a concerted risk amelioration strategy. Wimbledon learned and astutely applied lessons from the 2003 SARS epidemic to navigate 2020.

For a sports or events' business, this process starts with identifying and understanding key event assets and delivery requirements, adequately quantifying your anticipated revenues, determining risk-tolerance and related thresholds and allocating resources to cover potentialities. The COVID-19 pandemic serves as a timely reminder that these issues should be considered and used as a touchstone for future planning and strategy. However, the proverbial horse has left the barn in respect of the current pandemic and insuring

against loss arising from what is now very much a known risk, if not done prior to January 2020, is practically impossible and is an entirely different discussion than that which we are outlining here.

In fact, event organisers' and rights' holders can anticipate difficulty in seeking 'all-cause' coverage. This is likely to be the case not only for obvious COVID-19 exclusions but for pandemic exclusions generally. Even where insurers are prepared to extend cover for pandemics and communicable illnesses and diseases, prospective insureds can expect to pay higher premiums and to have more restricted terms written into their policies.

## **Factors to be balanced in considering and selecting cover**

Perhaps the largest financial risk to which an event organiser may be exposed is the risk that the event is unable to go ahead and has to be cancelled at short notice.

While current circumstances have thrust pandemics and COVID-19 to the fore, many things can cause an event to be cancelled at the last minute, including:

1. physical damage to critical equipment or the premises where the event is to be staged;
2. extreme weather preventing the event from proceeding or spectators from accessing the event's premises;
3. the late arrival or failure to arrive of persons critical to staging the event; and/or
4. the sudden withdrawal or suspension of governmental approval for the event to proceed.

The scope and nature of cover that a corporate entity opts to agree as protection against certain risks can be a business decision of considerable weight. For the purposes of major events, event cancellation cover can represent a substantial cost whether viewed as an optional investment in protection, taken up after deliberations with advisors, followed by choice in adherence to industry best practice, mandated by applicable internal or external compliance measures, required by contractual obligations or otherwise.

## **Event to watch: Saudi Arabia Formula 1**

Commencing some months prior to the coronavirus pandemic and, notably, before the major part of the sports and events world was brought to a screeching halt, there has been mounting speculation that Saudi Arabia will announce concrete plans to host a Formula 1 Grand Prix. This speculation has to be considered all but confirmed by the announcement that Aramco is to be a top-tier F1 sponsor.

If we reasonably assume that a KSA F1 event is to be part of the post-COVID-19 Middle East sporting calendar, can you anticipate any likely positions in respect of prudent insurance for such a flagship event? Based on our overview and consideration of the scope, nature and applicability of event cancellation insurance, consider a KSA F1 this tabula raises an interesting case study for your consideration of event cancellation insurance.

would such coverage be an optional investment, adherence to best practice, mandated by compliance measures, required by contractual obligations? Would it be chosen for and/or other reasons? What likelihood and magnitude of risks should be considered, given the likely assets, the geographical location and the time of year allocated on the FIA calendar? Are there unique equipment's to consider from the potential applicability of national mourning cover to reliance on limited, highly specific sand removal equipment? Are any of these factors altered if the event is based on a public street course versus a track

event in a controlled facility.

## **Lessons learnt - moving forward**

In a post-COVID-19 era, event organisers and insurers would do well to:

- be prepared well in advance, as this will allow you to lock in costs and protect you from new threats which may arise after the date of the policy but before the event ( i.e ., to beat the exclusion of such risks).; build the cost of appropriate cover into your event, giving advance opportunity for the budget team to allocate funds and the commercial team time to determine where revenue streams can be revisited or where to sweat assets;
- educate all relevant aspects of the business to appreciate the scope and nature of cover to ensure efficient and effective pricing and claim readiness (e.g., procurement may need to know the time of year and region of event can impact premiums in some cases for weather, , whereas applicable administrative teams should be
- be attentive to the lessons offered by As we move through and hopefully beyond the current pandemic, a great deal more market information will become available. Consider that with a discerning eye as to how such experiences can impact your business.

***For further information, please contact [Steve Bainbridge \(s.bainbridge@tamimi.com\)](mailto:s.bainbridge@tamimi.com).***