

Reducing Risk in Organising Major Sports Events in the UAE

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Whether it is the Abu Dhabi Formula 1 Grand Prix or the Dubai Air Show or the UAE Desert Challenge, the UAE increasingly plays host to a variety of premier sporting events throughout the year. Those who arrange, host and deliver sporting events necessarily assume a range of legal and financial risks which they may not always turn their minds to until one or more of those risks materialises.

Event Organisers

It is important to note that event rights holders, host facilities or venues, event organisers, broadcasters and a range of third party contractors could be involved in one or more stages of delivery. In such cases, it is prudent practice to include a comprehensive risk identification component during the event planning stage and to allocate risk accordingly (usually on those parties best placed to minimise or avoid it, with any identifiable residual risk insured against).

For the purposes of this article, we will refer generally to event organisers but it should be noted that it is often the case in major sporting events that insurable risk is borne by a number of parties and should be coordinated to ensure optimal cover or dove-tailing of policies without undue duplication.

Spectators and Participants

In addition to the basic insurance coverage required by statute (e.g. for employee coverage, corporate vehicle usage) and otherwise for prudent protection in the ordinary course of business (e.g. covering loss or damage to buildings and/or equipment, business interruption, etc.) in the case of a sporting event to which an event organiser charges an admission, the event organiser is entitled to impose conditions of entry as part of its contractual agreement with the spectator and the spectator is entitled to expect that the event will take place as promised by the organiser.

A condition typically imposed by the event organisers is that the spectator agrees that, if, while watching the event, the spectator suffers loss or injury, the spectator will not hold the event organiser liable. This condition is commonly called a waiver of liability clause and it will be enforceable against the spectator who has suffered a loss or injury where:

- the loss or injury was caused by or arose out of the event; and
- the event organiser otherwise took reasonable precautions against the risk of loss or injury occurring.

However, under UAE law, a waiver of liability clause will usually not relieve the organiser from liability for failing to make the premises or the event reasonably safe for spectators.

So, for example, if a spectator at a baseball game were to sustain injuries on being hit in the head by a ball that flew through a hole in the protective net behind home plate, a waiver of liability probably would not bar him from recovery. On the other hand, a waiver of liability would likely prevent a spectator from

recovering damages on an action brought if the same injury were sustained while the spectator was sitting in the outfield stands.

The principle producing these two legal outcomes expresses the understanding that spectators to an event, even to physically dangerous events, are taken to accept some, but not all, risks in watching those events. At the same time, spectators are legally entitled to rely on the event organiser taking reasonable precautions to make the event safe for them to watch.

Managing Third-Party Risk

To protect itself from incurring liability in these circumstances, the event organiser is usually advised to take out public liability or third party liability ('TPL') insurance. This form of insurance protects an event organiser from liability to third parties for loss or injury that arises out of the premises that the event organiser controls or out of its conduct of the event itself.

As the event tourism market grows and diversifies, it is becoming more common for large scale events to feature designated spectator activity areas or 'fanzones', in an effort to enhance the customer experience and/or to upsell basic entry revenues.

In such circumstances, careful consideration should be given to any particular equipment for rides, experiences or challenges offered to spectators (who may become participants or end users of third party suppliers retained by a sporting venue) and what additional risks and corresponding coverage should be put in place.

In such scenarios it is prudent to make early disclosure of anticipated activity to your broker – even arranging site visits if necessary – to determine if proposed activities come within the existing TPL cover and to determine if they are out-of-scope whether their presence on site may vitiate existing cover, necessitating changes.

Cancellation Risk

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. Many things can cause an event to be cancelled at the last minute, including:

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

Where any one of these incidents occurs, it can result in significant financial loss for the event organiser who would be left, in the absence of insurance, to pursue any legal claim that they may have against the persons responsible for the loss.

Inevitably, pursuit of those claims would entail further expenditure of time and money and would likely compound the loss arising from the cancellation of the event. In many cases, the original loss and the subsequent efforts to recover that loss through legal action are likely to impact the event organiser's cash flow for months or years to come.

Insurance cover for this risk or even for the risk of reduced spectator turnout removes the prospect of the event turning out to be a financial disaster for the event organiser. Where an event organiser takes out this kind of insurance and is forced to make a claim under it, the insurance payout will allow the event organiser to move on quickly and will shift the cost and effort of pursuing legal claims against the parties responsible for the loss onto the insurer.

Risk Management is Indispensable

Many financial and legal risks are attached to the organisation and staging of public sporting events. These risks can come from spectators or participants in the event suing for injuries sustained as a result of how the event was conducted, or they can arise from the financial loss that results when an event is cancelled or cannot go ahead at the last minute through no fault of the event organiser.

In each case, strategic early identification and allocation of risk, complemented by taking out the appropriate insurance cover where the relevant risk cannot otherwise be addressed is an important risk management tool that allows pricing of appropriate coverage into revenue models and should ensure that foreseeable financial and legal fallout from the event, should it happen, does not bring irreparable financial harm to one or more of the key stakeholders in the event management chain.

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