Covering the Whole Event

by **Ray Andrew**, Executive Chairman, JLT

On almost every day of the year some where around the world there are major events - in 2010 we have had the FIFA World Cup, the Winter Olympics, and major golf / tennis tournaments. In the second half of 2010 there are a host of other major events like the Commonwealth Games, The US Open Tennis, The Ashes Tour, the Melbourne Cup, the Tour de France - and so the list goes on.

So what do these events have in common? An indescribable level of organisation, expectations and investment which leaves those organising events with a plethora of risks to identify measure and manage. With the 2011 Rugby World Cup in New Zealand, the 2012 London Olympics and Paralympics on the horizon, major event risk is a real consideration for organisers and their risk managers.

Not all events are of 'World Cup' magnitude or complexity. Nevertheless, challenges and risks exist for all organisers, funders, investors and indeed participants - whether the event is a family wedding, a business meeting, conference, charity fund raising or a civic celebration.

Many events will face similar risks which are often easily identified –such as: weather, damage to venues, loss of a critical service such as power. A number of risks may be mitigated through good management and sound contracts with suppliers however there will always be those risks which lurk just out of sight. How often have we heard, 'I never thought that would have happened in a million years'.

Location risks in some parts of the world include disruption from headline chasing activists. In London the threat from extremists will be a factor; in South Africa it may be localised criminality, muggings and robberies that concern organisers. In New Zealand the organisers may need to prepare for the threat of tsunamis, earthquakes, perhaps volcanic eruption or the closure of critical transport routes like major airports.

Many organisers focus on the impact of catastrophes. However, experience would tell us that the so called lesser risks can equally cause disruption, embarrassment and financial loss to events of any size.

Identifying the Risks

Generally risks may be categorised as either being venue related, which have a direct impact on the event, or external risks, which have a roll-on effect. Risks at the event venue could be property damage, failure of critical utilities like power or water which may prevent access for fire safety reasons. External risks to the venue could include, a bomb threat which is identified at an airport, stopping people getting into the country. External risks also include other transport issues, weather, political problems, civil commotion, boycotts, national mourning, violence and crime.

Whilst your own experience will assist in the identification of many risks, identifying those flying just below the radar is often the job for a fresh set of eyes. In some cases your contracted risk advisors will have access to tools and event checklists which will lessen the

burden. For those events using larger or multiple venues and potentially complex organisational structures it would be a prudent to have an independent review completed.

Cover Options

There are an increasing number of insurance solutions available in the global insurance market – from simple on-line solutions for a family wedding or reunion to the most complex and large international event risks. While the insurance market has some standard exclusions, products can cover a multitude of threats. Understanding the risks associated with an event and how to buy back key insurance coverage is critical. It is important to understand that not all financial risks are insurable - some will simply need to be managed. The standard market wordings exclude losses resulting from terrorism, war, civil commotion, national mourning and communicable disease. However experience tells us that skillful broking by specialists in designing event protection can often remove one or more of these exclusions. The price of buying back cover will depend on the nature and location of an event. For example Terrorism cover for a conference in Queenstown will more than likely be included without charge whereas an event in London or New York will not only demand a risk assessment being completed but will inevitably come at a cost.

Available Capacity

For major events like the London Olympics there is likely US$1 billion available, potentially more.

Generally organisers will look to secure insurance cover as soon as their event gets any level of exposure. Robert Brophy, Finance Director of the Rugby World Cup Limited (RWCL) managed the process of purchasing insurance for the 2011 Rugby World Cup some 18 months ago. Arranging the cancellation, abandonment or postponement insurance was a priority he says and their broker created suitable cover and sold it to the underwriters. RWCL's commercial agreement generally requires it to refund sponsors if the tournament does not proceed. "A full cancellation would be very damaging for RWCL", says Brophy. The insurance contract was built with this in mind and RWCL entered into a partnership with Rugby New Zealand 2011 Limited, the entity jointly owned by the New Zealand Rugby Union and the New Zealand Government, charged with delivering a successful tournament and who is on the ground to manage the everyday risks associated with the event. Risk management is also about ensuring excellent event delivery he stresses. "We have four people based and working with the organising company in New Zealand to ensure the tournament is delivered to as high a standard as possible".

Economies of Scale

Brophy explains: "We've been open and realistic about mitigation of loss with extra detail in the policy around our commitment to postpone and rearrange. We feel there is a strong possibility we can reschedule matches within the timeframe of the tournament if required."

The two organisations have different exposures but the joint insurance contract was able to accommodate this: "The contract consists of two parts," explains Brophy. "Part A is Rugby World Cup Limited's commercial risks, which are lost revenue from broadcasters, sponsors and commercial ticketing, and Part B covers RNZ2011's gate revenue risk. It's all part of the same policy and we've purchased cover together to get economies of scale." The contract covers in excess of £250 million and is a bespoke policy covering various forms of disruption, including earthquakes, adverse weather, flu epidemics and terrorism. "We tend to take out a policy that achieves as wide a coverage as possible," says Brophy.

David Lynch, Wellington Manager for JLT said that with careful consideration, insurance plays a key role in the smooth running of events of any size. JLT were appointed to manage the design and placement of coverage for the Rugby World Cup.

With close to 400 days remaining until the tournament starts all participating regions should be prepared from a risk perspective. Insurance is a key factor in managing your risks and the regions that have involvement with the tournament should be raising this with their insurance providers.

Acknowledgements – *Risk Specialist*, a Jardine Lloyd Thompson publication

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