BLOG

Entertainment Insurance Market Hardens from Coronavirus

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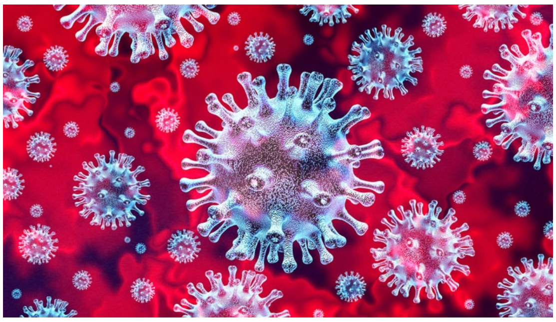

COVID-19 has had an immediate impact on the entertainment industry and is causing a rapid change of its insurance market.

As measures to curb the virus have evolved from suggestions of social distancing to travel bans, to outright shelter-in-place orders around the world, film and television production has largely been suspended. Furloughs and temporary layoffs in entertainment have surged, theaters have temporarily shut their doors, and some networks have released new films digitally instead of in theaters.

With business interruption losses mounting for studios, networks, theaters and filmmakers, many are wondering how insurance policies are going to respond and what can be expected to be paid out in claims.

What's Covered by Insurance?

While we don't yet know how the film and television insurers will respond to the hundreds and hundreds of COVID-19 claims being submitted, many policyholders will look to a section within their Entertainment Production Package known as "Civil Authority." The intention of this clause is to cover losses when a Civil Authority such as a municipal, state or federal government prohibits the filming of a project or temporarily halts production. Unlike Cast insurance, which typically covers up to the full production budget if a project is derailed because a Cast member becomes unable to shoot due to illness or injury, Civil Authority coverage has much lower limits.

Additionally, carriers that write insurance programs for Film & TV are concurrently being hit with claims from event cancellations. One carrier writing Event Cancellation insurance, we believe, has $4B of limits exposed for potential event cancellations around the world.

A Constricting Coverage Market Ahead

As a result of claims triggered by coronavirus, carriers are starting to impose more restrictive coverage terms for film and television as well as for events. Most notably, insurers are beginning to add "COVID-19" and/or "communicable disease" exclusions in policies going forward.

Infectious disease exclusions may become an overriding exclusion. In other words, if there is a governmental order to shut down production (which would normally be covered under Civil Authority coverage), and if the order is due to a communicable disease like COVID-19, the losses would be excluded from coverage.

On top of that, we may see more restrictive limits. Instead of $1M or $2M in Civil Authority coverage, we will likely see limits closer to $250,000. We predict that premiums will increase by as much as 25% and certain carriers may stop writing coverage for film production altogether.

While the pandemic situation is still evolving and insurers are figuring out if and how claims will be paid, it will become more challenging to secure coverage at renewal periods. The bottom line is: the market for coverage is hardening so we can expect to pay more and get less.

Turn to Brokers for Help

Although insurance brokers cannot guarantee their clients have coverage, they can act as partners in working through the claims process and will be available throughout the crisis. Brokers can provide help with business continuity planning and advice on contingency planning for working remotely.

We are also keeping our eye on the federal stimulus package to see how legislators are putting pressure on major insurance bodies to come up with plans for business interruption losses, and whether any sort of government backstop contingency plans will kick in to relieve losses akin to the response to 9/11.

As a whole, Hollywood wants to get back to work. But they want to do it safely for cast and crew. The industry is viewing the pandemic as temporary, with many expecting to get productions back on track later this year.

Want to learn more?

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