

## BLOG

# The Other Side: Concentrated Risk Abound as Live Performance Returns

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The curtains are once again rising for live performances across the country. Broadway announced plans to re-open at full capacity in September, and flashy shows in Las Vegas have returned with socially distant performances, with plans to expand capacities and offerings in August. Performers and theatre professionals everywhere are breathing a sigh of relief, “we’re back!”, but the pandemic’s impact on the world of live performance will be felt for years to come, especially when it comes to protocols, tourism, and insurance coverage.



### **Insurers’ Revelation: Concentrated Risk**

For years, coverage offered to performing arts companies across the country was extremely broad, and premiums relatively low. When the pandemic hit, carriers found themselves exposed to the unique concentrations of risk inherent within Broadway and Las Vegas.

In these cities, dozens of major performance spaces sit within blocks of each other, often covered by the same insurer. When a rare event large enough to shut down those venues occurs (i.e., a snowstorm, a hurricane), carriers face paying simultaneously for the losses of many cancelled performance client, the sum of which is costly. When the performance shutdown is extended, as with a pandemic, the toll is even greater.

The COVID-19 shutdown of live performance was a wake-up call for carriers.

Though this coverage risk was present in entertainment insurance for years, the pandemic accelerated policy changes that many insurers now view as necessary for their survival. Carriers are adjusting, reassessing the insurability of Broadway and the like. It’s a seismic shift compared to the long-stagnant rates and policies, and is driving steep premium hikes across the industry.

### **Civil Authority Coverage Exclusions**

The biggest change in live performance policies is to breadth of Civil Authority Coverage. This was included in all basic policies and used to cover any performance cancellations or losses, even if there weren’t damages. Last year, carriers realized that this was far too extensive. Policies being written now are

much less broad, with many more exclusions for weather and event cancellation.

### **Increased Premiums and Deductibles**

Premiums for performing arts companies everywhere have spiked as the market hardens and carriers repair balance their sheets. In addition, many carriers have increased their deductibles to be at least three performances worth of revenue, which is certain to affect performance companies' pocketbooks in the case of an emergency.

Big, well-known shows (i.e. *Book of Mormon*, *Hamilton*) will not blink at these rising costs - they can rely on steady ticket sales to absorb them. Producers of smaller shows, however, will have to take a risk vs. reward view: do they purchase full coverage knowing the cost will eat into their slim profits, or do they purchase partial coverage, putting themselves at risk if something happens that their policy does not cover? Time will tell which decision is the right one, and whether insurance requirements will inhibit smaller shows from mounting productions on Broadway.

### **A Moving Target**

As restrictions are lifted and shows march towards re-openings, insurance carriers have yet to settle on precisely what coverage they are willing to offer clients long-term, and at what rates. It is likely that carriers will come to a consensus on policies for the fall theatre season by the end of July, then reevaluate and make necessary adjustments six months from now for Spring. It may be years before premiums return to a stable and predictable place.

### **Shifting Protocols and Related Costs**

In reaction to COVID-19, theatres will also have to spend money on equipment and enforcing health and safety protocols. This includes better ventilation systems and systems to take people's temperatures en masse. Whether or not venues will require masking and/or audience proof of vaccination in order to attend will depend on state mandates, which are in flux, the choice of each production company, and union requirements (i.e. Actors' Equity Union).

### **Full Recovery Relies on Tourism**

Unlike television and film production, live performance cannot happen in a bubble. The success of shows in performance hubs like Broadway and Las Vegas relies heavily on tourism. Though the inevitable surge of regional and national tourism can sustain these major productions for some time, until international tourism returns to pre-pandemic levels their future is uncertain.

The pandemic accelerated a drastic, long-coming shift in live performance coverage, exposing the steep cost of concentrated risk within the industry. As exclusions increase, restrictions tighten, and policy requirements climb, Risk Strategies' experts can help you navigate the changes. We offer a specialized approach for performing arts companies on Broadway, in Vegas, and across the country.

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