

Event Cancellation Insurance Coverage and Coronavirus (COVID-19)



4/29/2020



Gallagher

Insurance | Risk Management | Consulting

Prior to cancelling an event, it is critical to contact your broker and insurance carrier to understand the specific nuances in your policy. Here are some key questions and answers.

1 Will my event cancellation coverage be triggered if I cancel an event due to COVID-19?

It depends on your individual policy, exclusions, reason for cancelling and when you announced the cancellation.

2 What exclusions does COVID-19 fall under in my policy?

COVID-19 typically falls under the communicable or infectious diseases exclusion of your policy. Some markets have also tightened up on other terms and conditions.

3 Can I get event cancellation insurance for an upcoming event?

Event cancellation insurance without a communicable disease or infection exclusion is not currently available in the market.

As we write this summary, event and meeting cancellation claims are at historic highs. As a practical matter, every meeting, conference and trade show through at least June 1, 2020 has been cancelled. Every theatrical production, music festival and concert has been cancelled. Even more remarkable, every sporting event from mid-March, and perhaps through end of the year, has been cancelled.

Meeting planners, whether for association and other nonprofit organizations or for-profit entities such as film studios, sports leagues and individual franchises procure event cancellation insurance as a way to protect meeting and event revenue from loss. Expected losses to the contingency market are well into the billions of dollars. This has already resulted in coverage restrictions (e.g., the market for communicable disease is shut down for the foreseeable future) and contributed to the hardening of the market (i.e., increasing rates). As a result of the extraordinary scale of expected losses, some underwriters are reconsidering their appetites for accepting event cancellation risks moving forward.

Gallagher is in regular contact with carrier claim partners and we encourage you to get in touch with our team to answer questions before taking any steps to suspend or cancel an event. If you do decide to cancel an event, be sure to immediately file a claim with your carrier. Please note, coverage is determined based on the facts of each loss/claim and specific terms of the issued policy.

Here are some things to keep in mind regarding event cancellation coverage:

Cancellation insurance pre-COVID-19

Event cancellation policies are meant to insure event-related revenue or expenses against cancellation due to circumstances such as extreme weather (tornadoes, wildfires), terrorism events or labor strikes. Additionally, coverage can be purchased for non-appearance of key people. Prior to the COVID-19 outbreak, most event cancellation policies contained an exclusion for communicable disease. Many carriers previously offered the ability to remove the communicable disease exclusion, however many insureds did not procure this coverage.

Generally, the communicable disease enhancement would cover government restrictions on travel and imposition of quarantines or bans on large gatherings, but it would still exclude a cancellation due to the fear or threat of a communicable disease.

Cancellation insurance since late January 2020

Following the outbreak and spread of COVID-19, we have observed the inclusion of full communicable disease exclusions on all quotes and policies going forward. On the basis that all contingency policies are subject to the acceptance of the risk by the underwriter, such clauses have also been imposed on outstanding quotes.

The losses faced by the event cancellation market impacted the entertainment and hospitality industries, along with sporting events, festivals, concerts, theaters, trade shows, conferences and exhibitions. A number of these events will not be insured, and a large number of policies will not respond because of the standard exclusion or due to the initial cancellations triggered from fear of infection versus an actual infectious event.



Cancellation insurance looking forward

We expect the market for such coverage will be impacted in the medium- to long-term and could look significantly different to what was in existence at the end of last year.

At this time, the appetite for event cancellation insurance is declining. The market has hardened and we expect this to continue due to COVID-19. If you're interested in obtaining terms for an event, please be aware of the following:

- The Center for Disease Control (CDC) and government have issued announcements related to gatherings, so underwriters are unlikely to consider offering any terms for events through at least May 2020.
- No coverage is available without a communicable disease exclusion at least through Q3 2020.

This is an evolving risk that Gallagher continues to monitor through the CDC, the WHO and state and local government. Please visit ajg.com/us/pandemic-preparedness for the latest information, or contact:

Gallagher provides insurance, risk management and consultation services for our clients in response to both known and unknown risk exposures. When providing analysis and recommendations regarding potential insurance coverage, potential claims and/or operational strategy in response to national emergencies (including health crises), we do so from an insurance/risk management perspective, and offer broad information about risk mitigation, loss control strategy and potential claim exposures. We have prepared this commentary and other news alerts for general informational purposes only and the material is not intended to be, nor should it be interpreted as, legal or client-specific risk management advice. General insurance descriptions contained herein do not include complete insurance policy definitions, terms and/or conditions, and should not be relied on for coverage interpretation. The information may not include current governmental or insurance developments, is provided without knowledge of the individual recipient's industry or specific business or coverage circumstances, and in no way reflects or promises to provide insurance coverage outcomes that only insurance carriers control.

Gallagher publications may contain links to non-Gallagher websites that are created and controlled by other organizations. We claim no responsibility for the content of any linked website, or any link contained therein. The inclusion of any link does not imply endorsement by Gallagher, as we have no responsibility for information referenced in material owned and controlled by other parties. Gallagher strongly encourages you to review any separate terms of use and privacy policies governing use of these third party websites and resources.

Insurance brokerage and related services to be provided by Arthur J. Gallagher Risk Management Services, Inc. (License No. 0D69293) and/or its affiliate Arthur J. Gallagher & Co. Insurance Brokers of California, Inc. (License No. 0726293).

