

The background of the top half of the page is a photograph of rows of red stadium seats, mostly empty, receding into the distance. A dark, semi-transparent rectangular box is overlaid on the left side of the image, containing the title text in white.

Navigating the Event Cancellation Marketplace During a Pandemic

During the first half of 2020, as COVID-19 spread, the contingency and event cancellation insurance markets experienced an unprecedented number of claims for cancellations. The losses are still being tallied, but at this point we already know that this hit bottom lines hard — insurance claims due to COVID-19 will be measured in billions. What's more, the pandemic may be far from over, which means that event cancellation underwriters continue to suffer losses and pay claims.

Now as the world tries to reopen and sporting event organizers are beginning to schedule events again – either with limited spectator capacity or with no live audiences at all – the ability to obtain protection by purchasing event cancellation insurance is posing an unprecedented challenge.

Challenges Facing Insureds

Those currently looking to purchase event cancellation insurance, or planning to do so in the near future, will find that the terms and conditions of coverage available in the market have changed dramatically from prior to the pandemic.

A few examples we are seeing include rates that have at least doubled and narrower coverage terms, including:

- Inability to purchase coverage for COVID-19 specifically, and even communicable disease more generally
- Limitations on terrorism coverage (either outright exclusions or time and distance limitations are commonplace)
- Exclusions for civil commotion and riots (presumably as a result of demonstrations and protests that have taken place in many cities)
- Exclusion for claims relating to pollution
- Limiting coverage for some events to cancellation and abandonment only (removing postponement, interruption and relocation)
- Stricter underwriting (underwriters want to know that the event organizer has a contingency plan in place and an alternate venue)
- Expiration dates on quotes (pre-COVID-19, quotes might be open for a month with the ability to easily extend, now quotes might only be valid for two weeks and no ability to extend without risking a change in rates or terms)

Protecting Your Organization

More than ever, the best strategy in this marketplace is to begin the process early when seeking event cancellation coverage. We are advising our clients to consider securing the coverage necessary for their future events as soon as possible as we expect the market conditions will likely continue to worsen as losses mount. Prior to this pandemic, the majority of our clients expressed concern for adverse weather, and that is where we saw the most claim activity. But as we have seen over the years, you never know where the next challenge is coming from, and it is always important to lock in coverage before something new emerges and impacts the availability of coverage.



While underwriters are currently excluding communicable disease and rates have been on the rise, it is still possible, and prudent, to protect your organization's interest in projected revenue and irrecoverable expenses against the serious financial consequences of cancellation due to adverse weather or other natural disasters, terrorism, political instability and national mourning (to name a few perils). Your organization's projected revenue and irrecoverable expenses should be insured to avoid or mitigate serious financial consequences. From a risk management standpoint, make sure you have a detailed budget for your event and a contingency plan in place, and secure coverage as early as practicably possible.

Lastly, carriers realize that events scheduled for 2021 and beyond may still get rescheduled or cancelled due to COVID-19. Since coverage for COVID-19 as an insured peril is not currently (as of the writing of this newsletter) being offered, as an alternative, we try to look to negotiate a refund of at least a portion of the premium in the event of a cancellation or rescheduling due to COVID-19 for which no coverage has been provided.

For more information, contact Leigh Ann Rossi at leighann.rossi@nfp.com.

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