

Special Event Insurance

May 1st 2007

Special Event Insurance provides insurance coverage to a business, promoter or sponsor who has a financial interest in a one-time event that can be affected by unforeseen conditions such as incurring liability or cancellation due to unfavorable weather. Special event encompasses a wide variety of activities, from small personal events such as wedding and birthday parties, to business events such as seminars and conventions, to public events such as concerts, carnivals, sport games and exhibitions that have thousands of participants – basically any single function that has a short duration can purchase special event insurance. However, small personal events may not find special event insurance worth buying for it does not cover one of the most common reasons that events are postponed: a change of heart. A homeowners policy may also duplicate some coverage.

The insured is usually highly concerned about being potentially held liable for property damage or bodily injury. Postponement or cancellation of the event due to unfavorable weather, faulty equipment or absence of suppliers can also incur huge costs for the insured. Although every insured event can be very different in its nature, the purposes for purchasing insurance are similar. Therefore, a typical special event insurance has liability coverage with other options that include liquor liability, equipment coverage, event cancellation, and weather insurance.

The underwriting process can still be very creative in order to design a final product that meets the interests of the insured, and such flexibility posts challenges to both the insurer and the insured. While identifying the type of risk involved in an event can be difficult due to its unique nature, quantifying the risk can be more complicated.

For any event, the basic premises exposures are similar, but the exposure to loss can vary greatly depending on the details of the event. Underwriters therefore typically review the contract between the event sponsor and the owner of the venue where the event is being held. The language in the contract might require specific insurance endorsements and additional insured coverage that is not normally provided.¹

The underwriting process only gets more complex as the variety of entertainment provided in these special events increases. More and more events are now featuring moon bounces, bungee runs, rock climbing walls and large (over 20 feet high) slides, posing greater concern about potential injury to children. Another significant current issue is the availability of alcohol at these events. An important factor to consider when purchasing liquor liability coverage is who is serving the alcohol.² Special event insurance premiums are typically 2% of the budget for the event,³ but general liability coverage is likely to get more expensive.

As opposed to auto insurance and homeowners insurance where large amount of data is available, special event insurance cannot be as easily priced given the nature of the event. The economic perspectives and intuitions involved in the underwriting process of special event insurance are likely to play more significant roles in contributing to the underwriting success than they are in other lines of business.

¹ “Special events, promotions, hole-in-one, prize indemnity and weather insurance”, Rough Notes Magazine, April 2007

² “Special events, promotions, hole-in-one, prize indemnity and weather insurance”, Rough Notes Magazine, April 2007

³ “Pet Insurance? No Joke, It Might Work for You”, CNN Money.com, May 1 2005, <http://money.cnn.com/magazines/moneymag/moneymag_archive/2005/05/01/8257871/index.htm>