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That's Entertainment!

Keys to insuring entertainers and cultivating relationships in the entertainment community

The bright lights of Hollywood seem to hold tremendous interest for advisors who are looking to cultivate the elite of television, film and music. I am asked with great frequency how to cultivate relationships in the entertainment market. The answer is fairly straightforward—relationships are cultivated in the same way as those in any other profession. You just need to develop some expertise that is specific to the needs, fears and concerns of the entertainment community, and then focus on key primary advisors that serve the niche you are targeting.

Business managers (typically accountants on the East Coast) are the “banks” of the entertainment industry. OK, they are not really banks, but they control the money and access. The practical reality of the market is quite simple: If you want to provide investment advisory and insurance services for entertainers, you need to cultivate relationships with business management firms. In most situations, business managers make the majority of the financial decisions for their entertainer clients, and at a minimum, they act as the primary advisors to their clients. Getting to know the talent agents (the Ari Golds of this world for those who watch the hit cable TV show *Entourage*) will do little for you. It is the business managers who can deliver client relationships to your practice.

Like any other sales or marketing campaign, the process of cultivating entertainment clients starts with the identification of key business managers whom you want to target and development of a compelling value proposition for them. Critical to the value proposition is having a strong understanding of the nuances that exist for entertainers and business managers. Obviously, you need to be credible and presentable, and come with strong recommendations. Assuming the basics are in place and you can pass all the necessary due diligence requirements, you are ready to look at our experience, which has taught us a number of valuable lessons about serving this market.

Career trajectories for entertainers are “complicated”

Key Takeaways

- Business managers typically control access to entertainers and make most financial decisions for them.
- Entertainers have unique career and earning cycles, and their insurance portfolios must be constructed to reflect their special situations.
- Avoid the trap of “Special Skill” policies—they are a mistake.
- It is essential to cultivate relationships within markets and with underwriters who understand the unique aspects of risk management for entertainers. A network of complementary advisors may serve as strong marketing allies.

Entertainers go in and out of favor, and as a consequence, their income volatility is tremendous. Coupled with that volatility is the fact that the working cycle for most celebrities looks nothing like a traditional doctor, lawyer or business owner's cycle. As a consequence, traditional insurers approach the entertainment market with a considerable dose of caution.

Traditional U.S. disability insurers will rarely participate even at extremely low benefit levels. So you have two opposing forces working against each other—on the one hand, you have incredibly compressed peak income cycles, and on the other hand, you need to juxtapose that fact against substantial underwriting hurdles to make sure these folks are protected during their peak accumulation years. As a gross generalization, most executives and business owners who achieve considerable financial success hit their peak earning years in their 50s, while entertainers can hit their peak income years in their 20s and be forgotten about 30 years later. So advisors must make sure that their entertainment clients' plans are current and their income protection limits reflect the proper income-to-insurance ratios.

For example, \$250,000 per month of disability income insurance protection may sound like a lot, but to an entertainer who may make \$7 million per film, the coverage may barely protect his or her lifestyle. Find a competent specialty insurance underwriting firm and develop a relationship with it. The firm can serve as a tremendous resource and can help you look creative and smart with your business management relationships.

Avoid the Specialist Policies at all costs

We get calls all of the time that sound like this:

"Bruce Springsteen is my client, and we want to insure his voice..."

"My client is Frederique, the model, and we want to buy a policy that will pay her a million dollars if she gets a scar on her face."

"We are working with a famous radio show host and we want to insure his voice."

So, if you have ever sold one of these policies, I suggest you get up and read your E&O policy very carefully. These contracts, while well-intentioned, are big problems. As part of a well-constructed disability policy, of course, there should be coverage for Mr. Springsteen if his voice goes, and Frederique's policy needs to respond in the event of a facial disfigurement; but these problems are simply singular examples of what clients perceive is their biggest fear, and are not reflective of the risks. If our famous radio show host blows out his back and is in excruciating pain, or gets cancer, his voice may be absolutely fine, but he has still lost his ability to work. *Insure the entire person.* Make sure you are diligent with the application form and spell out specific duties. If someone is an "on air" personality, state it so in the application. If a musician tours and earns a considerable percentage of his or her income touring, state it in the application.

Getting it issued

Cover letters help. If you end up working with a "complicated" personality who may have had some bad publicity, try working with his or her business manager to develop a quick cover letter

that gives the underwriter some valuable insight into the person versus the celebrity. Thanks to the Web, the amount of information about people in the public domain is extensive, but much of it is inaccurate and does not reflect who the celebrity actually is as a person. I am not suggesting that a well-written cover letter is going to make any underwriter think Lindsay Lohan is a great underwriting risk right now, but for celebrities with a few dings and dents, cover letters can make a big difference.

When it comes to placing life insurance, carriers have varying appetites for high-profile risk. Outside of knowing your core life carriers, make sure you have a relationship with a brokerage agency that has both carrier access and experience.

Consider your competition and access points

Business managers all have relationships in this space. One of the most labor-intensive forms of insurance that business managers are forced to manage is personal insurance (homes, autos, art, liability, etc.). Very often the property and casualty brokers that serve this market do not have strong investment and life/disability advisors associated with their practices. As a consequence, a unique partnership may be put together that enables you to assemble a team of experts in this area and deliver more to your client, while protecting your respective “blind sides.”

Build your network

Make sure you have a great network of advisors to turn to when the need to bring in another specialist arises. Musicians need specialized coverage when going on tour: Kidnap, ransom and stalking/extortion insurance is utilized for high-profile celebrities. Make sure you know whom you can trust to assist with other forms of insurance.

The great thing about working in this area is that you are generally working with bright CPAs and the clients are always interesting. Lifestyle and schedules often create underwriting challenges, but these can usually be managed. Successful advisors who serve this space get paid like entertainers; just realize that the competition is fierce and, as with entertainers, only a few lucky and smart advisors will make the big time. Then again, life is about the journey, so if the entertainment market excites you, hit the road and start auditioning for a few business managers!

[About the Author](#)

[Edward A. \("Ted"\) Tafaro](#), president & CEO of Mahwah, New Jersey-based **[Exceptional Risk Advisors](#)**, is one of the country's foremost experts on high-limit specialty life, accident and disability products for clients with exceptional insurance needs—including celebrity athletes, entertainers, highly compensated executives, entrepreneurs and professionals.

