

INSURANCE JOURNAL

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**E&S Markets
Directory, Vol. II**

**Portable Persistency
Now Prop. 33**

NEW & IMPROVED FLOOD INSURANCE

A large, 3D-style white rectangular block is the central focus. The text 'NEW & IMPROVED FLOOD INSURANCE' is printed on its front face. Below the text, a hand is shown splashing into a pool of blue water, with water droplets and splashes surrounding the hand. The background is a light, neutral color.

**What
Agents
Need to
Know**

High Net Worth

There's More Than Silence When Musicians Fail to Play



By Edward A. Tafaro

Traditional insurance carriers are well prepared with life insurance and disability income plans that fit the needs of most people. If you're an accountant and become disabled so you can't work, having a

disability income policy can help maintain your normal lifestyle.

But what if you are the rock icons U2, and you're in the midst of a 110-show, all-stadium tour, destined to be the biggest ticket-selling and top-grossing tour of all time, potentially selling 7.1 million tickets and grossing \$717 million? Particularly when you know the tour was delayed from starting last year because Bono had to undergo emergency back surgery. If the surgery had happened during the tour, even missing only three stadium shows could cost a top grossing act like U2 north of \$6 million dollars — a tall order for insurance companies to fill.

Adequate protection for a mega tour falls beyond the scope of what a traditional insurance carrier can handle.

When the business managers and tour promoters sit down to figure out their potential revenues, they need help protecting their investment from the outset from possible perils of an arduous journey, whether it is inclement weather, death, illness or injury to the artist, even a terrorist attack. Adequate protection for a mega tour absolutely falls beyond the scope of



what a traditional insurance carrier can handle, whether it's for a high-profile rock tour or an up and coming country act performing a summer tour at a string of open air venues.

This is when the focus turns to a handful of companies that have the ability to provide the high-level of coverage needed when the rich and famous go about what most people would never consider "just a normal day at work."

Non-Appearance

Coverage for this class of business is known as non-appearance insurance and it's designed to protect the policy owner if a show, or series of shows is missed, postponed, abandoned or rescheduled.

The insurance is typically underwritten on a broad policy form that covers perils from death of one or more scheduled artists to venue destruction, and

many perils in between. Sometimes we may cover a large single event like a New Year's Eve concert, where a lot of money is at stake and a simple stomach bug lasting 24 hours can derail the entire event. Other times, we're asked to insure multi-city mega tours and an entirely different risk profile emerges.

One interesting risk facing insurers specializing in this class of business is the aging population of some of the most productive touring artists. Traditional insurance companies go into a relationship with the knowledge that their client will likely work into their 60s, which isn't the case with most performers (unless you're Mick Jagger and still prowling around concert stages nearing 70). Most recording artists have a very short window for top earnings but are incredibly productive when they tour.

All artists come with their own set of challenges to insure. Bruce Springsteen

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News & Markets

Utah Says Energy Giant Falsified \$25M in Claims

Petroleum giant ConocoPhillips filed \$25 million in false insurance claims over 14 years for cleanup of leaky underground storage tanks, a state lawsuit charged.

The lawsuit filed earlier this month in 3rd District Court accused the Houston-based multinational company of double-dipping on 1,500 claims from 1995 to 2009 even though it had its own private insurance to cover cleanup costs, the Deseret News reported.

The state is seeking reimbursement and punitive damages.

Utah established a fund in 1989 to help owners and operators of gas stations cover

ConocoPhillips

costs of petroleum releases. Gas station operators paid the first \$10,000 of cleanup costs and the fund paid the remainder, up to \$2 million, state officials said.

Each time a claim was submitted, the company had to check a box on the paperwork indicating whether it lacked the type of insurance to cover such a spill.

The lawsuit charges the company reached settlement agreements on claims for more than \$268 million while never disclosing to

Utah officials it had insurance and made those settlements.

Utah Assistant Attorney General Paul McConkie said the company allowed the Petroleum Storage Tank Fund to reimburse it for \$25 million at the same time it received reimbursement from many insurers on the same leak.

“ConocoPhillips secretly double-dipped ... and was unjustly enriched,” the suit said.

A ConocoPhillips spokeswoman said the company does not comment on legal issues. 

‘ConocoPhillips secretly double-dipped ... and was unjustly enriched.’

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proudly claims “No Surrender” as his epic concerts tend to reach three hours in duration and are rarely missed or rescheduled. When dealing with performers whose cancellation record is not nearly as pristine as Springsteen’s, you have to be more cautious when underwriting a 30-city tour.

As you might expect, we’re seeing much more non-appearance coverage in the music industry, especially when a big act goes out on the road. The artist’s management figures out the potential income from the guarantees plus percentages put up by the promoters, and then they factor in what the loss would be if the artist failed to complete all or part of the tour. Lost shows can be the result of many perils from voice problems to the death or serious illness of a close relative of the performer can delay or cause performances to be abandoned.

Other issues include the total number of shows and how close they’re scheduled together, which can put a strain on the

singer’s voice, and just overall life on the road, which can be arduous. This was particularly important in 2010, when four of the “Top 10” highest grossing acts were well into their 50s and 60s.

Careful attention is placed on the artists’ prior non-appearance record, the show schedule and the design that needs to be developed to meet both the client’s and the underwriter’s needs as risk takers. Deductibles, co-insurance provisions and other numerous details come into play.

It is clearly part science and part art to develop the design, price and policy form that serves the client, while providing reasonable risk for the underwriters of this class.

For example, Exceptional Risk Advisors, recently had a case in which a famous recording artist was preparing for a worldwide concert tour to promote her top-selling debut album and needed non-appearance coverage beyond what a traditional insurance carrier was able to provide. The coverage protected her from losing potential earnings if she had to cancel a tour appearance due to death, illness or other unexpected events.

Professional business managers (CPAs)

recognize the potential risks and magnitude of a possible loss. Each one has their own philosophy as to what they will and won’t insure. Sometimes, this is driven by where the artist is in their career financially. Sometimes, it is based on the past experiences of the business management firm. Most buyers of this insurance typically look to protect a percentage of their guaranteed income (usually 50 percent to 75 percent), while other artists are far more concerned with making sure their expenses are hedged if a show goes very bad.

The music industry has a substantial variety of risk management exposures that require a special approach. Fortunately, there are sources available that can provide extremely high-levels of insurance, even for those who, at first glance, appear to be “uninsurable.” 

Tafaro, president and CEO of Mahwah, N.J.-based Exceptional Risk Advisors, LLC, is an expert on high-limit specialty life, accident and disability products for clients with extraordinary insurance needs, including celebrities, athletes, entertainers, highly compensated executives and professionals. By partnering with Lloyd’s of London syndicates, his firm has the largest binding authority available in the U.S. for its products. Phone: 201-512-0110. Email: ted.tafaro@exceptionalriskadvisors.com.

