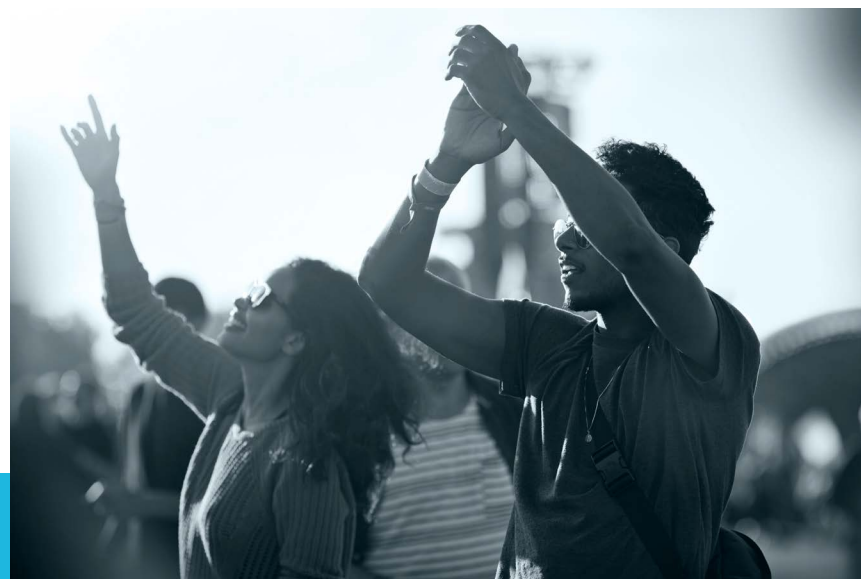


Don't Stop the Music: Insurance Withdrawal Putting Festival Season at Risk



Introduction

Industry engagement, an embrace of more agile technology, and a forward-looking innovation environment will be needed to overcome current challenges in the events market. How will the industry respond?



Navigate what's next.

DON'T STOP THE MUSIC: INSURANCE WITHDRAWAL PUTTING FESTIVAL SEASON AT RISK

For festival attendees, music lovers, and sports fans, 2020 was a truly miserable year — almost all live events were canceled due to the pandemic. And now, as the world reopens, hopes for a “summer of fun” are being dashed again. The events sector is facing a new hurdle: insurance.

Music fans were shocked when one of the world's most iconic gatherings, the UK's Glastonbury Festival, broke the news that its 2021 event [would not take place](#). The reason? It was reportedly impossible to obtain appropriate event cancellation coverage at a reasonable cost.

In 2020, event cancellation was one of the insurance lines that were most affected by the pandemic. Market losses are still unknown and will depend on how 2021 plays out, but [sources suggest](#) that these are likely to run to several billion dollars.

Allianz recorded €200 million in cancellation losses for the first quarter of 2020 alone, while Liberty Mutual reported that half of its \$529 million in coronavirus-related losses in the second quarter were due to event cancellation. If the Tokyo Olympics ([reportedly insured](#) for approximately \$2 billion plus a further \$600 million for hospitality) are canceled, the insurance fallout would be significant.

Unsurprisingly, the event cancellation market looks markedly different today. In the absence of government support, all coverage excludes pandemic cancellation, and obtaining wider cancellation coverage is also becoming tricky. A withdrawal of capacity means that prices — which were already high — are increasingly prohibitive for many potential policyholders.

The impact on the events industry could be huge. A survey by the Association of Independent Festivals in the UK found that [95.8 percent of independent festivals are not covered by insurance for COVID-19 cancellations](#). The largest music festival in the US, Coachella, recently canceled its 2021 event due to uncertainty relating to the pandemic, while other major events such as Lollapalooza are scheduled to take place in some cities (Chicago, for example) but not in others (the Paris event has been canceled).

The Tip of the Iceberg

The future of this market is potentially in doubt. Price and relevance are becoming major issues, and if insurers can't provide the answer, we should make no mistake — other sources of capital will soon fill the gap.

There is also a broader issue at stake. The current situation demonstrates the importance of insurance to society and the wider economy. So much that we take for granted relies on an insurance backstop; when that disappears, the consequences are significant.



Navigate what's next.

Whether or not the summer of 2021 will be remembered for good or bad reasons remains to be seen. What is clear is that the insurance market does have options for how it responds and takes this market forward.

DON'T STOP THE MUSIC: INSURANCE WITHDRAWAL PUTTING FESTIVAL SEASON AT RISK

Event insurance may be a small market, but the wider insurance market has similar challenges. The world is facing ever more complex risks, many of which don't fit neatly into insurers' traditional business models — think cyber or reputational risk. If the insurance industry fails to find solutions, its very relevance in the modern economy will be called into question.

Today's challenge in the events space is, therefore, just the tip of the iceberg of a much bigger problem. So it's vital that the industry be proactive in being part of the solution. There is no silver bullet. The industry must work creatively, engage with a range of stakeholders, and take advantage of the latest technologies if it judiciously commits capital to this space.

A Seat at the Table

So what does a proactive response look like?

First, engagement with governments and local authorities will be key. Providing coverage for pandemic-related losses for large events will likely need a public/private solution. Angel Gurría, Secretary-General of the Organisation for Economic Co-Operation and Development (OECD), [recently called on the insurance industry](#) to be more proactive in making this viable.

"We urgently need the insurance sector's support to develop tools and expertise that will help us better manage future pandemic risk, while reducing demands on government finances," Gurría told a conference.

Reaching a solution will be complicated and take time, but the industry must ensure that it has a seat at the table so that the "private" element of the partnership works to efficiently leverage insurance balance sheets.

Second, investing in agile technology will help the industry prudently offer affordable and relevant solutions. In the post-pandemic world, insurers will require more granular scrutiny of policyholders as well as a sharper focus on aggregation risk, which until recently has received minimal attention in this space.

Achieving this at scale is possible thanks to remarkable advances in cloud technologies and modeling approaches that efficiently harvest relevant data. This combination is enabling our industry to achieve what we refer to as "continuous underwriting," which provides a wealth of on-demand, detailed data in a matter of minutes and enables underwriters to track exposures throughout policy lifecycles.

The 2020 launch of COVID-related delay and cancellation coverage (created for the TV and film industry by specialist MGA SpottedRisk) is a good example of how a highly analytical approach can unlock innovation in a challenging market. It also serves as a warning to mainstream insurers about how quickly gaps in the market can be filled by more agile, less traditional players.



Navigate what's next.

DON'T STOP THE MUSIC: INSURANCE WITHDRAWAL PUTTING FESTIVAL SEASON AT RISK

Connected Insurance

Although it's necessary to bring more data and new analytics to bear on complex risk problems, this isn't sufficient. As an industry, we must also enable the data to move efficiently throughout the insurance network if we want to deliver innovation and develop new value propositions.

We call this "connected-insurance," a term that refers to the need for improved data standards, increased data sharing, and better systems for enabling data to flow among entities. Today, insurers and brokers are investing in tracking and curating their own data and accessing external data. But the industry will need to develop a more connected platform so that creative solutions can be developed for vexing problems.

Guidewire's own [Compare](#) product, which enables insurers to assess performance in a particular market, is an example of how data standards and sharing can improve outcomes for insurers. However, the problem requires a broader, collaborative response to achieve net gains across the market.

Whether or not the summer of 2021 will be remembered for good or bad reasons remains to be seen. What is clear is that the insurance market does have options for how it responds and takes this market forward.

As the world throws up ever more complex risks, it's essential that the industry find a way to respond positively. Today's challenge in the event-cancellation space is just one example of how this may play out, but there will be many more.



By Paul Mang
Chief Innovation Officer

Guidewire is the platform P&C insurers trust to engage, innovate, and grow efficiently. We combine digital, core, analytics, and AI to deliver our platform as a cloud service. More than 400 insurers, from new ventures to the largest and most complex in the world, run on Guidewire. For more information, contact us at info@guidewire.com.