

Have you got it Covered?

A perspective on insurance and risk management for arts organisations

Speakers: Ken Killen, Manager, AON Risk Services
Wayne Corbett, Account Executive, AON Risk Services
Wayne Middleton, Risk Management Consultant, BlueField
Richard Montgomery, Event Operations Manager, Sydney Opera House

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By Tracy Ellis

Most people would be aware that there has been a major shake up in the insurance industry in the last few years and many have felt the impact. For those in the arts, public liability insurance has become, well, a real liability, and many have had to take a crash course in risk management and the intricacies of insurance brokerage to ensure the survival of their organisations and secure their own jobs.

When premiums soared dramatically some organisations were left high and dry. Some even found it hard to find anyone to insure arts events they had been holding for years, or they discovered that particular personnel might not be covered, and the hair-pulling and haggling in arts circles everywhere began in earnest.

It seems that after much conferencing, skill-sharing, negotiating and problem solving, some good insurance deals have finally been struck and many organisations are probably even better off for the risk management plans they've been forced to develop.

To his knowledge, Ken Killen has insured more events in Australia than anyone currently working in the insurance industry. With his company, AON he has worked with many arts organisations and developed some innovative strategies to broker affordable insurance deals, sometimes reducing costs by more than half – literally saving some smaller organisations from the brink of extinction.

By the year 2000, "essentially, premiums were too low," says Killen. \$14 billion was collected in insurance premiums while \$18 billion was paid out in claims, and "with interest rates down, the attitude of insurance companies had to change."

Many think that the attack on the World Trade Centre in 2001 was the catalyst – and it was a worldwide shock to insurers – but even beforehand, in the year 2000, insurance companies were only returning profits of around 2.5 per cent to shareholders, compared to the average 13 per cent generated by banks.

Around the same time, Australians became a lot more litigious and NSW in particular was comparable to both the state of California and the nation of Israel, recognised as the two most litigious places in the world.

"We're coming out of that hard market now," says Killen. "Investors are returning because we're starting to be more profitable again."

Litigation was down 40 per cent last year on the average of the previous three years in Australia and, while reported incidents are up, claims are down which means that, for the first time in a few years, it's actually a good time to shop around for insurance again.

But Killen cautions arts organisations not to wait until the last minute – particularly when insuring an event. For arts organisation in the regions he urges you to be prepared to go further a field in your search for a suitable insurer, as your local insurers may not have expertise in your particular area. For instance, if you go to GIO for a public liability policy, you might find that it doesn't cover your volunteer workers – a particularly pertinent issue for arts organisations who often rely on volunteer support. If a volunteer isn't protected under your cover they can be sued personally.

He also points out that there is no value in attempting to pull the wool over your insurers eyes. It is essential to give your brokers and insurers as much information as you can so they can advise you properly. A common mistake he encounters is people not fully describing their activities when seeking cover.

One of the biggest problems he encounters is in the contracts people sign. For instance, if you are going to hire a venue, that venue's standard contract may not give you public liability cover. Killen recommends you always get your insurance broker or a legal advisor to look at any external contracts before signing. He uses the example of a high profile rock band: A security guard injured someone during their show and that person sued. The venue's contract had a clause that said the hirer was responsible for anything that happened and the band ended up wearing an \$80,000 law suit.

"If they'd shown us the contract at the time we could have done something about it in advance," says Killen.

Killen suggests you always, "take out as much as you can afford," as any broker probably would, but he points out that \$10 million worth of cover for public liability insurance is the average these days and even \$20 million is not that uncommon. It sounds like a lot of money until you consider that, "the last pay out for paraplegia in NSW was 8.5 million".

Killen's associate, AON account executive Wayne Corbett's advice is, "Try and come together as an industry and give us something to work with."

He was instrumental in brokering the deal that grouped 300 community arts organisations together, took them to the insurance marketplace and negotiated insurance premiums for them of around \$800 per company – down from the initial quotes of \$2,500-3,000.

Corbett also cautions being wary of unauthorised foreign insurers because they are not subject to Australian regulations and there is no way of knowing if they are going to be able to pay out claims. "Buy Australian," Corbett says. "If you go offshore you don't have that protection."

Another essential tool to better help you or your broker get the best possible insurance deal is to develop a water-tight risk management plan.

Wayne Middleton is a risk management consultant with BlueField Consulting. He has worked on a number of major events here and overseas, including the Olympic Games in Salt Lake City and the Asian Games in Qatar.

In some situations Middleton has his work cut out for him getting organisation to think about risk management. He has worked in countries where not only was English a second language but the concept of risk management was totally foreign and "the belief is such that to talk about the things that could go wrong is to bring fate upon themselves".

In that situation, as in all situations, "senior management understanding the concept of risk management and leading by example is so important," he says.

But it doesn't end at senior management. "I'm a risk management consultant and so are you," says Middleton, pointing out that everyone in an organisation has a role to play because risk includes financial risk and risk to your reputation.

A six-point, bare-bones outline of Middleton's risk management process involves: Establishing the context; identifying the hazards; analysing the risks; evaluating the risks; assessing treatment options and finally, implementing them.

While risk management involves identifying the threats, the process can also identify opportunities. For instance, the threat of inclement weather to your event can enable you to plan to sell umbrellas which could become a profitable opportunity.

In any public event there are many stakeholders and every one of them should be consulted if your plan is to be thorough and effective. "Consult, consult, consult," says Middleton, and he insists on a 'risk register' that is constantly being updated and evaluated, with new risks being identified and added to the register and a process of management being applied to each one.

He suggests a 'bow tie' shaped diagram for each identified risk, with the 'knot' at the centre being the identified risk and a 'fan' either side representing, on one side, the typical multiple causes of that risk, and on the other, the multiple impacts. For example, if the knot was the risk of fire, on one side you would list all the possible causes of a fire, from faulty equipment to someone putting a cigarette in a wastepaper bin, and on the other side you would list the impacts which would be everything from personal injuries, burns or smoke inhalation to damage and loss of property.

Middleton's bottom line is that it pays to be prepared. "You might not be able to stop things happening but you can minimise the risk and reduce the impact."

As event operations manager at the Sydney Opera House, Richard Montgomery echoes the insurance brokers and risk management consultants advice. "Wishful thinking is your worst enemy," he says.

Montgomery has to be scrupulous about workplace safety. In his long history as an arts producer he has watched the emergence of Occupational Health and Safety and risk management as essential concepts in the arts work place.

He even remembers when he first heard the term 'risk management', when working at the Glen St Theatre in the early '90s. "We became fearful of when these obligations would appear," he says. Admitting that it sounded like an ominous liability they were going to have to deal with, and that was in an era when one couldn't just log on to the internet to find out all about it.

"For effective event production and delivery you have to perceive what might go wrong and pick your project leaders carefully, remembering that prevention of failure is the brief," says Montgomery.

Montgomery has learnt that, "knowledge plays an important role and empirical knowledge an essential role." The latter has led him to the conclusion that "cheap deals usually result in cheap results" and "contractors and suppliers will invariably let you down."

His attitude now is that risk management can effectively drive the performance and delivery of an arts production. He likens it to riding his motorcycle, where 20 per cent of his focus is simply keeping upright and riding while a full 80 per cent is on riding defensively, not aggressively, and focussing on, and being prepared for what might happen; being ready to act or react to avert the risk.

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