

A Horse of a Different Color?

Avoid errors & omissions exposure when offering special events coverage

By Janice Blanton

With warmer days come fairs, rodeos, horse shows, outdoor concerts and festivals. Of course, insurance is a key component that allows these special events to occur.

Special events coverage is a niche in the insurance marketplace and should be approached with a thorough understanding of the scope of coverage the client requires in comparison to the terms, conditions, and limitations this type of coverage provides. Extra care should be taken to address them to avoid surprises for both the client and the agency should a claim arise—as one agency discovered.

Acme Agency in Kansas was approached by an existing client regarding a business venture that promoted and produced concerts at the local fairground. The agent sought out a surplus lines broker to assist with the placement of a special event package that included liability coverage and event cancellation.



The client approached the agency four weeks prior to the first scheduled event, which gave them a short timeframe to locate, quote and bind coverage. The event cancellation coverage had to be bound 10 days before the first concert, and the coverage had a stage-construction condition.

The broker's quote contained the stage-construction requirements. However, the agency did not provide the quote to the client but rather verbally advised of the premium amount. The agent did not advise the client of the stage construction conditions, because they did not notice them in the quote or in the policy. The agent was familiar with the stage construction because the client provided a diagram, which was sent to the surplus lines broker.

After the policies were delivered to the agency, the agent believed they were sent to the client, but had no documentation or other notes to support delivery or mailing. The agent also did not review the policies.

The concert was canceled due to weather. However, the claim for the loss incurred due to cancellation was denied by the carrier. The basis for the denial: the stage construction did not meet policy requirements. The client claims that the policy was not

delivered prior to the concert, and the client was unaware of the stage-construction requirements.

There are several ways an errors & omissions claim against the agency could have been avoided, or at least successfully defended. Given the short timeframe the client created by not addressing the insurance requirements in a timely manner, the agency could have simply declined the business and referred the client to another agency. Event cancellation coverage is not the type of coverage that most agents procure routinely. Therefore, a thorough review of the quote was essential to make sure the coverage offered met the client's request; any conditions were noted; the client was provided with the written quote or advised of any conditions required by the policy prior to binding; and the agency maintained documentation that the policy was delivered to the client prior to the event.

Special events coverage is a highly customized type of insurance. Each event has its own unique requirements and each policy has specific conditions.

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