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When Music Acts Hit the Road, Sometimes the Road Hits Back

By: Frank Zuccarello

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Frank Zuccarello, Partner

Coverholder at **LLOYD'S**

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Protecting the Touring Musician

When Foo Fighters' Dave Grohl snapped his fibula “like a chopstick” (as the singer recalled the incident) during a show last summer at Ullevi Stadium in Sweden, the band was forced to cancel the remainder of its European tour, resulting in as much as \$10 million in lost revenue.

But the more excruciating pain would have come if the band were forced to cancel all or part of their North American tour, which was scheduled to begin July 4 in Washington, D.C. Fortunately for the band, and their fans, Grohl toughed it out and the tour resumed.

Because of that decision a collective “whew” went out from the tour handlers, who were staring into the abyss at millions of dollars in losses had the tour shut down. According to a report in Billboard it was going to cost \$200,000 alone to ship the band’s equipment back to the United States. But that’s just a drop in the bucket compared to the \$55 million in estimated band gross for the 44-date North American tour, and \$5-10 million in estimated merchandise sales that were about to go up in smoke if the tour were cancelled. Put this on top of the estimated \$10

million in lost performance fees and travel expenses not offset by income due to five cancelled European dates, as well as crew salaries, per diems, hotels and expenses incurred for PR and marketing, and you are looking at a major hit.

The final impact on the bottom line in such a case depends largely upon the level of insurance carried by anyone who has skin in the game; promoters, venues, the artists themselves. If the Foos’ insurance is comprehensive, the band could come through this virtually unscathed, at least financially. If not, it will be hard to stop the financial losses from hemorrhaging.

When the business managers and tour promoters sit down to figure out their potential revenues, they also look to protect their investment from the possibility of inclement weather, death, illness or injury to the artist, or even a terrorist attack. It is not uncommon for major touring artists to have their tours insured for upwards of \$50 million or more as a hedge against weather, venue damage, travel delays, even acts of terrorism.

The insurance policy also can be used as a safeguard should the need arise to reschedule events, replace equipment, and sometimes even personnel. Adequate protection for a mega-tour absolutely falls beyond the scope of what a traditional insurance carrier can handle. 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.”

Coverage for this class of business is known as Non-Appearance/Event Cancellation insurance and it is 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, injury or illness of one or

more scheduled artists, as well as venue destruction, and many other perils that could cause a loss. 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 extreme example happened recently when in light of the horrific terrorist attacks in Paris that claimed the lives of more than 150 people, U2 postponed a show scheduled to be filmed for an HBO special as part of their European tour. The concert film was set to be shot at 20,000-seat Paris’ Bercy Arena (the group was actually in rehearsal when the incident occurred). The cancellation created a financial domino effect not only for HBO but for the band, the venue, the production company, right down the line to the guy selling merchandise at the show.

As you might expect, we’re seeing much more non-appearance coverage in the music industry these days, especially when a big act goes out on the road. The artist’s management determines 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, a possibility that can vary from act to act.

A rock tour is a risky endeavor, and recent history shows that there can be losses from artists of all ages and experience. The Foo Fighters loss, as well as Linkin Park’s cancellation of concerts, demonstrates that even what underwriters consider a “blue-chip risk” can be derailed by accidents. A great example of this is when front man Bono of U2 was seriously injured in a bike accident while riding through Central Park in NYC. That accident caused a cancellation of a weeklong promotion on “The Tonight Show,” and seriously threatened the opening of their latest tour.

But it’s not always an injury that threatens to derail a multi-million dollar tour. As veteran rockers from the 60s continue to tour into their 70s, the body isn’t always as resilient. In 2014, 71-year old Paul McCartney was forced to push back the opening dates of a planned tour of Japan due to a nasty viral infection, resulting in the cancellation of a number of Japan dates.

Still, cancellations seem to be often as commonplace for younger singers as veterans ones, as more and more younger performers, many with no formal vocal training, jump full-throttle into a large, multi-city tour and pay the price when their throats quickly rebel.

Such was the case when Meghan Trainor cancelled her North American tour because of a vocal cord hemorrhage and ongoing vocal chord issues. Sam Smith also had to cancel many shows due to vocal chord problems. Issues such as the total number of shows and how close they're scheduled together can put a strain on a singer's voice, as well as external factors such as smoking, screaming, and something as basic as a run-of-the-mill upper respiratory infection.

One of the country's leading Ear, Nose & Throat (ENT) specialists is Dr. Joseph Sugerman, whose Beverly Hills office contains platinum records from recording artists he has assisted over the years. In an interview with Backstage magazine, Dr. Sugerman discussed this very issue.

"The most common throat problems stem from upper respiratory infections which cause the vocal cords to swell," said Dr. Sugerman. "Performing with swollen vocal cords just results in compounding the danger, so it is important to prevent this from happening by knowing the warning signs ahead of time. Singers who have been around awhile know the different signs of when there is going to be a problem and know what to do to take care of it. They also have management in place who are experienced in these types of things and know how to get the problem treated quickly."

However, explained Dr. Sugerman, it's different for younger performers, many of whom are going out on the road for the first time. "They tend to put their career ahead of their vocal training because they have to work long and fast to recoup the overhead that goes with a career they are quickly trying to build," says Dr. Sugerman. "It's not like Broadway or opera stars, who have been undergoing vocal training since they were six years old. These singers need to know that their voice is their instrument and they need to take care of it."

Professional Business Managers (CPA's) 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% to 75%), while other artists are far more concerned with making sure their expenses are hedged if a show goes very bad. These day, many decisions are made based on the financial arrangement with the promoter, who often retains the bulk of the risk.

The amount of insurance put into play is often based on what a tour manager sees as a potential loss of expenses, or a percentage of gross ticket sale revenue should every show sell out. It's a formula that's easy to work with when dealing with blue-chip acts like Lady Gaga and The Rolling Stones, but maybe not so easy when planning a tour for the winner of this season's "The Voice."

When you have something of extreme value you do what it takes to protect it. And there are few things more valuable than a concert tour. According to the industry trade publication Pollstar, through the first half of 2015 the Top 100 Tours generated a combined gross of \$1.43 billion, which was up \$402 million or 39% over 2014. So is it any wonder why acts on the road look to protect their investment?

When artists take to the road there is a lot at stake and a lot of money on the table, which can disappear quickly if the music stops and there is no specialized insurance in place. Fortunately, there are sources available that can provide extremely high-levels of insurance, even for those who, at first glance, appear to be "uninsurable." Because in the end, any performer who hits the road may very well find out that, on occasion, the road does hit back.

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Exceptional Risk Advisors is one of the country's foremost experts on high-limit specialty life, accident and disability products. They are located in Mahwah, NJ and can be reached at info@exceptionalriskadvisors.com
