

Capturing the Film Insurance Scene

The market for film insurance is as soft as any other in the property/casualty insurance world. Yet, shooting in Mexico or working with a Charlie Sheen might give underwriters a reason to harden your rates.

By MATTHEW BRODSKY, senior editor/Web editor of Risk & Insurance®

Despite the glamorous stars, the vivid special effects and the multimillion-dollar marketing promotions, covering movies are no different than widget factories or big-box retail stores when it comes to insurance. That is, the market for it is way soft.

"I'd say right now it's very competitive," said Tim Ehrhart, vice president and worldwide manager of the entertainment group at [Chubb](#).

So competitive and soft that perhaps you and I could start an entertainment insurance carrier right now, get into the market at rock-bottom prices and maybe even snatch some of the capacity out there.

In fact, according to the estimates of Wendy Diaz, underwriting director for the entertainment division at [Fireman's Fund](#), the top underwriter in this space, at least two new markets have rolled in. One is definitely doing film, she said, while the other probably so.

Ehrhart said that one of these new players is a London market and another is a venture-capital-based outfit. Both, he suggested, have been started by "disciples" of Chubb and Fireman's--in other words, folks who probably know a thing or two about entertainment insurance.

Still, they're not alone in entering a market where price often matters most for some buyers. Existing carriers are pouring capacity into the space, and rates are close to historic lows--lows not experienced since the 1980s, Ehrhart said.

"You do get to a point: can it go cheaper? I'm sure it can," Ehrhart said. Yet at the same time, he said, carriers are broadening terms and conditions and loosening sublimits, and it's getting to the point where you just hope it stops.

"We're getting close down to the bottom at least on the film side," he said.

"We're at the level now where pricing isn't going any lower in our space," said Ted Tafaro, president and CEO of [Exceptional Risk Advisors](#), which offers specialty insurance for human capital risks.

Exceptional Risk Advisors is a managing general underwriter for Lloyd's syndicates, and these syndicates are chasing performance like any other investor would. In Tafaro's case, that's in the specialty accident and health space, where they just placed a \$150-plus million risk "and it was really done with incredible ease," Tafaro said.

But all that capacity, again, comes at a price, or lack of a price actually. The market is at the point where underwriters have an "actuarial justification" not to go any lower with rates.

"If we had a severe loss, everyone would sit up and take notice," Tafaro said.

UNDERWRITING TO THE RISK

Yet entertainment underwriters will tell you, every film is different. Despite the soft market, you still have to underwrite to the unique exposure of each project. Whether the exposures are a drug-addled star, excessive use of 3-D technology, an exotic and perilous filming locale--the risks can all be taken care of with an existing policy through pricing, deductibles, terms and conditions and exclusions, Diaz said.

"We tailor the coverage to the film," Diaz said.

Because it's been in the entertainment insurance business from the start, Fireman's Fund has a wealth of historical data on producers and production companies, directors, actors, locations, stunts, you name it.

"We have a lot of information on our fingertips and we use it," she said.

For Ehrhart, wording on some of the standard film insurance packages does need to evolve over time depending on a project's needs. With the extensive use of computer-generated images in today's movies, for instance, the typical insurance policy might not properly cover the accompanying exposure. Much of the computer-related work on these films happens post-production, Ehrhart also said, and insurance traditionally only covers "principle production," during the actual shooting. Chubb offers a policy called "film producers risk" with wording to cover this exposure, while other carriers, he claimed, have to manuscript their policies to extend coverage.

Specializing in insurance for the talent on film sets, Tafaro's job is knowing the habits, health histories, hobbies and horror stories of actors.

"In my mind, there's a line that underwriting can cross between getting 'stalkerish' and doing a proper underwriting job," he said, noting that his underwriting takes into account only what's in the public domain, which is nearly everything these days.

His firm can provide feedback from a broker or client on most actors up to \$75 million within 24 hours.

For "complicated personalities" like Charlie Sheen, Tafaro said, "I'd need to think that one through a little bit."

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