



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

6 August 2021

Rt Hon Mel Stride MP
Chair, Treasury Select Committee
House of Commons
London
SW1A 0AA

Dear Mel,

EVENTS INSURANCE

The Secretary of State for the Department for Digital, Culture, Media and Sport (DCMS) and I have today announced a new, UK-wide Live Events Reinsurance Scheme – an intervention in the Events Cancellation reinsurance market to correct a market failure that has emerged following the pandemic. The Live Events Reinsurance Scheme is a partnership between the government and insurers to ensure the live events industry can secure cover in the event that new UK Civil Authority restrictions prohibit particular types of events from going ahead.

This world-leading scheme, worth over three quarters of a billion pounds, will support thousands of jobs by enabling the sector – which includes trade shows and business events, live music events and festivals – to resume planning and investment for the year ahead, and will have a positive impact on the wider economy as society reopens. This intervention has been warmly welcomed by trade associations and headline names across the diverse sector including Live Nation UK, organisers of live music, comedy and entertainment; Jamie Njoku-Goodwin, Chief Executive of UK Music; and Lesley Robinson, Chief Executive of British Marine, the organisers of the Southampton Boat Show.

With the live events industry worth more than £70 billion to the UK annually and supporting more than 700,000 jobs nationwide, I am sure you will agree that this will be a crucial stepping-stone in supporting this country's economic recovery out of the pandemic. This comes on top of the extensive support already given to the cultural sector, including the £2 billion Culture Recovery Fund, and the £500 million Film and TV Production Restart scheme. As well as more than £1 billion in support has also been provided to the sport and leisure sectors, including a £600 million survival package.

Reinsurance for the live events sector

As you are aware, insurers have paused the sale of cover for risks associated with Covid-19 to businesses since the pandemic first hit early last year. We have taken the position that we would not intervene in the insurance market before the inability to secure appropriate cover represented the last barrier for the sector to reopen. At various stages throughout the crisis, the government has launched successful insurance interventions. For example, the Trade Credit Insurance scheme to support businesses with supply chains and the Film and TV Production Restart Scheme providing cover for cast member and crew illnesses and filming delays or disruptions caused by the virus. Now that we have reached Step 4 of the Roadmap, live events are able to go ahead without restrictions, but uncertainty around the future outlook for Covid-19, and any public health response, is presenting a barrier to investment in live events for the coming year.

This scheme addresses that problem, and will give event organisers across the country confidence to plan events over the next year. That will in turn benefit the many thousands of people and businesses who work in the events sector.

Partnership with Insurers

It is critical that we work with the insurance industry on the development of this scheme. This is to ensure the product aligns with market norms, can be tailored to customers specific requirements, and enables the scheme to benefit from insurers expertise in modelling risk, claims assessment and making payments.

I do recognise the challenges for insurers to provide protection against systemic risks, such as national lockdowns. We have therefore negotiated a risk share with the sector which will see the government act as a 'reinsurer' – stepping in with a guarantee to make sure insurers can offer the products events companies need. There are three layers to the scheme. In the layer 1, following any costs absorbed by the insured's excess, insurers will take on 5 per cent of the costs of any claims and the government 95 per cent. If an insurer absorbs £5 million of losses on this risk share, they will then progress to layer 2 where the risk share is 3 per cent to insurers and 97 per cent to the government. If an insurer's aggregate losses reach £10 million then they will enter the third layer in which the government absorbs 100 per cent of losses. Premium is split between insurers and the government in line with the risk share they are taking on.

Insurers who are members of Lloyd's, including three of the leading market players, have so far collectively pledged to make around £35 million of capacity available. This in combination with the government guarantee, will make available well over three quarters of a billion pounds of cover to support this sector. In addition to HMG backed cancellation

cover, cover against the risk that certain named individuals contract Covid-19 is once again beginning to be offered on a market basis, subject to individual insurer appetite.

Scope of risks insured

We have taken care to ensure that the product offered is closely aligned with those available on the market prior to the Covid-19 crisis. This will ensure that the events industry is familiar with the product and should ensure a seamless transition when it is possible for this risk to be delivered on a purely market basis once again. We have also taken care to ensure that the scheme represents value for money for the taxpayer.

We are introducing a cost indemnification scheme for event cancellation which protects against costs incurred if a national or sectoral lock-down prevents the event from going ahead.

The scheme will not cover loss of revenue prompted by lower demand for tickets or venue capacity, and the scheme does not cover self-isolation of staff or performers. We expect that going forwards the events and insurance sectors will adapt to accommodate many of the risks associated with Covid-19, accepting that they cannot adapt for the extreme risk of civil authority shutdown which this scheme insures against. The rules are also changing in a way that should minimise disruption to all business from self-isolation; from 16 August, fully vaccinated people will no longer have to self-isolate if a contact tests positive for Covid.

This is one of the most comprehensive support packages of its kind anywhere in the world. Unlike other schemes internationally, for example Germany's, there is no cap on the amount the government will pay out on any single event as long as appropriate cover has been purchased. In addition, this UK scheme extends to all events, including business events and trade shows, as well as the cultural events.

Pricing and duration

The scheme will run for a year until the end of September 2022. There will also be a review point in early 2022 to allow the government to assess whether it continues to be fit for purpose. However, the government will reserve the right to pause the scheme ahead of the end date if it does not represent value for money for the taxpayer and the fiscal exposure becomes significant. We would honour policies that have already been written within the scheme but would close the scheme to new participants.

Events will be charged a premium of 5 per cent of the total sum insured for the Covid-19 cover and will also be charged a premium, set by their insurer, for the non-Covid cancellation cover. An excess of the higher of £1,000 or 5 per cent of the total sum insurer will be applied.

Eligibility for participation

The scheme is open to live ticketed events that are open to the general public and are physically located in the UK. This includes live music events, festivals, sports, trade shows and business events. In order to be eligible, event organisers must purchase the relevant cover from participating insurers within the scheme. It will be available as a part of a standard events cancellation policy with the same insurer; it will not be offered on a stand-alone basis.

Our economic priority throughout this pandemic is to protect jobs. This insurance scheme will enable live event organisers to invest and plan with confidence.

Best wishes,

A handwritten signature in blue ink, appearing to read 'Rishi Sunak', with a stylized flourish at the end.

RISHI SUNAK