

# Beyond the Game: Managing the Many Perils in Sports and Entertainment

Millions of loyal fans, tens of thousands of dedicated employees, and many talented athletes and performers visit sports and entertainment venues each year. And while these industries generate millions of dollars in revenue, jobs, and irreplaceable experiences for customers, they can also carry a great deal of risk.

The emerging risks facing the sports, entertainment, and events industries — from weather events and pandemic outbreaks, to data breaches and injured athletes or performers — can have serious implications for organizations' finances, operations, and reputations. As such, sports, entertainment, and events organizations must carefully take into consideration all available risk management and insurance solutions that can allow them to reduce their total cost of risk.

## Emerging Threats

Much of what gives sports and entertainment events their appeal can also make them risky.

For instance, tens or even hundreds of thousands of fans can descend upon a single venue to witness athletes and entertainers showcase their talents — oftentimes in electrifying performances with palpable intensity or drama. Cast in a different light, however, those same events could also be portrayed as the perfect storm of crowds, confined spaces, and potential security breaches. And it's easy to see how any sports, entertainment, or events organization could be upended by a multitude of emerging risks, including:



- **Pandemic outbreaks:** According to [information from the Centers for Disease Control and Prevention](#), pandemics could cost over \$6 trillion in the next century, with an annualized expected loss of more than \$60 billion for potential pandemics. Fear of contagion can threaten both travel and tourism, including attendance at sports and other entertainment events. And an infectious disease could lead to operations needing to be shut down, requiring costly event cancellations.
- **Terrorism and violence:** Terrorism and active shooter violence have affected businesses across several industries, including sports and entertainment, and attacks have often occurred in public places where attackers can hurt many people. Targeted attacks and the fear of future incidents can negatively affect organizations' ticket sales if patrons decide to stay home. Declining attendance aside, third-party lawsuits following active shooter incidents could wreak financial havoc on sports and entertainment organizations.

## Youth Sports and Emerging Risks

Youth sports can be every bit as risky as any other sporting organization. Some of the main risks facing youth sports organizations include:

**Sexual Abuse:** The prevalence of travel teams or sport specialization among young athletes can result in children spending significant amounts of time alone with adult trainers, coaches, and team parents – sometimes resulting in vulnerable children being harmed by the very adults they’re expected to trust.

**Injured Players:** Sports specialization among young athletes has also led to continuous, repetitive body movements that can transpire into long-term physical injuries for kids, which can persist well into adulthood. In addition, increasing awareness of concussions and head injuries among children playing all sports are alarming parents and medical professionals alike, as they attempt to understand such injuries’ impact on growing brains.

**Technology:** Today’s children are no stranger to technology – so much so that technology is competing with sports for their attention, as they determine how they prefer to spend their free time.

## Fitness and Emerging Risks

Fitness clubs and organizations are subject to the same emerging trends as other sports organizations, but the impact is slightly different. Their major risks include:

**Active Shooters/Violence:** Domestic violence is a common explanation for violence and active shooter scenarios – sometimes leaving a deadly trail to the places victims work or frequent, including fitness centers.

**Worker Injuries:** Fitness trainers or instructors unsurprisingly can be injured on the job while engaging in persistent physical activity. This can leave places of employment exposed to workers’ compensation claims and staff shortages when workers need to take time off to nurse themselves back to health.

**Cyber Breaches:** Like everything else, fitness has gone high tech. From tracking devices to personal fitness monitors, a great deal of information is collected on the users of these often wearable devices. If such information is hacked, liability can ensue.

- **Technology advances:** Sports and entertainment organizations have taken on substantial cyber risks. A hacking incident could expose the personal information they retain about customers, along with athletes’ and performers’ personal information — creating the potential for tremendous liability. In addition to data risks, the proliferation and advancement of technology has also created new competition for patrons’ attention with the advent of e-sports and other virtual entertainment options. They are being forced to invest in new business models and to make costly technology upgrades to their venues or “smart stadiums,” which make them more susceptible to technology-driven business interruption.
- **Employment practices liability:** Sports, entertainment, and events businesses and the vendors they rely on can sometimes unintentionally fail to comply with federal and state wage and hour laws, leading to significant financial exposure. Damages are often doubled if a wage and hour violation is discovered. Such violations can be related to misclassification, overtime calculations, compensatory time off, meal and rest breaks, and minimum wages.
- **Injuries and illness among talent:** Injuries to athletes can create significant liability for a sports team or franchise by way of medical expenses, litigation, and also loss of talent, whether temporarily or permanently. Meanwhile, the inability of entertainers to fulfill performance obligations because of injury or illness can lead to costly event cancellations. And if an entertainer is injured at a performance venue, the hosting entertainment or event organization could be held liable.
- **Weather:** The costliest natural disasters are occurring more frequently, according to information from the National Oceanic and Atmospheric Administration (NOAA). From 1999 through 2008, 57 weather and climate disasters with total CPI-adjusted costs of \$1 billion or more were recorded in the US, an average of 5.7 events per year. In the next decade, from 2009 through 2018, the total number of events jumped to 112, or 11.2 per year. In addition to potentially severe damage to facilities like golf courses, stadiums, and other performance venues, storms, earthquakes, flooding, wildfires, and other hazards can also force costly event cancellations and trigger business interruption, among a host of other risks.

No matter the emerging trend, almost all the risks above can ultimately translate into costly financial, operational, or reputational harm, and call for new and diverse solutions.

## Managing Your Risk

Clearly, sports, entertainment, and events industries face a broad spectrum of risks. Organizations within these industries that can stay ahead of emerging threats will thrive and gain competitive advantages in both prosperous and less favorable economic conditions. And fortunately, tools, processes, and support exist to help identify, quantify, and manage critical risks.

For one, data analysis should be a major area of focus. Organizations can invest in risk management technology or work with service providers that offer analytics tools to leverage extensive claims, exposure, and placement data pertinent to their industries, business size, geography, and products. They can further supplement data collection and analysis with a cross-functional risk committee to further strategic discussions about emerging trends.

Having sound data and a broad perspective on risk from stakeholders across the organization is critical for mapping exposures and effectively engaging in enterprise risk management (ERM). An ERM approach can facilitate better capital resource allocation decisions, increase operational efficiency, and enhance risk control efforts.

For instance, quality risk information and ERM practices might more readily highlight a heightened risk for violence at a specific stadium, concert venue, or event, as well as any gaps in security detail or crisis response plans. Of late, many organizations are revamping their security policies and procedures to focus on staff training, extend the area of coverage controlled by security from event confines to parking lots and beyond, and introduce more intensive bag checks and visitor screening. An ERM approach can also help to shine a spotlight on organizational gaps in cyber risk management — for example, the need to move cyber risk out of the hands of IT and elevate it to an enterprise risk, capture and quantify all vendor or third party cyber risk, and quantify cyber risk in economic terms in order to optimize investments and maximize returns on them.

But the role of comprehensive risk data and ERM doesn't stop there. Not only can it highlight opportunities to improve risk management practices and procedures, it can also expose gaps in insurance coverage. Traditional and emerging insurance products that can respond to the myriad risks facing sports, entertainment, and events organizations include:

- Supplemental parametric insurance policies that are triggered by specific predetermined conditions being met — like wind reaching a certain speed or public sentiment about a infectious disease hitting a certain level — rather than being triggered by direct losses.
- Workers' compensation, property, business interruption, and contract frustration insurance policies that may respond if an insured is directly affected by infectious disease outbreaks.
- Participant accident coverage that can cover medical expenses, as well as death and disability in some instances, if an athlete is injured on the job.
- Cancellation and contingency insurance, which may cover situations such as the cancellation of major sporting events, non-appearance of entertainers, prize indemnity, and/or contract bonuses.

Engaging the best insurers to obtain the right coverage for the right risk at an optimal price might seem unattainable. However, with guidance from advisors with dedicated knowledge of the sports and entertainment industries, organizations can better understand which insurers can deliver the appropriate scope of coverage for their unique risks, anticipate underwriters' demands and concerns, and assess whether broader, flexible, or blended coverage is needed.

While the risks to the sports, entertainment, and events industries are numerous, so are the options for addressing these perils. This means organizations have ample opportunity to overcome today's challenges and thrive in even the most complex risk environments.



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