

FACILITY USERS: HOW MUCH LIABILITY INSURANCE IS ENOUGH?

A recurring question risk managers are asked, and ask themselves, is “How much liability insurance should we require an event organizer to carry?”

In the public sector, one misconception is that the limit of liability insurance should be aligned with the financial well-being of the event organizer. This will reduce the risk of complaints that the limit requested is too high and an unrealistic expense for the organizer. While the cost of staging the event costs is of paramount concern to them, it should not be a motivator for the risk manager whose goal is to protect the organization he/she is tasked with protecting. It is certainly reasonable not to demand limits that are highly likely to exceed the cost of incidents that may occur. But, you do need to ensure there are reasonable limits to cover exposure inherent in the activities of the planned event. Also keep in mind the need to financially compensate those who could be injured.

Always keep in mind that lawsuits demand damages that are based on real and perceived losses of the injured party. No one really cares what the other party's assets are; they are concerned only with the amounts they want to cover their losses. The cost of temporary or permanent loss of enjoyment of life, earnings from employment, and the companionship of family and friends can be enormous.

We know that the likelihood of a hugely expensive loss occurring at a single event is extremely low. But, lawsuits across Canada are more common and the amounts demanded and awarded have risen dramatically. Future care costs are especially pricy. Plaintiffs' claims include future care costs based on the evidence of experts who calculate the expected costs for a wide variety of medical, physical and psychiatric care. Added to these are fees necessary to ensure that the injured party's award will be managed properly for their lifetime. Some of these future costs claims are unfamiliar to many risk managers unless they are unfortunate enough to have observed an expensive claim against their organization for these types of expenses. Today, it's common to see settlements for amounts in excess of \$1 million for what seem to be relatively minor injuries.

“You don't need to be a millionaire to be sued like one.”

Assessments

When assessing potential costs and the limit of liability insurance needed for an event a few points to take into account include:

1. What is the loss history of this type of event?
2. Has the event been consistently well-managed and are those managers' still actively involved?
3. What are typical attendance numbers?
4. Have activities of similar risk levels occurred in the past
5. What are typical loss costs for potential injuries in your area? (Include investigation, defense and settlement costs)

After determining the appropriate limit indicated from analysis, consider how much additional cost increased liability limits will cost the organizer. Most insurance buyers fail to grasp that the cost of increasing from \$1 million to \$2 million is quite small. Often the premium difference between their preferred liability limit and the amount required by the risk manager is minimal - certainly not double the \$1 million limit!

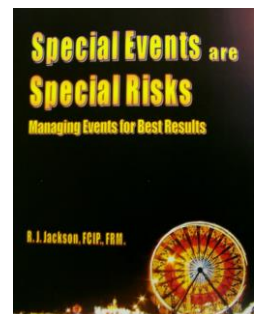
Your organization is exposed to awards beyond the liability limit that the co-defendant (event organizer) carries. This potential needs to be weighed against the objections raised by event organizers concerned about their event operations costs.

Conclusion

Ultimately, determining liability limit needs is not an easy task. It is complex question due to the number of variables involved. With society becoming more litigious, and the public sector seen as a sure thing for collection of awards, more municipalities are being sued for injuries and property damage where their involvement is only minimal. Many authorities suggest increasingly higher liability limits as prudent and financially responsible; public entity and non-profit risk managers need to balance the desire keep costs low, while ensuring adequate protection against unpredictable costs.

SPECIAL EVENTS ARE SPECIAL RISKS: examines the practices, procedures, and precautions related to identifying, analyzing, and controlling the risks associated with all types of events. The author is an experienced risk management professional who is familiar with the risks posed by special events.

- ~ Easy-to-read with concepts based on proven risk management techniques
- ~ Includes ready-to-use templates designed specifically for practitioners
- ~ Systematically presents useful strategies for managing the risks associated with design, planning and producing public and private events



Contact: [joy at cunnart.com](mailto:joy@cunnart.com) to order your copy!

Disclaimer: This newsletter is produced by Cunnart Associates. Articles are provided for general information only. Readers should make their own inquiries before making any decisions. Cunnart Associates attempts to maintain up-to-date information from reliable sources; however, no responsibility is accepted for any errors or omissions or results of any actions based upon this information. If you have any question please contact Cunnart Associates.