



Insurance claims: Lessons learned BY JILL POMPEI

Insurance claims for equipment losses and property damage can be costly, time-consuming, and often avoided. Learn from these mistakes—occasionally spectacular, more often mundane—that others have made.

IF YOU HAVE EVER BEEN INVOLVED in an insurance claim for property damage or loss, you know it's a process you would prefer to avoid next time around. There's time and effort, required documentation, deductibles to pay, sometimes investigative expense—not to mention defense costs if there's a lawsuit, which can translate to increased premiums upon renewal. Most claims are indeed avoidable. That's why my colleague, Mike Kelly, here at ProSight Specialty Insurance, recommends seizing every opportunity to learn from others' mistakes—let their pain become your gain.

"Stay apprised of what's going on in the industry and keep up with the news so you know about incidents that may have translated into a potential claim," said Kelly, Media Risk Control Manager for ProSight. "That's golden. If someone else makes a mistake, and it's relevant to our procedures, we got one for free that time."

Four general types of property claims are commonplace in the entertainment technology and media industries:

- Entertainment equipment theft
 - Damage caused by entertainment equipment
 - Damage incurred to vehicles, equipment, and other property while in transit
 - Damage to and/or failure of equipment
- Regardless of category, the most commonplace claims involve a few thousand

dollars in damage or losses. That's not to say that this is a trivial expense—but with proper insurance coverage in place, your loss should be a temporary aggravation while the business disruption is limited to a few hours or days. However, in all four categories, there are also some very instructive examples of eye-popping five- and six-digit claims—some very recent—that can help promote better practices for you down the road.

It takes a thief: Paying the price for equipment theft

One morning last year, a couple of film production crew members working on a project in the southeast stopped for a quick meal. They left their gear—including a rented, nearly \$500,000 camera that was to be used in the filming of a popular feature film—inside their locked vehicle. You know what happens next. Thirty minutes later, they returned to find the back door had been broken into. Surprisingly, they weren't cleaned out. The only things missing were a backpack with some gear and the nearly one-of-a-kind half a million dollar camera, which was inside a nondescript case. Authorities believe the crew members were targeted and followed by members of

an international theft ring that knew exactly what they were taking and patiently waited for the right moment to steal it.

Equipment theft is distressingly commonplace in the entertainment industry—especially as many of the cameras and lenses, lights, and other devices used in the industry have become smaller,

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more portable, and easier to steal and conceal. The cost to replace some highly-specialized pieces of equipment, such as the unique camera mentioned above, can be breathtaking—and even commonplace lighting and AV components generally are not cheap to replace.

In many cases thievery is opportunistic—portable cameras are a frequent target, though sometimes an ignorant non-professional thief can steal something

valuable that's useless to the thief. This is particularly true on the live entertainment side of the industry.

"We've had clients who've had their speaker cabinets stolen, but the thief gets home and tries to plug it into the stereo and it doesn't work," said W. Neil Huff, managing director of Taylor & Taylor Associates, who has seen some interesting claims over several decades of providing insurance to entertainment technology professionals. "There's a lot of equipment that's just not useful for anyone outside the business. We've seen situations where people will steal a truckload of equipment, realize they don't know how to use it, and then abandon it."

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Fortunately, opportunistic thieves often can be easy to thwart with routine security procedures. Always park in a safe, well-lit, monitored location. Secure all equipment overnight or whenever not in use. Lock doors—vehicles, storage facilities, event sites, and hotel rooms. Keep enticing items out of sight to the extent possible. Always assign one person as the responsible party for any significantly valuable piece of equipment.

Unfortunately, as the camera theft story illustrates, sophisticated criminals also target entertainers and entertainment technicians to acquire specific pieces of expensive, specialized equipment—often striking while they are on tour or otherwise in transit, when it can be harder to find a secure facility for valuable property. If you're flying, beware of cameras and other compact equipment disappearing from your checked luggage at some point between check-in and pick up from the conveyor. On the road, all too often, traveling crews will stop at a hotel, leave the production van parked on

the street overnight—and next morning discover the hit. Storing equipment in the hotel is not risk-free either—equipment still must be monitored, as we've seen a number of theft claims where hotel staff were suspected of providing thieves access to locked rooms. The proliferation of video monitoring can help—but it is no guarantee of protection from skilled thieves. Take every precaution you can to keep your equipment secure.

The impact of theft goes beyond the actual equipment loss. Significant production delays can occur if a large amount of equipment or a difficult-to-replace item is stolen—one client woke up on location in Mexico the day shooting was to begin on a feature film only to find *everything* taken, a theft apparently organized by the brother of the hired security guard. More commonly, equipment is rented, so unless the theft occurs in a remote location, the delay is only as long as it takes to rent and deliver another piece of equipment to the job site. Rental houses typically file a lost rents claim in addition to the claim on the equipment loss itself, which is typically covered under a separate policy coverage that requires payment of a separate deductible in addition to the lost property deductible.

Inadvertent impact: Damage caused by equipment

Today's entertainment technology professionals are highly trained and typically pay close attention to safety protocols. This significantly reduces the frequency and severity of property damage claims, according to Huff.

"You would be amazed at the number of our clients that simply do not have claims," Huff said. "If you go back 40 years ago when touring first started, there was very little science involved back then. It was seat-of-the-pants rigging, more trial and error. People took chances they wouldn't take today. Now, there is a much higher level of training, formally, and on the job. The ETCP (Entertainment Technician Certification Program), started in 2005, provides a

mechanism to identify the most qualified riggers and stage electricians. There's a much higher degree of science these days than it is trial and error."

However, equipment misuse occasionally leads to spectacular damage of property—particularly when the equipment is used outside of its normal production environment. The tremendous heat output of conventional lighting, for instance, is a well-known danger and perfectly illustrates this type of entertainment production risk.

"With conventional lighting, say in a university theatre, they will place lights too close to the drapes and scrims and sometimes they will get scorched," Huff said. "The drapes don't generally burn because they are treated with fire retardants."

However, we've seen more dramatic incidents caused when conventional lighting systems were set up in unconventional locations, from a clothing designer's studio to a Manhattan penthouse. In both cases, the damage (and claims) that ensued resulted not from fires—but from the side effects of the fire suppression system.

For instance, recently, a popular performer was filming a music video in the penthouse of a New York City apartment building. Heat from a production light placed near a bathroom sprinkler set off the fire suppression system. The production crew searched in vain for the building manager before ultimately calling the fire department to shut off the sprinklers after they had been running for 30 minutes. Water not only flooded the penthouse, but also poured down various electrical and HVAC shafts into nearly every unit below the 12th floor penthouse. The full claim amount for cleanup and damages is still being determined; estimates range from \$500,000 to upwards of \$1 million.

Huff recalls another incident mixing hot lights and fire suppression systems, also in New York, involving two famous design houses.

"In her studio, a designer had the stage set for a fashion show launching her newest designs," he said. "As a favor, our client installed the equipment in the designer's studio so she could see what the lighting

would do to the colors. The designer worked into the wee hours of the night, then left the lighting system on. Another designer occupied a studio below hers, and when the heat built up and the sprinkler discharged, it flooded below and caused about \$50,000 in damage to his space. It wasn't as serious as it could have been."

Never cut corners with proper packing and loading of equipment—be sure it's properly secured once it's loaded.

The obvious lesson: Be very careful when working around fire suppression systems. Use less risky alternatives whenever possible. "LED lights that are gaining market share don't generate the heat that conventional lighting does," Neil noted. Most importantly, if there's a risk of property damage associated with lighting (or any other entertainment equipment), have procedures in place to prevent or minimize damage if something goes wrong.

"If there is a risk of setting off a sprinkler, have a procedure for dealing with this," Kelly said. He added, be very careful in your protective measures. For example, lighting professionals sometimes wrap towels around sprinkler heads to protect them from lights—but what happens if you forget to unwrap the towels after the production?

"I saw an instance when towels were left on fire sprinklers—that's unthinkable," Mike said. "You have to establish a formal protocol to make sure this never happens—and as with every important responsibility, it's crucial that the job is delegated to one person, not two."

On the road again: Damage in transit

Even without the threat of theft, entertainment equipment and professionals are frequently at greater risk while using vehicles.

"Sometimes there's damage in transit, particularly when sensitive equipment is shipped by common carrier," Huff said. In particular, "dimmer racks can be smashed under the weight of cargo placed over them—they are most susceptible to damage in transit."

Numerous accidents occur in transit when entertainment technology professionals find themselves navigating through a big city behind the wheel of a rented box truck loaded with production equipment.

"Our people generally are not hired for their driving ability—they're hired for their technical ability in working with lighting equipment, for example," Huff explained. "They're not hired as drivers, yet they have to get equipment from their warehouse to the venue. Sometimes, they will rent trucks that are 12.5' or taller and are not used to driving them. They will hit the porte-cochère or overhang—sometimes a bridge. We've even had clients hit overhanging branches on Park Avenue in New York."

In-transit property damage—to the equipment you're transporting or to the vehicle you're using—can be minimized, though obviously there's no way to eliminate the risk of another vehicle hitting you. There are two key, basic lessons to learn involving equipment in transit. Never cut corners with proper packing and loading of equipment—be sure it's properly secured once it's loaded. And, the person behind the wheel should have experience and training in the operation of the vehicle being used.

The daily grind: Equipment damage or failure

By far the most common property damage and loss claims we see involve routine damage to or failure of entertainment equipment: dropped cameras, knocked over lights, overheating, and other equipment

malfunctions. Pure accidents are difficult to avoid—though their frequency can be reduced by standard operating procedures such as securing wiring to the floor and away from walkways, identifying all areas that are off limits to anyone other than designated personnel, and ensuring that only qualified personnel handle the equipment they are assigned to handle. Be especially careful in situations involving volunteers—a commonplace occurrence at local concerts and theater productions.

It is also important to use equipment in the environment for which it is designed. Extreme heat, cold, humidity, sand, dust, salty air—these and numerous other environmental factors can cause damage to valuable equipment and can result in production delays. However, the equipment maker—or the rental house supplying the equipment—often can provide protective gear for the equipment if they are informed of the production environment.

When bad things happen: Streamlining your claims process

Accidents and mistakes still will happen—and you may find yourself needing to file an insurance claim or otherwise be involved in one. A little preparation can go a long way towards streamlining the process, and *Entertaining Safety*—the PLASA/ProSight publication on insurance and risk management—is an excellent resource for entertainment technology companies to help both prevent and prepare for the worst.

First of all, make sure that your equipment is covered by insurance, in all of the situations it's used. If you're renting the equipment—or if you're the rental house—obviously you will want to make sure there are appropriate contracts and insurance coverage in place, and that there has been full disclosure up front about how the equipment will be used.

Second, make sure you have complete documentation—ideally before any loss

ProSight sponsors the free distribution of TSP standards

ProSight Specialty Insurance understands that getting standards into the hands of those industry folks who need them and sustaining the PLASA Technical Standards Program promotes

safety, and is in the best interests of the entertainment industry. ProSight is sponsoring the free distribution of PLASA standards to aid in the support and continuing work of the TSP.

occurs. We're always surprised when a claim is filed involving equipment worth hundreds of thousands of dollars—yet little or no supporting documentation is involved. Don't let that be you. Maintain thorough lists of all your equipment, when it was acquired, the purchase or rental receipt, and its serial number. Photos and videos of equipment being used can be useful as well to document your possession of a valuable piece of technology. Of course, photos or videos of equipment that's been damaged are extremely useful when filing claims.

If, despite all precautions, you find

yourself needing to file a claim, it's important to understand that the claim is a process. There is documentation required, boxes that have to be checked, and steps to go through before you can reach an agreement with the insurance company and resolve a claim. It also helps to forge a good working relationship with agents and insurers that have experience in the entertainment technology industry. If and when a claim arises, they can more easily shepherd you through the claims process because they will have a much richer understanding of the working environment

in which the loss occurred.

Most importantly, whenever bad things happen—whether it's your misfortune or someone else's—embrace it as an opportunity to learn and prevent future incidents.

“After the dust settles, these things should be analyzed so you can say precisely what went wrong,” Huff said. “The postmortem is very valuable. And when you can learn by other people's mistakes rather than your own, it's a lot better than learning it the hard way.” ■



Jill Pompeii is Media Claims Manager for ProSight Specialty Insurance, the member companies of which provide insurance and risk management tailored to specialized markets such as entertainment

technology professionals. ProSight and PLASA established a partnership and in November 2013 published a comprehensive reference guide, *Entertaining Safety: The Entertainment Technology Professionals Guide to Insurance and Risk Management*.