

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into the Impact of the COVID-19 Pandemic on the Tourism and Events Sectors

Melbourne—Wednesday, 2 June 2021

(via videoconference)

MEMBERS

Mr Enver Erdogan—Chair

Mrs Bev McArthur

Mr Bernie Finn—Deputy Chair

Mr Tim Quilty

Mr Rodney Barton

Mr Lee Tarlamis

Mr Mark Gepp

PARTICIPATING MEMBERS

Dr Matthew Bach

Mr David Limbrick

Ms Melina Bath

Mr Andy Meddick

Dr Catherine Cumming

Mr Craig Ondarchie

Mr David Davis

Mr Gordon Rich-Phillips

WITNESS

Mr Jason Holmes, Managing Director, Head of Region—Asia Pacific, H2 Insurance Solutions.

The CHAIR: The Economy and Infrastructure Committee public hearing for the Inquiry into the Impact of the COVID-19 Pandemic on the Tourism and Events Sectors continues. Please ensure that mobile phones are switched to silent and any background noise is minimised.

I wish to begin by acknowledging the traditional owners of the land, and I pay my respects to their elders past, present and emerging. I wish to welcome any members of the public that are watching via the live broadcast.

My name is Enver Erdogan, and I am Chair of the committee. I would also like to acknowledge my fellow committee members present with us here today: Mr Tim Quilty, Mr Mark Gepp, Mr Lee Tarlamis, Ms Wendy Lovell, Mr Rod Barton, Mrs Beverley McArthur, Dr Catherine Cumming and Mr Andy Meddick.

All evidence taken at this hearing is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during the hearing is protected by law; however, any comment repeated outside the hearing may not be protected. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded. You will be provided with a proof version of the transcript following the hearing. Ultimately all transcripts will be made public on the committee website.

We welcome your opening comments but ask that they be kept to a maximum of 5 to 10 minutes to allow plenty of time for discussion and questions. Over to you.

Mr HOLMES: G'day. My name is Jason Holmes. I am from H2 Insurance Solutions. We are specialists in the insurance industry for the events and entertainment area. I have been doing it for just over 25 years now and made it my specialty. It is an area that I am passionate about, and I have been involved not just in insurance but in other things, such as managing events, owning production businesses and touring myself and playing in bands. So I am very familiar with the industry and, as I said, super passionate about it, hence I do what I do. I went out on my own in about 2007 after working for an international broker and then a local national broker. I started in September 2007, and in January 2019 I actually sold to a Lloyd's broker out of London called Tysers. The reason I mention that and the reason they brought me on board is, again, they are a specialist events and live music insurance broker and over in London they have been going through the same scenario as what we are about to talk about today. Obviously I am not going to be talking about the hardships and the effects of COVID on the actual businesses but talking about what solutions may be available from an insurance perspective or ways that we can keep events open and events running from that perspective.

The CHAIR: Thank you. Yes, if you could focus on those aspects, that would be helpful.

Mr HOLMES: Yes, for sure. The business in the UK had been working with Treasury over there, so there has been a lot of background work done by the business already, and there are a lot of different ways of working out how it might be able to be handled. I am always happy to share some of that information with anyone who is interested in doing that, and obviously I am sure you guys have our contact details and can get in touch to do so.

Saying that, we recognise also that there is a terrorism fund in Australia that you are probably all well aware of. It is a federal terrorism fund, and it is still charged to this day. If you take out property insurance, there is a component for the terrorism portion, which is paid to the federal government, and there is a pool of money sitting there. What it is being used for and how it is being used—because we have not had events where that has had to kick in and be utilised—who knows. I cannot really make comment, because I am not digging into that, but what I can say is: maybe that is an option for how a similar thing would work here when people take out event cancellation insurance, which is what we do for the vast majority of clients. They used to be able to buy back exclusions. Communicable disease has always been an exclusion, but it was able to be purchased back, as is any exclusion. However, most people chose not to ever buy that back. However, it is now no longer available. The option of maybe having something like this would be the option to buy it back, but then that cover is excluded still from the policy but then included for the government-backed scheme, where therefore

the government collects that premium or we would collect it with the policy on their behalf. The government would set the rates. We collect it along with that policy. It then goes into that pool and therefore any claims are paid from that pool. Obviously for every weekend or week that goes by and there are events, the premium is collected; that is in the pool, and obviously when it needs to kick in, it pays. If there was not enough money in the pool, then that further money would have to come from the government, whichever government it might be, whether it is state or federal depending who has taken this on.

Obviously the clear thing here that is stopping events, as you are all well aware, is either localised incidents like in Melbourne at the moment or border closures, which obviously stop artists and event people moving in between the borders and being able to get to the events, which also sees those things stop. We are in a very hard market for insurance. You have probably heard that a lot, and I am sure there are going to be some other queries on how the insurance is affecting that, so I am happy to answer those. But the broader thing I wanted to just make you aware of is that option that needs to be considered, and I think you guys are probably aware that that was probably coming—that maybe there is some form of government-backed reinsurance scheme. People do pay money to have the cover. It goes into a facility, and then it is where the claims get paid from. So I will hand it over to you to ask questions.

The CHAIR: Thank you, Jason, for that comprehensive example of a working model. What I am hearing from you is that if such a system was to be set up—I am sure others will have other questions—it really needs to be a federal scheme. I know in my previous career—I was a personal injury lawyer—we did a lot of total permanent disability claims and other mortgage insurance claims et cetera. A lot of them were governed by federal Acts particularly in relation to financial services et cetera. Are you telling me that a scheme for some sort of cancellation insurance—I am not even going to get to the quantity and stuff that others may ask—should be federal? We have too many jurisdictional issues of course to try to legislate or support it state by state or by territory.

Mr HOLMES: Yes. Look, as you would know, there are two parts I would have to that. Federal obviously because events can be happening anywhere and people can be crossing over any borders. Then we could get into a discussion about how borders are closed and how they are opened. I have been listening to some of the speakers today where that has been spoken about, and that is a legitimate, significant problem for the events industry. Yes. I will not get on my high horse on that. But what you are talking about—I could see that that could be federally based. That would work well. But also if the federal government are not going to do it and a state chooses to do it, they are protecting their state as a starting point.

As you would know, there are a lot of insurance taxes, and you guys have abolished your fire services levy, which is great, but stamp duty still exists as well on all insurance policies—there are taxes on certain types of policies—and that is a state-based tax. So whether it is a tax or whether it is a premium or whatever it might be, if a state legislated, it could be done by state. If it were federally legislated, it could be done federally. I do not see that it needs to be one or the other, but if someone has it, it would certainly give more confidence to the events that are in that community.

The CHAIR: Thank you. I might pass over to Ms Lovell, then Mr Gepp and Dr Cumming, and we will go through and give everyone a question on the committee. Thank you. Ms Lovell.

Ms LOVELL: Thank you. And I was just wondering if you could explain to us when this disappeared from insurance policies—being able to claim for a pandemic—and the reasoning behind that. Was it just because COVID came in and the insurers ran scared?

Mr HOLMES: Yes, sure.

Ms LOVELL: I am just wanting to understand a bit of the background. Thank you.

Mr HOLMES: And it is a great question. Obviously we insure events nationally and even internationally from our offices here in Australia. Communicable disease has always been an exclusion, so it has never been automatically covered for anyone. This is in event cancellation insurance, I am talking about, so when you take out insurance to protect your event—whether it is from weather, whether it is from a fire at the venue and therefore your event cannot go ahead, whether it is non-appearance of the artists, anything like that. So it was always an exclusion. However, any exclusion in any insurance policy can be purchased back if you choose to

spend the money on purchasing back an exclusion. Some are just more expensive to purchase and some are just more expensive than what actually your costs are to insure. So it was available to be purchased back.

When we got to early 2020 it started becoming very clear that there was an issue with the pandemic, and therefore it became an automatic exclusion that you could not then buy back; whereas it previously was able to be bought back. Once we got into early 2020 insurers were like, 'By the way, we don't just have a communicable disease exclusion now; we have a full coronavirus COVID-19 pandemic exclusion'. So it became a far deeper exclusion, only trying to do the same thing but making it very clear that there was no cover whatsoever, and that is when it became essentially unavailable.

The CHAIR: Thank you for that. Mr Barton.

Mr BARTON: Thank you, Chair. Jason, I am just curious, if someone is putting on a million-dollar event, how do you see this working? Is it a percentage of the event or do they say, 'Oh well, we are going to try and put a million people into a small area or there are a million persons across 15 acres or whatever'? How do they come to a determination of what the risk factor is and how would they work out how to make the charge from that?

Mr HOLMES: Sure. Just to go back to the previous question, which will help answer this, there are no insurers in the market. There is talk of things all the time, but it is not available in the general insurance market; hence why we are talking about something that is a government-backed reinsurance scheme, something like the terrorism levy that is on things. With events it is all based around the sum that you are insuring. So if it was a million-dollar event, that is the amount at risk and then that is the amount you are insuring. Therefore the rate would be charged against that and levied against that. So you would have heard Steve talking prior to me, and I know he has just thrown out a number and said, 'Oh, if it was 1 per cent'. So if it was 1 per cent of the million, it is going to be \$10 000, for example, and that goes into the pool.

Now, there could be a question about whether people are allowed to insure their profits as well as their costs. For example, in a million-dollar event—just making it up, let us say it is \$750 000 in costs and \$250 000 in profits—maybe they are only allowed to insure their costs. But, as Steve also mentioned, venues have been good in giving back or not charging for it if it cannot go ahead. Again, does that mean that that cost does not need to be insured? Is it only the cost that you know that you cannot get back? When you are bumped into a venue, though, and you are fully set up and ready to go, that is a different question again, because you have already had event staff and security staff at the venue, health and safety staff, as well as all the other costs in a venue. A classic example was one this past weekend at Rod Laver Arena, which was due to have shows on the Saturday and Sunday. The client all week leading up to the event had continued to obviously be pushing the event. For the last push for the event they had all the staff there and had done all those sorts of things and obviously had all the equipment there ready to go. So that has obviously had to be postponed now, but there is a large cost even having got to that point and then having not been able to go ahead, which currently is not insured.

So maybe it is not insuring the whole event. However, if you are fully bumped into a venue, the costs start getting up a lot higher, and we have seen it happen obviously on multiple occasions and at multiple times, where all of a sudden the event is off and the money has already been spent. You cannot get that back; it is an expensive exercise. So for the premium there would be a rate charged against your sum insured. Now, as to what the sum insured could be, it might only be for events up to a certain size. I would like to see it for all events because I think everyone needs the opportunity to get their business model back up and running—not just the small event, not just the large event, but everyone, including all in between.

The CHAIR: Thank you for that. Mr Gepp then Dr Cumming.

Mr GEPP: Thanks, Chair. Thanks, Jason. Jason, I will ask the secretariat to send you this question on notice. I will just tell you, but you can take it on notice in responding. I am really interested in how many event organisers, promoters, actually took the decision to buy back in pre COVID. So what were the numbers then? How many availed themselves of the buyback pre COVID? It has obviously since been withdrawn. But my question is about if you are aware of any government or jurisdiction anywhere around the globe that is undertaking this, underwriting as you are describing it, because of COVID, and how their schemes are set up. I am not aware of any, but you might be.

Mr HOLMES: Yes. Look, I cannot give you the fine answer on that without, you know, digging and getting the details. There is quite a bit of information available on some of those things. A lot of them are, though, where countries have actually just put in a fund in certain ways. It may not be that you need to buy the insurance to be able to claim on it. It might be there is just this massive fund that is available just to try and get events going. Obviously here in Australia we are further advanced in that we have done the model where we have tried to keep the virus down, and therefore we have been open for events. Obviously you have heard a lot of people talk about the size of events and the type of events that have been open. So, being that we are open for events, I think it has been a slightly different model to the rest of the world.

But there are places—Germany have announced theirs again. They had announced something, but they had not got the information out. That is now coming out. As I said, in the UK they have obviously been working closely there with Treasury to get this sort of thing up and running. But again, there are still other grants going out that are available. There are other types of funding means. But it is still such a new area. No-one has got it right yet, but in all parts of the world there are different things and different ways that they are doing it. I think here in Australia, because we have got the ability to genuinely be running events most of the time, except for when we get these lockdowns, that we need to heavily be considering how this would work.

There was something done, you may remember, around June last year. There was a big push and an announcement for the film industry at the federal level, and there was a \$50 million fund. However, the way it worked was you had to have your insurance in place. There were two insurers, and obviously you go via the broker to get those. There were two approved insurers in Australia that were allowed to write, and you got the buyback through that, if that is the way you purchased it. So even Australia has done something similar already. I do not know to the length of—something could be done by putting a pool in, or are we better off going, ‘Hey, you pay an extra percentage when you take out the insurance’?

The other thing that you raised about who took it out beforehand, what I find interesting is that everyone always wants to take something out once it is already a problem, and insurance is that very funny thing of it is insuring for the unexpected, the unforeseen. However, now people can see: ‘I could get shut down for this; I want to insure for it’. There are also a lot of other reasons they can get shut down, so they should be protecting their events in general. This is just one of the sections in amongst them that you can protect against.

Mr GEPP: I would love to take out insurance to make sure Collingwood never win another flag, but I am not sure I am able to.

The CHAIR: Thank you for that. Dr Cumming.

Dr CUMMING: Thank you, Chair. This has been a very interesting conversation, Jason, around insurance, because as someone who has run cafes and events myself I know how difficult it is as a small business person to actually get public liability insurance, business insurance, commercial insurance. It is always way more expensive than just normal insurance that most people would come across, and to actually think in this space of COVID, especially when a lot of the events and otherwise normally have public liability insurance, and we all get insurance to avoid an accident, to obviously reduce risk. I guess my question is then around what things have been in place to actually avoid risk and what things have been in place to actually avoid even going down this path, seeing that most businesses already have certain levels of insurance. I am going to actually look up more around the insurance that you actually mentioned around terrorism, because I was not even really very much aware of that—that that is another layer on insurance policies out there. So do you actually believe that a lot of the events could have still gone ahead with COVID-safe plans and guidelines—I guess that is my main question—to avoid this situation?

Mr HOLMES: Yes, sure. Look, obviously we are partly heading away from the insurance side there, but my take on that is that obviously there are a lot of things that are already in place. If we follow those things and, as I said, small clients to large clients, something from a 50-person business meeting to a 50 000-person stadium concert, they are different things and they have different issues in regard to it. But if you have got the COVID-safe plan in place, I still believe a lot of things can still proceed on that basis. The thing that obviously is stopping them is when you are unable to proceed due to a regulation, and that has been the main stopper of events—the regulatory reason. I am not going to enter into that. I do understand it. At the same time obviously there would be thoughts as to: does it need to be everywhere, does it not need to be, can certain things still go ahead and others not—again, not in the medical field. But on the insurance side of things, as long as they have got that in place I see that there are a lot of things that could have gone ahead, including—not in your state but a

very large event—the Byron Bay blues festival, which you are all very well aware of. The day before it was shut down. Three weeks setting up—it is obviously a lot longer prepping the whole site, but three weeks of really solid effort, massive set-up and then just pulled down at the last minute because of one case. So—

Dr CUMMING: Open-air events and those kinds of things, you know what I mean—like working around and expanding and making bigger sites to make sure that there is more space.

Mr HOLMES: Yes. The only other thing I would say is it is hard to obviously enforce social distance. Different people, different age groups, different styles of music, different levels of drinking ability cause different things. Look, in saying that, that is one of the other—

Dr CUMMING: I can wear gloves, I am guessing. Wearing gloves and spacesuits—

Mr HOLMES: Yes, the hazmat. The other thing is with indoor venues—and again, this happened at the one at Rod Laver Arena just on the weekend—there is an offer to pay. At first it was, ‘You can run at half capacity’, but then obviously that got taken away as well. But at half capacity you do not make money. These promoters cannot make money when you halve a capacity. They start making the money in the final percentages, not in halving the capacity, so it is unaffordable for a lot of them to continue on. Now, I know some have been able to do it and do two shows in one night and things like that, but there become increased costs of the event staff and a lot of things like that, so that is very tough.

Dr CUMMING: Jason, I totally get that. As a Bulldogs supporter, we have always got half events.

The CHAIR: Thank you, Jason. Thank you, Catherine. I might pass on to Mr Quilty, Mr Tarlamis and Mrs McArthur.

Mr QUILTY: I am interested in: if events organisers could set up their own mutual pool with government backing how long it would take for someone to set up or, if the government stepped in to organise it, how long it would take them to organise it. And what are the opportunities, if the government gets costs, to claw it back at a later date—so privatising the pool or continuing to levy people after COVID is over?

Mr HOLMES: Yes, sure. So mutuals are a tough one and I personally have not set up a mutual. I have seen them over the years. Obviously they do take a lot of time and a lot of work. The problem can be with mutuals that they are owned by the members or the people and if there is not enough to pay a claim, it has to come from the members. So it could depend on how it is set up. As you said, maybe there is government support in behind that. But to me that would be no different to being able to say, ‘Hey, there’s a levy on events to have the COVID coverage’. Dealing with, as I said, from small to large and speaking to all people across all fields, even the guys at the top end, already if they could buy this coverage, they would be willing to buy it to know with certainty that they can push on and get events done. So that is probably the key. When I say ‘simple’, nothing is straight-out simple, because obviously you need to go through all the terms and conditions to get it right. But if there was something where they could actually be levied it against something that already exists—that is why it has been talked about and that is why the film one was done in that way and that is why we have talked about doing it this way. If you are buying the policy, you can get it off the back of it. It is collected, it is put over into the pool like it is with the terrorism pool, and then in the event of there being a claim it is then paid out of that pool. That would be the quickest way to get it up and running and the quickest way to get the confidence back in the industry that, ‘Hey, I know I’m protected. I can go ahead and plan my event’. You would know that if this does happen—and obviously it would have to be regulated; it would be government backed down or something like that—then you are on; you know that your costs are covered and then you can run it again.

The CHAIR: Thank you for that. Jason, Mr Tarlamis has kindly allowed me to ask a question in his place. You are in insurance, and insurance is a very highly profitable industry sector globally and in this country. Could it be the fact that the private insurance industry’s refusing to insure event operators is a market signal that it is too risky in this environment to host events? Is that what you are saying to people in the events sector? Is that what the insurance sector is saying?

Mr HOLMES: If we are talking about this event cancellation model and the communicable disease cover, it is just that it is too much of an unknown and it is different in every country. But on top of that, even in Australia it is different in every state and every state is making different decisions every day. We have talked about it at length and about trying to work out how we could—because Australia is in a good position. We are saying to the insurers, which will be simply out of London, ‘Hey, let’s do something. Australia’s going great’, but then

they look at it and go, 'Yeah, but someone can lock down a border and then all of a sudden it doesn't happen'. So there is that hesitancy because of that. Clearly when we are talking about event cancellation insurance there has been a lot of money lost—and I am sure you have all read the articles on it—over the periods of time because of the shutdowns: Wimbledon, the Olympics, just to name some of the big ones. It has gone worldwide, and again we have seen more insurers that were specialists in this area, the syndicates in London, pulling out of it. Even recently, a few weeks ago, another syndicate pulled out, and another one a couple of weeks before that. So the market has shrunk on who will actually even do this type of insurance, putting aside communicable disease even.

The CHAIR: But the issue is: if we take this logic, then why is there a need for private insurers? Should the government just insure everything and every event regardless of sector because whenever it gets too risky the private providers are failing to step up? Is that an option for policymakers?

Mr HOLMES: Yes. It is the same with anything in risk, like we were talking about earlier, once something is known. I liken it—I know this is a little bit silly—to crashing a car and then going, 'Oh, I need insurance but I've crashed my car already'. It is too late once you have crashed your car to go and get insurance; it is already a known thing by that time. It is like when they talk about putting embargoes on insurance when there is a significant weather risk coming. It becomes an embargo with all insurers because you cannot just run and insure once you know there is something coming. So that would be the problem I would say. Is it risky? Well, it is already something that exists. It is the same when a volcano is happening. You cannot then buy cover that will include knowing that you have got protection if you cannot fly somewhere because of that volcano, because it is already existing once you go and put the cover in place, but if you had it in place prior, you would be protected. They are the kinds of things I am talking about. I understand what you are saying about risk, but at the moment it is a risk because it is an unknown. It is out there and there are no barriers around it, whereas typically with insurance there is a probability-type scenario, which is how insurance works, as I am sure you are well aware.

The CHAIR: No. Thank you, Mr Holmes. I just thought I would put a curve ball there. Mrs McArthur has been patiently waiting, so over to you, Bev.

Mrs McARTHUR: Well, thank you, Chair. And thank you. Jason, I understand you have done a lot of modelling in the UK about how insurance could be rolled out there, so perhaps you could illuminate us on how that is progressing. I am also just wondering if the Victorian insurance scheme that we have, the Victorian Managed Insurance Authority, could be a way of helping in this insurance space here in Victoria. Also, I wonder: the feds—I think it is the feds—back art exhibitions when they come to Australia because they do not have insurance, as it is a problem. It is picked up. Perhaps you could comment on those three aspects of insurance, please.

Mr HOLMES: Sure. Going backwards, I do not know anything about the art exhibitions and that side of things, so sorry, I cannot comment there. I am not aware of that. In regard to the Victorian insurance side of things, if you were to do something at a state level, that would make absolute sense. I think what we are talking about here, and I know there are other things that have been done for other different industries, would make sense, and that would definitely work. I still think there needs to be a way to govern that, and that would be that people need to obviously be opting in to take out that cover, because if you just open it up carte blanche just for anything, you do not know what you are going to be getting. There needs to be a way to monitor that. In regard to the UK, as I have already stated, my main thing that I can tell you as the way of trying to monitor that is to be buying that extension back. So you have the insurance policy; it has the exclusion in it. By paying the additional cost you draw back that exclusion, and then you have the cover for that. But that is covered, whether it is by the Victorian insurance community or it is by the federal side of things. So that is where that sits.

I was on a call the other week with the parliamentary guys over there, which included, like we have got here with Victorian events, the UK events. They are all pushing hard for it because they are obviously coming into their summer season now, and festivals are dropping like flies because they cannot get them up. They cannot run into it without knowing that there is some sort of protection there for them, and seeing what has happened at events here in Australia—obviously we are in a far safer zone as such, but then again we are not vaccinated to the same level. So I am hoping that we all start jumping on it and more people are getting vaccinated. I am booked for next Tuesday, so bring it on—let's go!

The CHAIR: Thank you for that, Jason. We have come to the conclusion of our hearing for today. I know a number of committee members do have a few probably more specific questions in relation to insurance, but we will keep them on notice. If we do have additional questions, is it okay if we contact you by email? Is that the easiest? I will get the secretariat to compile those.

Mr HOLMES: Sure, always.

The CHAIR: That will be helpful. I think there were a few curve balls. It was a good discussion, very productive, and we appreciate your contribution and presentation today. Thank you.

Mr HOLMES: No worries. Thank you.

The CHAIR: On that note, that concludes today's hearing. Thank you, committee members, and thank you to all the witnesses that appeared today.

Committee adjourned.