

Live Events Reinsurance Scheme

**Process Evaluation
June 2023**

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Executive Summary

Ipsos UK, in partnership with Ecorys, BOP Consulting and George Barrett, were commissioned by the Department for Culture, Media, and Sport (DCMS) in July 2022 to undertake an evaluation of the Live Events Insurance Scheme. This report sets out the process evaluation for the Live Events Reinsurance Scheme ('the Scheme'). It provides an assessment of the processes involved in developing and implementing the Scheme, covering the design of the Scheme and its governance and implementation.

Introduction

This process evaluation and this report are structured around the following questions:

- Q1. *Design*: To what extent did the Scheme design result in a product that responded to the needs of live events organisers whilst balancing risk and market appetite to provide cover?
- Q2. *Governance*: How well did the programme's governance structure work in overseeing/monitoring the programme and minimising risk?
- Q3. *Delivery*: To what extent did the delivery arrangements support the effective delivery of the Scheme?
- Q4. *Lessons for the future*: What lessons can be learnt around designing and delivering future programmes at pace?

The key methods used for this study included 25 in-depth semi-structured interviews; analysis of monitoring information and document review. Data across the above sources have been combined and synthesised as part of an analysis framework, organised against the overall process evaluation question and sub-questions.

Scheme Overview

Due to elevated risks of 'super-spreading' events, the live events industry was among the hardest hit by the lockdown restrictions imposed to prevent the spread of COVID-19 across 2020/21. Although social distancing restrictions were largely withdrawn in the Summer 2021, there was reticence to proceed with event planning owing to the risk that events may need to be cancelled if there was need to reintroduce restrictions. Insurers also withdrew from the market for coverage for COVID-19 cancellation risks and organisers of live events were left unable to obtain insurance.

These market failures provided a rationale for public sector intervention by providing reinsurance to providers of event cancellation coverage, stimulating the supply of coverage for COVID-19 cancellation risks and the recovery of the live events sector. The Live Events Reinsurance Scheme was a cost indemnification policy designed by DCMS and HM Treasury. The Scheme made insurance available to cover costs incurred if events were legally unable to take place due measures imposed to manage further outbreaks of COVID-19. The objectives of the Scheme were to:

- Provide confidence to event organisers and their associate parties to plan events through to the end of Summer 2022;
- Offer a time-limited product to avoid permanently affecting market behaviour; and
- Deliver an acceptable level of overall risk exposure and potential cost to the Exchequer.

Scheme Outputs

- The Scheme was announced in August 2021 and launched in September 2021, three months after the withdrawal of legal restrictions on the sector in June 2021. A significant share of insurance providers for events cancellation coverage participated in the programme, including more than half of the major insurers. A total of £800m of cover that could be written was negotiated with insurers.
- Take-up of COVID-19 cancellation coverage was lower than originally anticipated. A total of 169 events received coverage across 87 policies over the lifetime of the Scheme, insuring £117.4m in costs.
- No policies were bound after May 2022, indicating the Scheme was in operation for an appropriate period.
- Only one claim was made and settled owing to the requisition of the relevant venue for COVID-19 vaccinations. The Scheme generated £5.9m in income for the Exchequer from premiums paid by event organisers, generating a net surplus which was used largely to set-up and administer the Scheme.

Scheme Design

- The Scheme design process resulted in the launch of a reinsurance product in September 2021 with the following parameters:
 - **Breadth of risks covered:** Policies covered the risk that events could not legally take place due to lockdowns or other measures set by the government prohibiting events from taking place.
 - **Cost indemnification:** Policies only provided coverage for costs incurred (unlike other events cancellation policies that also offer coverage for income foregone).
 - **Price:** The price of coverage was set at 5 percent of the event costs (event organisers could choose to insure up to the total costs for the insured event provided they did not exceed costs for non-COVID cover).
 - **Risk sharing:** The public sector provided insurers with the following cover: first £5m of eligible losses (95% of cover), next £5m of eligible losses (97% of cover) and losses incurred above £10m (100% of cover). Event organisers also had to be existing policyholders (of non-COVID-19 insurance) to be eligible to apply.
- The Scheme addressed a clear gap that had emerged in the market. The government engaged the insurers effectively to develop a reinsurance product that the industry was willing to offer, restoring the provision of some COVID-19 cancellation cover.
- The design of the product included provisions to minimise the public sector's exposure to unnecessary risks. It is unlikely that value for money could have been improved by seeking greater sharing of risk between the government and the insurance industry. Risks to both the public sector and the insurance industry were minimised by limiting the scope of the product to the risk of cancellation caused by restrictions on whether the event could legally take place.

- It was widely considered that the Scheme was launched too late to have a major impact on activity levels (with its launch in September 2021 largely too late for outdoor events taking place in the summer).
- While limiting the public sector's risk exposure, the limited scope of coverage and the cost of premiums (at five percent of costs insured) reportedly concentrated demand amongst the most 'risk averse'. There was also common view that the product would have been more helpful if launched ahead of the summer period.
- These issues are likely to have limited the impact of the Scheme on levels of activity in the event sector. However, an alternative design would likely only have been possible if the public sector assumed the full risks involved and/or provided implicit subsidies to the sector (e.g. to lower the cost of premiums).

Governance

- The governance structures and arrangements put in place by DCMS were appropriate and proportionate – considering the roles and remit of the key stakeholders.
- The appointment of a delivery partner was needed to provide expertise and resource to support the administration of the Scheme, though there were initial concerns amongst brokers over its independence and the potential competitive advantages which it could potentially derive from this role (though these concerns appeared to dissipate somewhat with time).
- The infrastructure and processes put in place were considered by stakeholders to be appropriate for minimising adverse outcomes (for example, as a result of fraudulent claims and ineligible applications) though the lower than anticipated take-up of the Scheme meant that these structures were not 'stress-tested'.

Delivery

- Communications and engagement activities appeared effective overall in informing insurers, brokers and live events organisers of the Scheme.
- Participating insurers and brokers considered that the delivery partner administered the Scheme effectively though there were some concerns regarding how far the delivery partner provided value in terms of providing clarification on detailed aspects of eligibility or other key Scheme criteria.
- Participating insurers felt that they had a sufficient understanding of the fundamentals of the Scheme and its associated requirements at the point it was launched.
- Application processes for insurers participating in the Scheme and for policyholders were deemed to be longer than anticipated but there was recognition that a publicly funded Scheme would require greater levels of scrutiny.
- Evidence indicates that the delivery partner, government, and external lawyers worked together to make decisions and determine policy eligibility. The multi-layer diligence checks conducted across the lifecycle of the policy cover were seen as highly rigorous, leaving very limited room for potential fraudulent policies or claims.

Conclusions

The key findings of the process evaluation are summarised below:

- The design of the Scheme minimised the exposure of taxpayers to unnecessary risk. The 'bolt on' nature of the product facilitated targeting of specific risks and risk sharing arrangements with the insurance industry provided reassurances that risks would be managed in line with industry best practices. The Scheme generated income for the Exchequer (though this was largely spent on Scheme administration). Opportunities to improve value for money by requiring insurers to shoulder a greater share of risk were limited and would have threatened the viability of the Scheme by reducing participation.
- The Scheme was administered and delivered with good levels of efficiency and the delivery process did not create any obstacles to the achievement of its objectives. The Scheme was established in less than five months with limited resources and without an existing template for delivery. There may have been some opportunities to improve efficiency by streamlining application processes (both to participate in the Scheme and to apply for cover) though as a publicly funded Scheme, there is recognition that a certain level of scrutiny was needed.
- While evidence on overall levels of activity in the live events sector is not available, the overall impact of the Scheme in stimulating additional activity is likely to have been at the margins. The primary factors constraining its effectiveness were its late introduction some three months following the withdrawal of legal restrictions and the limited scope of coverage available.

1 Introduction

Ipsos UK, in partnership with Ecorys, BOP Consulting and George Barrett, were commissioned by the Department for Culture, Media, and Sport (DCMS) in July 2022 to undertake an evaluation of the Live Events Insurance Scheme. This report sets out the process evaluation for the Live Events Reinsurance Scheme ('the Scheme'). It provides an assessment of the processes involved in developing and implementing the Scheme, covering the design of the Scheme and its governance and implementation.

1.1 Background to the Scheme

The Live Events Reinsurance Scheme was a cost indemnification¹ policy designed by DCMS and HM Treasury to support the live events industry as social distancing restrictions to manage the COVID-19 pandemic were withdrawn in mid-2021. The Scheme made available to event organisers, insurance to cover costs incurred if events were legally unable to take place due to local, regional, or national measures imposed to manage further outbreaks of COVID-19. The objectives of the Scheme, as set out in the Business Case, were to:

- Provide confidence to event organisers and their associate parties to plan events through to the end of Summer 2022;
- Offer a time-limited product to avoid permanently affecting market behaviour; and
- Deliver an acceptable level of overall risk exposure and potential cost to the Exchequer.

1.2 Overview of the process evaluation approach

The terms of reference set out the following overarching evaluation questions as a focus for the process evaluation, including:

- How was the programme delivered?
- What went well and what could be improved?

A set of indicative research questions were then developed and refined during the scoping phase and agreed with DCMS. The final process evaluation approach, research questions and framework were developed and presented in the Evaluation Scoping Report agreed with DCMS in November 2023.

1.2.1 Process evaluation questions and framework

The evaluation and this report are structured around questions developed in the scoping phase as follows:

- Q1. Design: To what extent did the Scheme design result in a product that responded to the needs of live events organisers whilst balancing risk and market appetite to provide cover?
- Q2. Governance: How well did the programme's governance structure work in overseeing/monitoring the programme and minimising risk?

¹ A cost indemnification policy allows the policyholder to recover the costs incurred only i.e. it does not cover for example loss of revenue

- Q3. Delivery: To what extent did the delivery arrangements support the effective delivery of the Scheme?
- Q4. Lessons for the future: What lessons can be learnt around designing and delivering future programmes at pace?

1.3 Methodology

The key methods used for this study are described below.

- **In-depth semi structured interviews:** This process evaluation relies mostly on data gathered through a programme of semi-structured in-depth interviews. This built on the data gathered from the familiarisation interviews with stakeholders within DCMS, HMT, the delivery partner, and Lloyds Market Association (LMA). The list of interviewees was compiled with support from the DCMS Central Delivery Team ("Central Team"), and the research team invited each stakeholder via email. The initial email was then followed by two reminders, where necessary – striking the balance of encouraging participation with the need to limit burden on those contacted. Twenty-five interviews were completed overall, including interviews with live events organisers, steering board members and the Central Team, participating and non-participating insurers and industry association, participating brokers and industry association, live events sector stakeholders, and the delivery partner (summarised in Table 1.1 below).
- It is important to highlight that because of the tight timescales available for this phase of the research (driven by the requirement to report by the end of March 2023), and the limited levels of engagement amongst some stakeholders (specifically policy holders), the evaluation research team did not interview the full sample of representatives originally envisaged. However, insights from the overall set of consultations undertaken provided the evaluation team with extensive evidence through which to answer the process evaluation questions.

Table 1.1: Number of conducted interviews by a stakeholder type

Stakeholder group	Number of interviews
Steering Board and DCMS Central Team	5
Delivery partner	2
Participating event organisers	3
Non-participating event organisers	3
Participating insurers	5
Non-participating insurers	1
Insurer and Broker Industry Associations	2
Participating brokers	3
Non-participating brokers	0
Trade organisations	1
Total	25

- **Analysis of monitoring information** collected by the delivery partner from participating insurers. In particular, the analysis looks at the number of policies bound, broken down by event type; anticipated attendance; total event budget; insurer and date policy was bound (month/year).
- **Document review** involving an analysis of a series of relevant documents accessed as part of the scoping phase of the work. Relevant information from these documents has also been extracted to complement the interview data. The evaluation report for the Trade Credit Reinsurance Scheme referred to in the below table of data sources anticipated for review could not be reviewed due to publication limitations.
- **Synthesis, triangulation, and reporting:** Results from each of the above sources have been combined and synthesised as part of an analysis framework, organised against the overall process evaluation question and sub-questions. Evidence in relation to each question has been compared and triangulated, assessing where different sources are consistent or contradictory, and critically considering the reasons why. The assessment process includes a workshop involving the evaluation research team where the initial findings of those involved in the various evidence gathering tasks were compared and tested. The team then further analysed insights and wrote up the evidence in this report.

Table 1.2 presents the analytical framework which highlights the type of evidence gathered and analysed across the course of the evaluation, through which each process evaluation question has been answered.

Table 1.2: Process evaluation questions and framework

Process evaluation question	Areas of inquiry	Intended data source
<p>Q1. <i>Design:</i> To what extent did the Scheme design result in a product that responded to the needs of live events organisers whilst balancing risk and market appetite to provide cover?</p>	<p>To what extent was there effective partnership in the design of the Scheme?</p> <p>Did the Scheme design result in a product that insurers and brokers were willing to offer? To what extent did insurers and brokers of live events participate in the Scheme? What were the barriers/enablers to their participation?</p> <p>To what extent did the Scheme design result in a product that met the needs of the live events organisers (including scope and timing)? Which live events organisers took up/did not take up the Scheme? Why?</p> <p>How did the Scheme influence event organisers’ confidence in planning and going forwards with events?</p> <p>To what extent did the Scheme design result in a product that protected the public sector from</p>	<ol style="list-style-type: none"> 1. In-depth, semi structured interviews with: <ul style="list-style-type: none"> ▪ Live events organisers ▪ Steering board members ▪ DCMS Central Team ▪ Participating and non-participating insurers and industry association ▪ Participating and non-participating brokers and industry association ▪ Live events sector stakeholders 2. Analysis of monitoring information collected by The delivery partner 3. Analysis of DCMS’ live events sector survey data from March 2022

Process evaluation question	Areas of inquiry	Intended data source
	unnecessary threats to value for money?	4. Review of relevant documents pertaining to the Scheme
<p>Q2. <i>Governance</i>: How well did the programme's governance structure work in overseeing/ monitoring the programme and minimising risk?</p>	<p>How appropriate were the governance arrangements for the Scheme, considering the roles and remit of stakeholders and the need to deliver the Scheme at pace?</p> <p>What worked well and less well about the governance arrangements?</p> <p>How could the governance structure have been improved?</p> <p>To what degree did the governance and processes put in place minimise adverse outcomes (e.g. in relation to fraudulent claims and resource needed to review ineligible policies)?</p> <p>How effective was the escalation process?</p>	<p>1. In-depth, semi structured interviews with:</p> <ul style="list-style-type: none"> ▪ Steering board members ▪ Central Team ▪ Delivery partner <p>2. Review of relevant documents pertaining to the Scheme</p> <p>3. Analysis of available detail on fraud rates and reasons for rejected claims</p>
<p>Q3. <i>Delivery</i>: To what extent did the delivery arrangements support the effective delivery of the Scheme?</p>	<p>How effectively were live events organisers, brokers, and insurers made aware of the Scheme and advised of its parameters and processes?</p> <p>How effective was the process for insurers to apply to participate in the Scheme?</p> <p>How well did the process for applying for cover, and making claims work in practice for event organisers, brokers and insurers (including efficiency of processes e.g. turnaround targets)?</p> <p>To what extent was there effective partnership in the delivery of the Scheme?</p> <p>To what extent did the wider context in which the Scheme was delivered affect its delivery?</p>	<p>1. In-depth, semi structured interviews with:</p> <ul style="list-style-type: none"> ▪ Live events organisers ▪ Steering board members ▪ Central Team ▪ Participating and non-participating insurers and industry association ▪ Participating and non-participating brokers and industry association ▪ Live events sector stakeholders ▪ Delivery partner <p>2. Analysis of DCMS' live events sector survey data from March 2022</p>

Process evaluation question	Areas of inquiry	Intended data source
<p>Q4. <i>Lessons for the future</i>: What lessons can be learnt around designing and delivering future programmes at pace?</p>	<p>What lessons can be learnt about designing and delivering support programmes for the live events sector for the future?</p> <p>What lessons can be learnt about designing and delivering government-backed insurance or reinsurance packages in a future emergency context?</p>	<p>3. Review of relevant documents pertaining to the Scheme</p> <p>1. In-depth, semi structured interviews with:</p> <ul style="list-style-type: none"> ▪ Live events organisers ▪ Steering board members ▪ Central Team ▪ Participating and non-participating insurers and industry association ▪ Participating and non-participating brokers and industry association ▪ Live events sector stakeholders ▪ Delivery partner <p>2. Review of relevant documents pertaining to the Scheme</p>

1.4 Structure of this report

The structure of the remainder of this report provides an overview of the Scheme and its outputs before addressing the process evaluation questions, with an overall conclusion and recommendations section drawing findings and learnings across the board together.

- **Section 2 – Scheme overview:** This section provides an analytical framework for the evaluation, setting out how the activities of the Scheme were expected to lead on to its intended outputs, outcomes, and impacts.
- **Section 3 - Scheme outputs:** This section provides an overview of the key outputs of the Scheme and how far they aligned with expectations.
- **Section 4 – Programme design:** This section outlines the process that led to the design of the Scheme and the contextual factors influencing it. The section also explores the suitability of the Scheme design.
- **Section 5 – Governance:** This section explores how well the programme’s governance structure worked in overseeing / monitoring the programme and minimising risk.

- **Section 6 – Delivery:** This section outlines the key processes and stakeholders involved in the delivery of the Scheme. It also looks at the effectiveness in the communication, the uptake of the Scheme and how the wider context influenced the programme.
- **Section 7 – Conclusions and lessons learned:** This section presents an overview of findings and summarises the key lessons for the future emerging from the primary and secondary research and analysis delivered by the evaluation team. The section also looks at the unintended consequences of the Scheme, as well as suggestions on how to design and deliver future support programmes.

2 Scheme Overview

This section sets out an overview of the rationale for the Scheme, and its intended outputs, outcomes, and impacts. This analysis draws on a review of key documentation associated with the Scheme and consultations with key officials in DCMS, HM Treasury, and the insurance industry, and provides an overall organising framework for the findings of the evaluation.

2.1 Rationale for the Scheme

2.1.1 Strategic case

The live events industry, including sport, business, and cultural events, makes a significant direct and indirect contribution to the UK economy. Based on research cited in the Business Case for the Scheme, the UK's live event industry was worth £70bn in revenues in 2019, accounting for 50% of the UK's visitor economy and employing over 700,000 people.² Live events also contribute indirectly to the economy by stimulating spending on travel, food, and accommodation and providing a platform for trade and business. The industry also makes a contribution to social outcomes, such as positive mental health and wellbeing, by creating opportunities for shared and memorable experiences.³

Live events have traditionally involved bringing people together in a physical space. Due to elevated risks of 'super-spreading' events, the live events industry was among the hardest hit by the lockdown restrictions imposed to prevent the spread of COVID-19 across 2020/21.⁴ The industry experienced cancellations and postponements due to these restrictions but was also adversely affected by levels of public confidence to return to (often enclosed) spaces where people congregate together. This severely reduced the income generated by event organisers, with some estimates suggesting that over a third of businesses across the industry suffered losses of between £1m and £5m.⁵ Figures published by the Event Industry Board in December 2020 suggested that nearly half a million jobs in the sector were at risk and three-quarters of companies likely to fold before February 2021 if live events did not resume.⁶ The wider supply chain or 'ecosystem' of technical crew, security staff, athletes, musicians, catering, and marketing companies was also substantially affected. In 2020, almost half of organisations and businesses in the events industry reduced their spending with suppliers, and at least 10% of those suppliers are no longer in operation as a result.⁷

Although social distancing restrictions were largely withdrawn in the Summer 2021, DCMS engaged with stakeholders and the picture painted by the sector was clear that activity levels in the live events industry were suppressed compared to pre-pandemic levels. Although legal restrictions had been withdrawn, DCMS engagement with the sector indicated that there was reticence to proceed with event planning owing to both uncertainties regarding commercial viability (i.e. the ability to generate a profit in the face of reduced audience demand) and the risk that events might not be able to take place if the emergence of a

² <https://www.excel.london/uploads/uk-events-report-2020---the-full-report.pdf>

³ Drury, J. (2020) Live events: it's an experience thing. Conference News and, Hopkins, N. and Reicher, S. (2016) The psychology of health and wellbeing in mass gatherings: A review and a research agenda. *Global Health*, 6(2). P 49-57.

⁴ Drury, J., Brooke R. M., Marteau, T. M., Yardley, L., Reicher, S. and Stott, C. (2021) Re-opening live events and large venues after Covid-19 'lockdown': Behavioural risks and their mitigations. Elsevier, 139.

⁵ Eason-Bassett, C. and Reic, I. (2020) The Impact of Covid-19 on the Events Sector and Higher Education

⁶ Drury, J., Brooke R. M., Marteau, T. M., Yardley, L., Reicher, S. and Stott, C. (2021) Re-opening live events and large venues after Covid-19 'lockdown': Behavioural risks and their mitigations. Elsevier, 139.

⁷ Eason-Bassett, C. and Reic, I. (2020) A brave new world: the impact of covid-19 on the events sector and higher education.

new COVID-19 variant necessitated the reintroduction of a national lockdown. Given the economic contribution of the events industry, its slow recovery could have had several economic costs in terms of foregone GVA and jobs lost (and the wellbeing of those that would have attended events).

2.1.2 Economic case

Event cancellation insurance is a vital part of the business model of live events. The sector typically experiences risks in organising live events, including low margins, high upfront costs, long planning cycles, a lengthy supply chain, and reliance on one event (often seasonal) for their primary income. In normal circumstances, event organisers can manage cancellation risks by purchasing event cancellation insurance policies. These policies are a form of business interruption insurance that indemnify the costs incurred by event organisers (as well as lost revenues) if the event is cancelled for pre-defined reasons (for example the non-appearance of a music artist due to injury).

However, the profitability of insurers is based on their ability to judge the probability that the relevant risks will transpire and diversify their exposure to those risks over many policies. Providing coverage for COVID-19 cancellation risks is problematic for the insurance industry as there is little historic information upon which to assess the relevant probabilities and the relevant risks are highly correlated (i.e. if events are legally cancelled for instance due to the introduction of a national lockdown or social distancing restrictions, then it is likely that most policyholders will make a claim simultaneously). There is also an 'adverse selection' problem in that event organisers may only seek to obtain coverage when there is an elevated risk of cancellation. Insurers also incurred significant losses due to pandemic cancellation coverage policies in the early stages of the COVID-19 pandemic (with stakeholders consulted in the preparation of this report reporting losses £3-4bn against £250m in premiums). Insurers internalised a significant proportion of these losses as live event cancellation policies did not involve the same levels of reinsurance as other insurance products.

Insurers effectively withdrew coverage for COVID-19 cancellation risks during the COVID-19 pandemic as a consequence of these issues (or would only make coverage available at prices that would render live events commercially unviable). Stakeholders consulted also noted that some insurers made commitments to their financiers that they would make no further losses as a result of COVID-19. A gap in market provision resulted where the industry was unwilling to cover risks through standardised insurance products. Organisers of live events were left unable to obtain coverage for these risks, dampening the recovery of the sector. These market failures provided a rationale for public sector intervention by providing reinsurance to providers of event cancellation coverage, stimulating the supply of coverage for COVID-19 cancellation risks and the recovery of the live events sector.

2.2 Theory of Change

This section articulates the expected causal processes by which the Scheme was anticipated to achieve its intended outputs, outcomes, and impacts. Whilst the process evaluation does not review the extent to which anticipated outcomes and impacts emerged as a result of the intervention, the Theory of Change (or rationale) behind the intervention is explored here for context.

2.2.1 Inputs

The Scheme absorbed a range of inputs across a range of stakeholders (across Government, the insurance industry, and event organisers):

- **Scheme design costs:** DCMS and HMT incurred a range of costs in developing the Scheme. This included engagement with the insurance industry and live events sector to develop a viable

insurance product that (a) insurers would be willing to offer, (b) would be attractive to event organisers, and (c) meet the Scheme's objective to deliver an acceptable level of overall risk, exposure, and potential cost to the Exchequer. This was supported Lloyd's Market Association (LMA) expertise and relationships with insurance providers. The design of the Scheme built on lessons from other comparable Schemes (such as BEIS' Trade Credit Reinsurance Scheme, which provided a blueprint for management and governance structure, and the DCMS Film and TV Production Restart Scheme which exemplified how to achieve additional internal assurances via a Performance, Assurance and Risk Committee). The development of the Scheme also drew on the Government Actuary's Department (GAD) in the form of fiscal modelling and the development of an insurance model to be presented to insurers, and external legal support to develop the Scheme Rules, contracts and policy wording and assess the risk against domestic subsidy control requirements.

- **Scheme administration:** The administration of the Scheme also absorbed a range of inputs to secure the participation of insurers, provide assurance of policies purchased by event organisers, manage the claims process, and provide oversight. Many of these functions were externalised to a Scheme delivery partner, although the insurance industry will also have incurred costs (for example, in terms of ensuring policies written under the Scheme were eligible under the Scheme Rules and conducting due diligence and fraud checks on applications). The LMA played a key role in securing the participation of insurers.
- **Indirect costs:** Insurance brokers will also have incurred costs in the delivery of the Scheme by promoting the Scheme to event organisers and securing appropriate events cancellation coverage from insurers.
- **Contingent liability:** The Scheme involved both the public sector and insurers assuming contingent liabilities for cost indemnification where live events could not legally take place due to COVID-19. Following negotiations with insurers, the initial capacity of the Scheme was set at £750m of risk exposure, although this was subsequently increased to around £800m.
- **Event organiser costs:** Finally, event organisers incurred costs both through (a) purchasing policies under the Scheme, and (b) planning and delivering live events that would not have taken place in the absence of the Scheme. As noted below, this may include costs incurred by event organisers that did not purchase policies, to the extent that their decision making was influenced by the availability of coverage and also the confidence built by the willingness of Government to underwrite the Scheme (which in itself perhaps signalled to some events organisers that the possibility of future lockdowns was becoming less likely).

2.2.2 Activities

The Scheme involved the delivery of the following activities:

- **Development of viable insurance product:** The development of the Scheme involved engagement with the insurance industry and representatives of the live events industry to balance competing interests in the Scheme and develop a viable product that was acceptable to insurers, the live events sector, and government. Key aspects included negotiating the Heads of Terms and key parameters of the Scheme, developing the Scheme Rules, and engaging and onboarding insurers.
- **Product parameters:** Coverage for COVID-19 cancellation risks was made available to eligible live events in alignment with standard contingency cover policies and offered as a 'bolt-on' to new and existing event cancellation insurance policies. Consultees indicated that the final parameters of the

Scheme were chosen to (a) ensure the policy could be offered at a price acceptable to insurers, event organisers, and HMT without crowding out the possibility for private sector provision and (b) prevent the public sector assuming commercial risks that were not fully linked to the COVID-19 pandemic. These included:

- **Breadth of risks covered:** Policies covered the risk that events could not legally take place due to the reintroduction of restrictions related to Covid-19. Other risks - such as threats to commercial viability owing to capacity restrictions (i.e. via the introduction of social distancing restrictions) or an outbreak of COVID-19 amongst performers – were not covered by the policy. It was, however, possible for the policyholder to claim for costs incurred to ensure their event was legally able to proceed.
- **Cost indemnification:** Policies only provided coverage for costs incurred (unlike some other events cancellation policies that also offer coverage for income foregone).
- **Price:** The price of coverage was set at 5 percent of the event costs (event organisers could choose to insure up to the total costs for the insured event provided these costs did not exceed costs for non-covid cover).
- **Timescale:** An initial policy announcement was made on 6 August 2021, with the Scheme launching on 22 September 2021, and closing by 30 September 2022. Event organisers were required to purchase the bolt-on cover eight weeks prior to the scheduled event date, though this requirement was reduced to one day in advance for the first 12 weeks of the Scheme.
- **Managing moral hazard risks:** The public sector provided insurers with cover for 95 percent of the potential losses under the Scheme. Insurers were exposed to 5 percent of potential losses, giving an incentive to participating insurers to undertake appropriate appraisal of risks. Event organisers also had to be new or existing policyholders (of non-COVID-19 cover) to be eligible to apply.
- **Third party delivery partner:** The delivery partner was procured to assist DCMS in the implementation, administration, and delivery of the Scheme. Its responsibilities included:
 - Designing and implementing an operating model to meet the objectives of the intervention (including a system for logging and validating claims, the scope and frequency of fraud, assurance checks conducted on policies and claims, specifying data requirements to insurers, and developing templates to collect and monitor financial data to report to DCMS).
 - Responding to queries from insurers and prospective policyholders about the Scheme.
 - Working with insurers to collect and report policy information. Monthly reporting on aggregate premium and exposure, alongside data on written policies (and cancellation data) included: start and end dates, and the Companies House number, location, and industry of the insured. Claims data covered business information, dates, payments, and the outstanding claims position. Additional details for ‘novel or contentious’ claims and details of cases of non-payment of claims were also collected and shared with DCMS.
 - Conducting fraud checks on behalf of DCMS and ensuring all policies and claims were subject to a stringent series of checks (only a percentage of claims were anticipated to be subject to spot

checks when the Scheme was originally designed, however, this was changed to cover all policies due to low uptake).

- Providing a further layer of validation/fraud checks via an audit of exceptional claims (in excess of £10m) and providing assurance on the decisions of insurers. All exceptional claims were to be escalated to DCMS for further scrutiny, regardless of the outcome of this audit.
- Attendance at meetings (Central Team meetings and Steering Board meetings).
- **Promotion:** Scheme rules were communicated via a press release on the gov.uk website on 6 September 2021. The Scheme was also promoted on the websites of participating insurers, brokers, and trade body organisations, as well as through general media coverage at the time of launch. DCMS also informed organisations within the live events sector during meetings with stakeholders. The product was primarily marketed through brokers to live events organisations, who then worked with one of the participating insurers to arrange cover.
- **Guidance documents:** The delivery of the Scheme was also supported by several guidance documents, including the Scheme Handbook, Heads of Terms, and Scheme FAQs.

2.2.3 Direct outputs and outcomes

The Scheme's expected direct outputs and outcomes relate to its effects on the supply and demand for COVID-19 cancellation coverage. Whilst the impact of the Scheme is not reviewed in this evaluation, the intended outputs and outcomes are set out below for context:⁸

- **Increase in the supply of COVID-19 coverage:** The central objective of the Scheme was to provide reinsurance coverage for COVID-19 cancellation risks. Many stakeholders consulted indicated that insurers had withdrawn from the market, implying that any COVID-19 cancellation coverage made available over the period would not have been provided in the absence of public intervention.
- **Take-up of COVID-19 cancellation policies:** The central outputs of the Scheme were policies between insurers and live events organisations for COVID-19 cancellation risks (i.e. take-up of the Scheme). However, it is important to note that this should not be taken as the prime measure of the success of the Scheme. Event organisers were able to obtain coverage up to eight weeks ahead of the scheduled event and would be expected to incur the costs of obtaining coverage based on their perceptions of the relevant risks at this time, as well as to backdate costs related to the eligible event. This allowed event organisers some reassurance that they could choose to delay until 8 weeks before the event should they choose to hold off for cost reasons. Although as indicated, the knowledge that obtaining COVID-19 cancellation policy was possible may have influenced decision making by giving event organisers the confidence to proceed with event planning, even if they did not eventually obtain a policy.

⁸ Following the scoping phase of work the Department decided not to pursue the possibility of an impact study because it was felt this would not be cost-effective given the data constraints and the limitations of the methodological approaches which would be feasible.

2.2.4 Effects on decision making

The planned activities and outputs were expected to have the following impacts on event organisers and their decision making / behaviour:

- **Increased confidence:** The availability of coverage for COVID-19 cancellation risks would be expected to increase the confidence of event organisers to plan and move forward with live events in an uncertain environment.
- **Impacts on decision making:** In turn, the availability of COVID-19 cancellation coverage may have had a variety of impacts on the decision making of event organisations as at the time of the Scheme design, the government report that stakeholders had repeatedly stated that they were less likely to proceed in the absence of insurance:
 - **Effects on volume of events:** The availability of insurance may have led some event organisers to proceed with planning events that would not have otherwise taken place in the absence of the Scheme - leading to an increase in the number of events scheduled. Stakeholders consulted also noted that many financiers of events were unwilling to provide up-front funding to organisers if they were unable to obtain cancellation insurance.
 - **Effects on scale or timing of events:** The availability of coverage may also have influenced decisions regarding the scale or timing of events that would have taken place regardless of the introduction of the Scheme (stimulating higher levels activity or accelerating the recovery of the sector).

2.2.5 Economic and social impacts

The Scheme was also then expected to lead onto the following economic and social impacts:

- **Economic impacts:** On the assumption that the provision of coverage for COVID-19 cancellation risks was effective in stimulating activity in the events sector, this would have led to an expansion of output (GVA) and employment in the sector. These impacts would likely have been felt across a range of stakeholders:
 - **Event organisers:** Additional events activity will have stimulated an increase in the overall level of turnover, GVA, and potentially employment amongst organisers.
 - **Suppliers:** Additional events activity will have stimulated additional spending with direct suppliers to event organisers (leading to an expansion of activity).
 - **Exhibitors and traders:** Some firms will have earned revenues from spending placed at events by visitors (e.g. stalls at festivals or exhibitors at trade shows).
 - **Local visitor economy:** Finally, events often attract visitors to a specific location, which will have led to further stimulus of the local visitor economy (particularly in hospitality industries).
- **Displacement and crowding out:** The effects described above are largely on the demand side of the economy. Expanded activity in the event sector would likely be associated with some offsetting effects elsewhere in the economy. These could occur if businesses or consumers attending events reduced their spending on other things (a displacement effect). Even where spending is additional (e.g. funded from involuntary savings built up during the pandemic), the additional demand may also have placed upward pressure on wages and prices given that the economy appeared to be

approaching full resource utilisation when the Scheme was launched (crowding out). These two factors would have been likely to lead to offsetting reductions in GVA and employment in other parts of the economy.

- **Net economic impacts:** Given these offsetting effects, the net economic benefit of the Scheme is likely to have been determined by the degree to which it improved overall economic efficiency as a result of:
 - **Productivity gains:** Stimulating activity in the events sector may have helped raise productivity by increasing the use of resources that would have otherwise been idle or under-utilised (e.g. unused event venues or workers that would have otherwise been underemployed, or redeployment of creative workers from occupations they may have been forced to take during the pandemic).
 - **Preservation of the ecosystem:** To the degree that slow recovery of the events sector threatened the short-term survival of organisations in the broad ecosystem of the sector, the Scheme may also have had long-term benefits in avoiding possible ‘scarring’ effects in the sector. This could take the form of assets that may have been difficult to bring back into use (e.g. venues, technical equipment, etc) or the long-term unemployment of workers that would have been unable to find alternative sources of employment.
- **Social benefits:** In addition to economic impacts, there may also have been positive social benefits arising from greater levels of event activity, in particular:
 - **Improvements in wellbeing:** Additional events activity will have (at least in some cases) given consumers opportunities for cultural enrichment and enjoyment that would have otherwise been unavailable to them and that had been absent for over a year previously. This may lead to an increase in wellbeing or quality of life amongst those enabled to attend (or view broadcasts where relevant, such as with major sporting events).⁹
 - **Cultural value:** The Scheme may also have led to the avoidance of disruption to (or indeed preserved the longevity of) culturally significant events. This could have produced further social benefits (as a result of the value those not attending events attach to their existence and/or the option to experience it in the future).¹⁰

2.2.6 Unintended consequences

The evaluation has considered the possible unintended consequences of the Scheme:

- **Economic losses:** The Scheme had the potential to result in losses of economic efficiency if it encouraged event organisers to incur the costs of planning events that were eventually cancelled.
- **Competition in insurance and brokerage markets:** Not all providers of event cancellation insurance participated in the Scheme, raising the (theoretical) possibility that it could have led to

⁹ Drury, J. (2020) Live events: it’s an experience thing. Conference News and, Hopkins, N. and Reicher, S. (2016) The psychology of health and wellbeing in mass gatherings: A review and a research agenda. Global Health, 6(2). P 49-57.

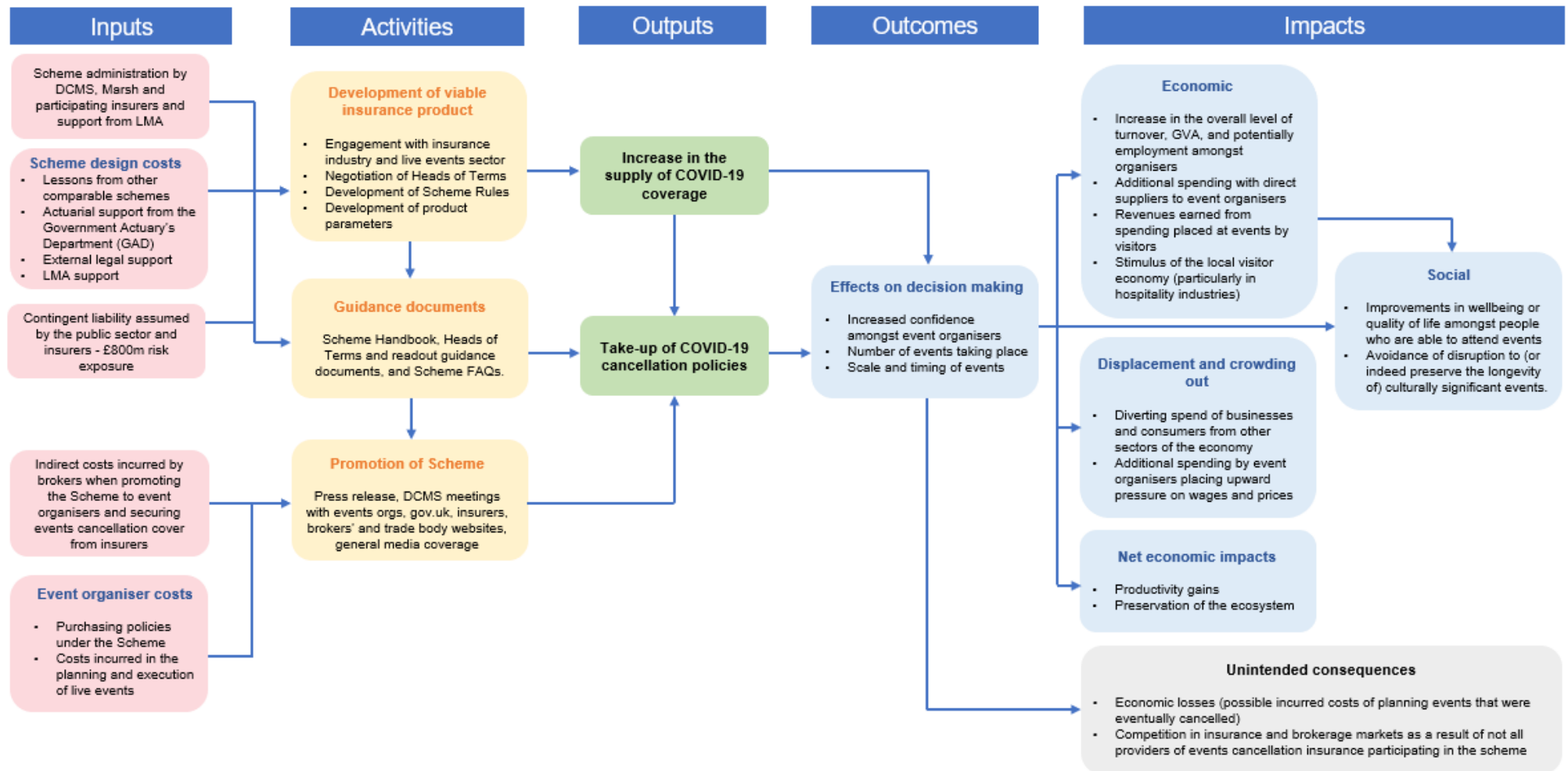
¹⁰ Centre for Cultural Value, February 2023, Culture, health and wellbeing, <https://www.culturehive.co.uk/CV/resources/culture-health-and-wellbeing/>

greater levels of market concentration. Stakeholders consulted during the planning stage did not consider this to be a major risk. However, it was noted that the third-party delivery partner was a leading player in the brokerage market for events cancellation insurance, creating some perceived issues as their competitors were potentially required to share commercially sensitive information (e.g. details of their clients) to obtain coverage through the Scheme. In reality, the administration of the Scheme by the delivery partner was ringfenced from their other operations including their brokerage arm. A violation of this would have been considered a regulatory breach by the Financial Conduct Authority (FCA).

2.3 Logic model

The Scheme rationale set out above is summarised visually in the logic model presented in Figure 2.1 for context. Whilst this process evaluation does not examine the degree to which the intended outcomes and impacts were achieved, the rationale for the Scheme influenced the decisions taken around the delivery model and governance model – aspects that the process evaluation will consider.

Figure 2.1: Live Events Reinsurance Scheme – Logic Model



2.4 Contextual factors

Whilst this evaluation does not consider how various contextual factors affected the outcomes and impacts achieved by the Scheme, there are a range of factors which informed the design of the Scheme, and which were acknowledged as having a bearing on the risks faced by the live events industry and ultimately the success of the Scheme. These include:

- **Business interruption insurance:** The Scheme was designed to provide coverage for one off events taking place on a specific date and did not provide more general business interruption insurance. This made it unsuitable for certain types of live event involving repeated performances (e.g. runs of theatre productions). It was noted by stakeholders that extending the Scheme to business interruption insurance could have led to pressures to extend government intervention to other sectors facing similar types of business interruption risks (e.g. restaurants) with it being legally difficult to justify if it was only broadened out to theatres. Furthermore, rolling this out across events would have led to an increase in the premium price.
- **Perceptions of safety risk of COVID-19 when the Scheme was launched:** The public's perception of safety evolved over the course of the COVID-19 pandemic. At the time of the Scheme's launch in September 2021, consumers may have remained cautious about attending large scale events (particularly given the prevailing rules in relation to self-isolation). This may have led to reduced levels of demand for live events (relative to pre-COVID levels) and affected their commercial viability. These types of risk were not covered by the Scheme but may also have dampened the recovery of the sector.¹¹
- **Emergence of Omicron variant:** First detected in late November 2021, the Omicron variant was substantially more transmissible than its predecessors. While legal restrictions were not introduced to manage the emergence of the variant (except for Scotland), consumer behaviour changed substantially to contain the risk of infection in the pre-Christmas period (partly encouraged by government advice to work from home where possible). This is likely to have had an impact on the commercial viability of live events at the time. While the absence of legal restrictions may have prevented claims under the Scheme Rules, there was a possibility of economic losses over the period if event organisers were encouraged to proceed with planning that were eventually cancelled.

¹¹ In Summer 2021 The Audience Agency reported that audiences were proving slow to return, with fewer than a third saying they would be happy to attend events as restrictions eased. This continued reluctance was largely driven by health concerns. The Audience Agency (2021), *Summer 2021 Key Insights*, <https://www.theaudienceagency.org/evidence/covid-19-cultural-participation-monitor/recent-key-findings-2>

3 Scheme Outputs

This section provides an overview of the Live Events Reinsurance Scheme, outlining those insurers participating, the number and type of events taking policies, and the claims made.

Key findings

The Scheme was announced in August 2021 and launched in September 2021, three months after the withdrawal of legal restrictions on the sector in June 2021. A significant share of insurance providers for events cancellation coverage participated in the programme, including more than half of the major insurers. A total of £800m of cover that could be written was negotiated with insurers.

Take-up of COVID-19 cancellation coverage was lower than originally anticipated. A total of 87 policies covering 169 events were taken over the lifetime of the Scheme, insuring for £117.4m in costs. This represents around 15 percent of the total potential capacity of the Scheme at any point in time.

Demand for coverage peaked in November and December 2021 when the risk of the reintroduction of legal restrictions was at its highest owing to the emergence of the Omicron variant. No policies were bound after May 2022, indicating the period of the Scheme's operation was appropriate. However, there were around 25 insured events that took place after May 2022. Demand for the Scheme was concentrated amongst organisers of live music and sporting events and business to business conferences. Most coverage (by value) was taken by organisers of large sporting events scheduled between May and September 2022.

One claim was made and settled for the value of £190,000 owing to the requisition of the relevant venue for COVID-19 vaccinations. As such, the Scheme generated net income for the Exchequer on the back of approximately £5.9m in income from premiums.

3.1 Participation of insurers

A total of six insurers participated in the Scheme, namely Arch, Ark, Beazley, Hiscox, Munich Re and Dale (who did not write any policies). Early market engagement conducted by the government indicated around ten key insurers provided cancellation coverage for UK events. As such, the participation of more than half of the relevant insurers operating in the live events sector was secured. A total of £750m in written cover was negotiated with insurers. This figure subsequently increased to £800m.

3.2 Take-up of COVID-19 cancellation coverage

Take-up of COVID-19 cancellation coverage was less widespread than originally anticipated:

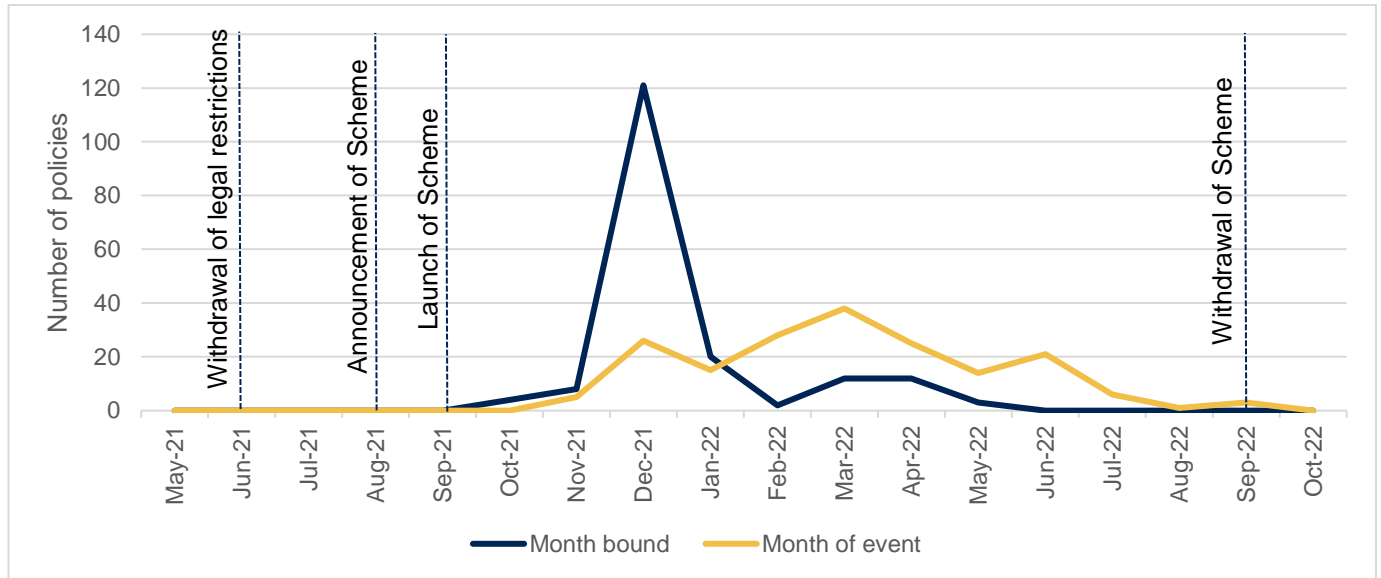
- 169 policies were taken over the lifetime of the Scheme (including multiple events/dates organised by the same organisation). Distribution of coverage by type of event can be found in Section 3.2.3 below.
- A total of £116.8m in costs were insured. This represents around 15 percent of the potential £800m capacity of the Scheme at any given point in time.

3.2.1 Take-up over time

Figure 3.1 provides an overview of take-up of COVID-19 cancellation coverage by the date the policy was taken and the date of the event. The Scheme was announced in August 2022 and launched on the 22 September 2021, some three months following the removal of legal restrictions in June 2021. Most policies

(66%) were bound in December 2021. This coincided with the introduction of new guidelines and restrictions to help mitigate the impact of the Omicron variant such as mandatory masks in public venues, working from home guidance, as well as mandatory COVID-19 passes at unseated indoor events with more than 500 attendees and unseated outdoor venues with more than 5,000 attendees. The levels of take-up in relation to heightened uncertainty and risk averseness amongst the public demonstrated the value of the Scheme.

Figure 3.1: Number of policies taken by month bound and month of event



Source: Scheme monitoring information, DCMS

3.2.2 Distribution by participating insurer

A total of 87 policies were bound by insurers (with some policies covering multiple events). Demand for the Scheme was not evenly distributed across participating insurers, with the volumes of covers bound by different insurers varying significantly. Most policies were bound by Beazley and Hiscox.

3.2.3 Distribution of coverage by type of event

Demand for coverage was strongest amongst organisers of business-to-business conferences and live music events. However, most coverage (by value) was taken by organisers of live sporting events. This was largely driven by major sporting events scheduled to take place between May 22 and September 22 – indicating that the Scheme may have been most suitable for very large-scale annual events.

Table 3.1: Distribution of coverage by event type

Type of Event	Number of Events	Amount Insured	Event budget	Attendee Numbers
Business	51	£21,090,850	£24,796,560	349,103
Live Music	50	£2,651,577	£8,644,766	272,522
Theatre	21	£459,877	£519,877	49,166
Awards Show	18	£10,524,601	£11,019,308	17,815

Type of Event	Number of Events	Amount Insured	Event budget	Attendee Numbers
Sports	18	£79,105,900	£353,131,259	612,923
Entertainment	6	£1,378,500	£1,378,500	131,000
Stallholders	5	£1,617,280	£1,680,328	1,367,440
Festival	0	0	0	0
Other	0	0	0	0
Total	169	£116,828,585	£401,170,598	£2,799,969

Source: Scheme monitoring information, MARSH; The above figures are by individual events and not by policy. Some policies cover a series of events &/or events across multiple types

3.3 Claims

Monthly monitoring data indicates that one claim was made over the lifetime of the Scheme (noting that this is not a metric of success). The claim was made in the third quarter of 2022 as the event venue was requisitioned for COVID-19 vaccinations. This gross claim reserve amount (excluding VAT) was settled at £190,000. As such, the Scheme generated a net income for the Exchequer on the back of around £5.9m in premium income.

4 Scheme Design

This section of the report assesses the design of the Scheme, considering the extent to which the Scheme design resulted in a product that responded to the needs of live events organisers whilst balancing risk and market appetite to provide cover. It should be noted that while the following analysis is based on in-depth interviews with most participants in the events cancellation insurance industry, representatives were not always present during the design phase of the Scheme and some responses given are speculative in nature. Respondents did not always recall the full details given the time that had elapsed. Evidence and views gathered as part of this research are representative of those stakeholders who engaged with the evaluation and should not be considered representative of the events industry.

Key findings

Insurers experienced major losses on communicable disease cover during the COVID-19 pandemic and had wholly withdrawn from the market of offering affordable by 2021. The government engaged the insurers effectively (largely through the Lloyd's Market Association) to develop a reinsurance product that the industry was willing to offer. Six participants in the market for events cancellation insurance participated in the Scheme, enabling facilities of approximately £800m to be made available and restoring the provision of some COVID-19 cancellation coverage.

The design of the product included provisions to minimise the public sector's exposure to unnecessary risks. This included a risk sharing arrangement in which insurers were exposed to five percent of the potential losses associated with a successful claim (introduced to minimise the risk of 'moral hazard' issues) and the remaining 95% was borne by the Government. Insurers were sceptical of the need for this and one highlighted that risk sharing arrangements at the level agreed were a factor in its decision not to participate. Greater sharing of risk between the public sector and insurance industry would have likely threatened the viability of the Scheme by reducing participation (rather than improving value for money).

Risks to both the public sector and the insurance industry were minimised by limiting the scope of the product to the risk of cancellation caused by restrictions on whether the event could legally take place. However, by September 2021, the perceived likelihood of this risk had substantially receded owing to the success of the vaccination programme. Event organisers consulted tended to see other risks (such as restrictions on capacity) as more significant issues, and demand for coverage was reportedly concentrated amongst the most 'risk averse' – such as those organising major annual events delivering most of their profits.

The cost of premiums was set at five percent of the costs insured. It is difficult to evaluate how far this price was 'fair' in view of the risks involved. However, while feedback from event organisers tended to focus on the scope of the product, some consultees highlighted that the cost of the policy will have created affordability issues for some event organisers with lower profit margins.

There was a common view expressed by stakeholders that the product would have been more helpful if launched earlier partly because it missed the summer period and partly because by the time it was launched people were less worried about the virus. Officials recognised there was high demand for an insurance product to be launched in time for Summer 2021, though the government made the decision that such a product would only be considered once all other barriers were removed and if the only remaining barrier to events going ahead was a lack of available cover. The DCMS Secretary of State confirmed that once Step 4¹² of the Government's roadmap out of

¹² Step 4 was the final step in the roadmap where the majority of government imposed covid restrictions were planned to stop.

lockdown was reached, the government would consider introducing a live events reinsurance scheme. Timescales were also pressured as the decision to launch the Scheme was not made until after initial discussions and negotiations with insurers.

These issues are likely to have limited the impact of the Scheme on levels of activity in the event sector. However, an alternative design would likely only have been possible if the public sector assumed the full risks involved and/or provided implicit subsidies to the sector (e.g. to lower the cost of premiums). This would have been inconsistent with other wider Covid-19 support schemes, and questions could have been raised regarding the strength of the economic case for such an approach given that unemployment rates had fallen to historically low levels by late 2021. In addition, political will to use large sums of public funding to mitigate Covid-19 risks was rapidly receding by this point in time.

4.1 Programme design and development process

The programme design and development process aimed to develop a product that (a) the insurance industry was willing to provide, (b) helped restore confidence amongst live events organisers, and (c) did not expose the public sector to unnecessary risks. This required balancing the interests of several different stakeholder groups, and the programme development process involved the following key steps:

- **Initial options assessment:** The Central Team were tasked with gathering policy evidence to help decide whether an indemnity Scheme would genuinely promote greater levels of activity.
- **Scoping and engagement exercise:** Policy officials from DCMS, BEIS and HMT all attended separate sector engagement meetings with associations representing the insurance and brokerage industries, insurers, and relevant regulators to understand demand and appetite for the Scheme and learn from experiences of the Film & TV Production Restart Scheme. These meetings sought to better understand the fundamental trade-offs that existed between potential delivery models, including a (subsequently chosen) Reinsurance model and a Compensation model, to inform decision-making. Meetings also gathered information on the state of the insurance market at the time, including the scope of available cover, sector activity, impact of COVID-19, appetite for the Scheme etc. Questions differed depending on the stakeholder consulted.
- **Initial Scheme parameters:** These inputs informed the initial design of the Scheme, including the scope and pricing of the cover and the arrangements for risk-sharing between the Government and insurers. A range of internal and external stakeholders were involved in this element including: the Government Actuary's Department; policy teams within DCMS; the insurance team and the spending team at HM Treasury (HMT); the Department for Business, Energy, and Industrial Strategy (BEIS); the Financial Conduct Authority (FCA); the Prudential Regulation Authority (PRA); and Slaughter and May solicitors.
- **Validation of Heads of Terms (HoTs):** The HoTs were tested with the Association of British Insurers (ABI) and Lloyd's Market Association (LMA) in the first instance, followed by BIBA, with a high-level summary of the HoTs then shared with representatives from each sub-sector across the live events sector.

A draft business case was submitted to the DCMS Finance Committee and HMT at the end of June 2021. During this time HMT continued negotiations with LMA to agree the risk share and determine which insurers would be likely to participate in the Scheme. The Business Case was approved by HMT in early August 2021, and the government announced that the Scheme would be launched in September 2021.

4.2 Effectiveness of partnerships in design and development

This section reviews the effectiveness of the partnership in the design of the Scheme, considering the roles and remit of each involved partner, including the government, the insurance industry, insurance brokers and the live events industry.

4.2.1 Insurance industry

Insurers stressed that the pressure for the introduction of a support Scheme came from the live events sector and from broker organisations working with live events organisations. One interviewee indicated that their company's rules would have precluded any involvement in lobbying activity. However, the public justification for waiting until July was to ensure the lack of insurance was the last remaining obstacle for events going ahead, as opposed to risks being considered too high.

The Lloyds Market Association (LMA) was heavily involved throughout and, once the decision in principle to introduce the Scheme was made, it acted as the interface between government and the industry on the negotiation of issues of detail. At this stage one interviewee indicated that there were weekly meetings between the LMA and the industry but direct contacts between government and the individual insurers ceased. There was a great deal of praise from industry representatives for the role of the LMA – *“they did a fantastic job It was really difficult”*. However, one consultee noted that the industry discussions worked better when government joined one of the weekly calls and suggested that it would have been helpful if this had happened routinely.

There was strong agreement that the engagement between government and the industry was always constructive and carried out in a spirit of goodwill. The government was anxious to address the massive problems which COVID-19 created for the sector and the industry was keen to help, within the constraints which it faced, with one insurer stressing the importance which their company placed on corporate social responsibility aspects.

The two key challenges were the pressures on both sides to limit their risk exposure – in the case of the industry because of the scale of its COVID-19 related losses – and the issues in negotiating the complexities of a product which met the needs of the parties involved in a context in which neither initially necessarily had a strong understanding of the other's perspectives and processes. The importance which the industry places on avoiding 'moral hazard' issues in which insurance would potentially provide an incentive for the insured party to act in ways which increase claims risks was noted as a case in point.

The effect of these challenges was that negotiations to agree the detailed wording of a product which was acceptable to both government and the industry were fairly – and the view of some consultees unnecessarily – protracted. This may have contributed to what was perceived to be the late introduction of the Scheme and the associated limitations on its effectiveness, discussed further below. The process of designing the Scheme was also noted as having been resource intensive for both insurers and the LMA. This may also have been due to its unprecedented nature. Nevertheless, it is worth noting that one consultee suggested that, despite the complexities which needed to be negotiated, the details of the Scheme were eventually established more quickly than those of the Film and TV Restart Scheme which had already been put in place by this time.

Another interviewee viewed early discussions as *“very rushed”* and stated *“it felt quite political”*, as they thought the main objective was to get insurers on board so an announcement could be made at the time (early September 2021). Discussions on how the Scheme would work in practice took place for a long period of time following the announcement, but the insurer was already receiving enquiries at this stage

which caused it some issues. In the view of the insurer, “*the political magnitude that the announcement had took over from the magnitude of actually putting together a coverage that was good for the insured and also insurable for insurers or underwriters*”, despite the positive intentions of DCMS to launch an insurance product as soon as possible to support the sector. Timescales were pressured as the decision to launch the Scheme was not made until after initial discussions and negotiations with insurers.

4.2.2 Brokers

Brokers were generally less satisfied with the approach taken by the government to engage their sector (i.e. via associations), with one stating that they only became aware of the introduction of the Scheme because they were in contact with the government as a result of their involvement in the Film & TV Production Restart Scheme. In addition, they were required to learn about the details of the Scheme through participating insurers rather than directly from the government.

At least one insurer also held the view that brokers should have been involved in the design of the Scheme right from the beginning, as they were the ones who would ultimately be selling the product. The view that the Scheme took longer to begin than anticipated was also shared by the brokers interviewed.

4.2.3 Live events industry

The design and development of the Scheme involved engagement with the insurance industry and the live events sector to balance competing interests in the Scheme and develop a viable product that was acceptable to insurers and government. This involved engagement with the sector through LetLiveThrive (a broker-led campaign calling for government backed insurance for the live events sector) and trade bodies who shared data on the economic value of live events and the needs of the live events sector.

Interviews with live events organisers (both policy and non-policy holders) mentioned the consultation process but did not provide great detail on the approach the government took to consultation. Live events organisations that took part in the interview relayed that there was acknowledgement of the points that they raised but felt this did little to amend the Scheme in their favour.

4.3 Scheme design

4.3.1 Outcome of the Scheme design process

The Scheme design process resulted in the launch of a reinsurance product in September 2021 with the following parameters:

- **Breadth of risks covered:** Policies covered the risk that events could not legally take place due to lockdowns or other measures set by the government prohibiting events from taking place.
- **Cost indemnification:** Policies only provided coverage for costs incurred (unlike other events cancellation policies that also offer coverage for income foregone).
- **Price:** The price of coverage was set at 5 percent of the event costs (event organisers could choose to insure up to the total costs for the insured event provided they did not exceed costs for non-COVID cover).
- **Risk sharing:** The public sector provided insurers with the following cover: first £5m of eligible losses (95% of cover), next £5m of eligible losses (97% of cover) and losses incurred above £10m (100% of cover). Event organisers also had to be existing policyholders (of non-COVID-19 insurance) to be eligible to apply.

4.3.2 Willingness of insurers to participate

The design of the Scheme was largely effective in securing the participation of the insurance industry. Six providers of events cancellation insurance agreed to deliver the Scheme providing around £800m in written cover.

Interviews with insurers highlight the significant challenges caused by communicable disease cover at the time the Scheme was being developed - most report making significant losses as a result of the COVID-19 pandemic and some had made commitments to their shareholders to withdraw from the market. As a result, insurers generally indicate that the decision to participate was subject to significant scrutiny and indicated that the Scheme's parameters were suitable in (partly) addressing failures in the market for events cancellation coverage.

However, feedback from participating and non-participating insurers highlight some aspects that may have affected willingness to participate:

- The design of the Scheme involved risk sharing between HMG and insurers, with insurers exposed to five percent of the cost of any claims made under the Scheme. This was a requirement of HMG, introduced to avoid possible 'moral hazard' issues whereby the incentive to assess and manage risks effectively is reduced if agents are not exposed to the potential costs involved. This perspective was challenged by some insurers that highlighted COVID-19 cancellation coverage acted as a 'bolt-on' to broader insurance policies. The requirement led to non-participation by one insurer (whose shareholders and senior management would not tolerate risk exposure of greater than two percent). It appears likely that any attempt to increase value for money by increasing the risk exposure of insurers further would have risked the viability of the Scheme.
- The reinsurance model used in the Scheme required that insurers (a) pay out the full value of claims and reclaim the amount from HMG and (b) recognise the full value of losses on their balance sheets. Given the potential size of pay-outs, cashflow issues were also reportedly a factor in the decision of some major players in the events cancellation insurance market not to participate (owing to the sixteen-day period for reimbursement). It was considered by non-participating insurers interviewed that a co-insurance model (in which the government and the insurer simultaneously cover their respective shares in the event of a claim) would have helped ease these types of friction.

Some stakeholders also highlight that the fact that the Scheme requirements precluded brokers earning a return (without prior written consent) on the sale of the reinsurance element of the policies they sold may have limited the extent to which brokers promoted the Scheme to their client base which potentially also impacted levels of take-up.

4.3.3 Scope of coverage

There is strong consensus across the stakeholders engaged that the scope of the product - while limiting risk exposure to insurers and the public sector - limited its attractiveness to the events sector and contributed to the lower-than-expected levels of take-up reported in Section 3. As Section 5 and Section 6 consider in more depth, the appointment of Marsh Commercial was contentious amongst brokers (who at first felt that Marsh Commercial might be able to gain competitive advantage in their role as broker within the contingency market) which may have dampened their enthusiasm to proactively encourage take-up.

The restriction of the product to reimbursement of costs of an event in the case of its mandatory cancellation was clearly a crucial limitation on its appeal to organisers:

- Event organisers faced several key risks that were not covered under the design of the Scheme - such as the risk of new restrictions on attendances (e.g. social distancing rules), the need to cancel events due to outbreaks of COVID-19 amongst cast members, or the effects of COVID-19 in depressing levels of attendance as a result of public attitudes towards risk. As discussed further below, many event organisers considered that the risk of further legal restrictions on whether events could go forward was relatively limited at the time. It was suggested by insurers that the main take up was by “the extremely risk averse” – with the examples quoted of local authorities and committees organising charity events, organisations which had lost two years of turnover and could not countenance losing a third, and organisations that were highly dependent on single annual events taking place for their annual profits.

“It really didn't cover...the biggest risk that we had and that was that we had to cancel the show due to effects of COVID, when the artist or performer simply can't perform because they got COVID. This is the whole point. Other diseases are pretty much covered and that's the irony. If I have an artist who catches flu and can't sing, then I'm covered. But I [had] to prove that it is not COVID. If it is COVID, then I am not covered because it's an exclusion on all policies.” - Non-participating event organiser

“The terms of the coverage were too narrow: no cover for restrictions other than lockdown. Our problem at the time was not the lockdown. The problem was threat of reduced capacity in the event because of social distancing, COVID certification for attending events, staff dropping out. We felt a lockdown would be reasonably unlikely.” - Non-participating event organiser

- It was also noted that the Scheme did not cover loss of profit – which, as indicated, is reportedly normally covered in other types of events cancellation policies.
- Some stakeholders noted that the Scheme only provided coverage for ‘one-off’ events to be held at a specific time in the future. This limited its suitability for theatres and other live events characterised by on-going runs. For this segment, as suggested above, a form of business interruption insurance may have been a more suitable product.

However, it should be noted that an increase in the scope of the product would have significantly increased the potential liabilities faced by the insurance industry and the public sector. As highlighted above, the potential cost of participation in the Scheme was a significant factor determining the willingness of the insurers to participate. Additionally, the cost of policies may also have had to rise to reflect the increase in risk exposure (further constraining demand). As such, it was probably only feasible to increase the scope of the product if the public sector was willing to assume the full risks involved. In addition, the main objective of the Scheme was to insure against the worst-case scenario of complete events cancellation as a result of a lockdown, a situation which event organisers would not have been reasonably able to mitigate costs for.

4.3.4 Price of coverage

The price of coverage was set at five percent of the costs indemnified. The rationale for the price was based on a combination of factors, one of which was to allow room for insurers to re-enter the market with a more competitive price.

However, it is challenging to provide an assessment of how far this provides a reasonable reflection of the risk of the reintroduction of restrictions stopping live events from legally taking place. The risks involved were largely unquantifiable and this was one factor prompting the withdrawal of insurers from the market. It was widely reported that by September 2021 (when the programme was launched), in the absence of

the appearance of a much more dangerous variant, the likelihood of further lockdowns or restrictions was thought to have receded as a result of the success of the vaccination programme in limiting serious cases and the associated build-up of political resistance to further restrictions. Perceptions of these risks may have been altered with the initial emergence of the Omicron variant in November 2021 (given initial uncertainty regarding its virulence). This was not directly referenced by the small number of events organisers interviewed in this research though it is strongly suggested by the spike in demand for cover the following month, as highlighted in Section 3: Scheme Outputs. This provides a possible indication of the importance of the Scheme, whereby had the new variant resulted in another lockdown scenario, the value of the Scheme is likely to have been even more utilised.

Few consultees engaged in the research directly referenced issues relating to the cost of coverage (with reasons for non-participation predominantly focused on issues relating to the scope of risks covered and the timing aspect). However, it was noted by one insurer that the five percent premium was larger than the profit margin for some event organisers (potentially creating an affordability issue for some organisers). Additionally, one non-participating event organiser highlights that the structure of their costs - with the majority being covered a short period ahead of the scheduled events - meant that obtaining a policy could potentially be loss making (if the event was cancelled months in advance, the cost of the policy would significantly exceed the pay-out associated with the claim).

It should also be noted that insurers did not re-enter the market during the operation of the Scheme or subsequently with a more competitively priced product. This indicates that insurers did not see opportunities for increasing profits by competing with the government backed product, although given the market failures involved this does not necessarily provide evidence regarding the appropriateness of the price of coverage.

4.3.5 Timing

Finally, there was consensus amongst industry stakeholders that the Scheme was introduced too late to have much appeal to the market. The timing came too late in particular for the summer season for events such as music festivals. In May 2021, at a Select Committee hearing, the DCMS Secretary of State confirmed that once Step 4¹³ of the Government's roadmap out of lockdown was reached, the government would consider introducing a live events insurance scheme. The scheme would only be considered if the only remaining barrier to events going ahead was a lack of available cover.

“In my view the engagement should have started months before... but government had a roadmap and they didn't want to consider this until all other barriers had been removed.” - Steering Board and Central Team

“Subsequent conversations with Treasury were slow and it took a while to get them brought into the Scheme and its importance for the sector. This may not have made a material difference because the social distancing restrictions were still there.” - Steering Board and Central Team

¹³ Step 4 was the final step in the roadmap where the majority of government imposed covid restrictions were planned to stop.

5 Governance

This section reviews the governance structures put in place for the scheme. It considers how well the programme's governance structure worked in overseeing/ monitoring the programme and minimising risk.

Key findings

The governance arrangements for the scheme consisted of a Steering Board, a Central Team, the contracted delivery partner Marsh Commercial, insurance brokers and the insurers participating in the Scheme.

The evaluation found that overall, the governance structures and arrangements put in place were appropriate and proportionate – considering the roles and remit of the key stakeholders.

The appointment of a delivery partner was needed to provide expertise and resource to support the administration of the Scheme, as it could not easily have been delivered within the resources and capabilities of the public sector (particularly if demand had been high). The procurement of the delivery partner was handled through a competitive tendering process. However, as the selected contractor had a brokerage arm, there were concerns amongst brokers over its independence and the potential competitive advantages which it could potentially derive from this role (though these concerns appeared to dissipate somewhat with time). This is due in part to the mitigations that were put in place in terms of ensuring activities were ring-fenced from all other operations and ensuring this was communicated.

The infrastructure and processes put in place were considered by stakeholders to be appropriate for minimising adverse outcomes (for example, as a result of fraudulent claims and ineligible applications) as the design of the Scheme leveraged best industry practices. No fraudulent claims had been identified at the time of writing. However, the lower than anticipated take-up of the Scheme meant that these structures were not 'stress-tested'.

5.1 Overview of governance arrangements

The governance arrangements consisted of a Steering Board, a Central Team, the contracted delivery partner Marsh Commercial, and insurers participating in the Scheme. Overall, the evaluation highlights that arrangements were appropriate.

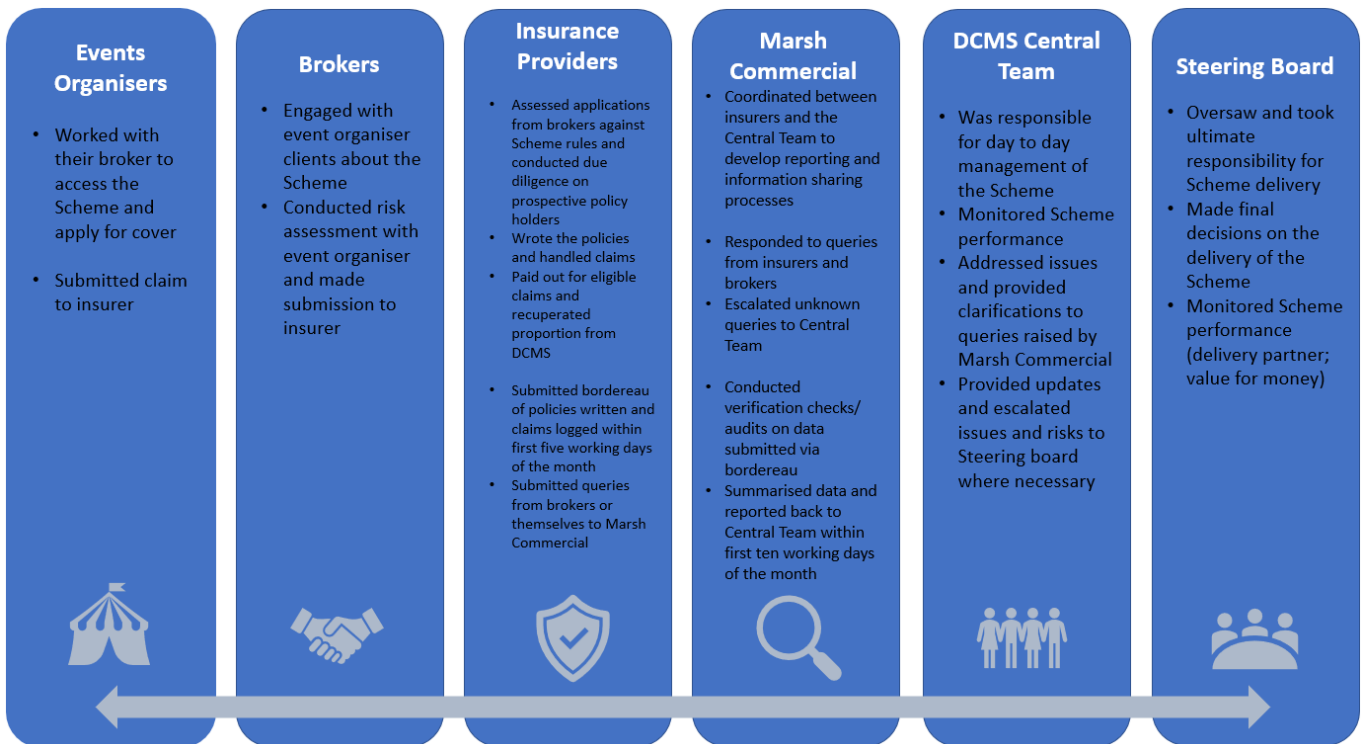
The Steering Board was the lead body with overarching responsibility for the governance of the Scheme. The Board was accountable for the delivery of the Scheme, including making decisions on claims above a certain threshold, and monitoring the Scheme's ongoing performance. The Board was chaired by the Senior Responsible Owner (SRO) and included representatives from DCMS, HMT and BEIS, as well as representatives from Oliver Wyman and Marsh Commercial. It launched with the commencement of the fund and generally met monthly, with extended quarterly risk review meetings. External legal support was provided by Slaughter & May.

The Steering Board was supported by the Central team. This team managed the day-to-day operation of the Scheme, including its delivery and the monitoring of performance, as well as overseeing the work of the contracted delivery partner. The team reported to the SRO and were accountable to the Steering Board. This included providing regular reports to the Board on the Scheme's operation. The Central Team was mandated to take decisions but would refer significant decisions above a certain risk threshold to the Steering Board, including decisions with a high value, potential reputational risk to government, or decisions that would establish precedents for the Scheme.

Audit and verification of policies and applications were handled by Marsh Commercial (a subsidiary of Marsh McLennan), as well as associated monitoring and reporting processes for the Scheme, including KPIs. Marsh Commercial was responsible for receiving, verifying, and auditing data from insurance providers and provided monthly bordereau reports to the Central Team. It was also responsible for dealing with queries from insurers and brokers and escalating unknown issues to the team. Insurance providers were responsible for writing policies based on applications received via brokers, including carrying out due diligence on applications and claims in line with the Scheme’s rules. Insurance providers were responsible for paying out eligible claims and applying to government for reimbursement.

Figure 5.1 below summarises the key roles of each of the main actors within the Scheme delivery and how information was shared between them.

Figure 5.1: Summary of main roles of key stakeholders



The evaluation looks at how appropriate the governance arrangements were for the Scheme, considering the roles and remit of stakeholders and the need to deliver the Scheme at pace and looking at the key stakeholders in turn.

5.2 DCMS and government representatives

Stakeholders report that the Steering Board functioned effectively in governing the delivery of the Scheme and managing any escalated issues. As indicated, it tended to meet on a monthly basis and also held an extended quarterly risk review meeting. Feedback through the evaluation consultations suggests that frequency of meetings was sometimes altered in response to demand, with more frequent meetings taking place earlier on in the Scheme where there were likely to be more issues. The Central Team was well connected to this, escalating any issues or risks that could not be resolved to the Steering Board to make a decision. Stakeholders indicate that the Steering Board was effective and responsive. It reportedly benefited in particular from having a good mix of internal and external member expertise which allowed it to consider issues in an informed, constructive and transparent way.

5.3 Delivery partner

The appointment of an intermediary organisation was needed to provide expertise and resource to support the administration of the Scheme. The delivery partner was procured through a competitive tendering process to support with the Scheme administration and to provide support with due diligence. Stakeholders reflected that the chosen organisation was well positioned to provide support based on its expertise built from involvement in the Film & TV Production Restart Scheme. The remit and role of the delivery partner helped to ensure a layer of policy assurance. Once participating insurers submitted their monthly bordereau¹⁴ to them, the delivery partner conducted their own due diligence to ensure that policies were within the Scheme rules and verified the legitimacy of policies using the information supplied. A sliding scale was set whereby the delivery partner would be required to check 25-100 percent of policies and claims with any policy or claim of over £1 million automatically requiring auditing. Checks were ultimately completed on 100 percent of policies and claims (made manageable by the relatively small number of policies taken). Stakeholders did not raise any major concerns around the way in which Marsh Commercial administered the Scheme and conducted the audit checks to minimise risks.

A range of stakeholders fed back that amongst brokers, there was concern around the appointment of a delivery partner with a brokerage arm. There were fears that it could gain a competitive advantage from having access to live event organisation data across the contingency market. Whilst the delivery partner ring fenced this work from their other operations, there were fears that they could gain a competitive advantage from having access to the client data of other brokers. There were mixed views around the impact of such concerns with some suggesting this “*massively jeopardised*” brokers’ willingness to support the Scheme, whilst others suggested it caused an unnecessary “*distraction*”. Some insurers were somewhat dismissive of these concerns and the concerns appeared to dissipate over time, with the data protection measures put in place appearing to assuage concerns in relation to access to client data. Ultimately, no evidence was found that the choice of delivery partner created adverse competitive outcomes in the brokerage market.

5.4 Insurers

The governance of the Scheme involved oversight over the work of the insurers who had to be accepted on to the Scheme to be able to participate. This was supported by the delivery partner to whom, as indicated, they were required to submit a monthly bordereau detailing policies written and any claims within the first five working days of the following month.

Insurers were required to conduct their due diligence on applications and claims in line with how they would typically operate. There were separate processes for assessing applications (including eligibility checks) and reviewing claims (which many insurers never needed to implement due to the low number of claims). Overall, the arrangements were considered appropriate here, especially reflecting that Scheme design incentivised insurers to undertake checks, given that, in the words of one stakeholder;

“The fact that the insurers were processing those claims and they had a financial stake in it, obviously is a really good starting point for avoiding fraudulent claims because insurers are not going to pay out on a claim that they’ve not thoroughly investigated.”- Steering Board and Central Team

¹⁴ A report that is produced by insurers detailing the covers and claims made

5.5 Effectiveness of processes for minimising adverse outcomes

The infrastructure and processes put in place were felt by stakeholders to be appropriate for minimising adverse outcomes (for example in relation to fraudulent claims and reviewing ineligible policies), although the lower than anticipated take-up of the Scheme meant that these structures had no need to be 'stress-tested' in this respect. Overall, the governance arrangements ensured accountability for the operation of the Scheme, guiding its implementation, and ensuring risk assessment and auditing of reinsurance decisions.

"Every case went to the Steering Board by default. Certain decisions could be resolved by the Central Team but the Steering Board would intervene if above a certain threshold."- Steering Board and Central Team

The evaluation document review and interviews highlight that reporting arrangements resulted in high levels of audit scrutiny of reinsurance decisions that minimised risks to public funds. There was essentially an "*audit by design*" as opposed to "*audit by exception*" approach taken and so stakeholders felt that there was a robust level of scrutiny exceeding what would be typically seen for a reinsurance Scheme. This was seen as justified given that the Scheme was made possible through the use of public funds and there was no evidence to suggest that the audit process slowed things down. Further, given the relatively low number of policies, the delivery partner was able to conduct an audit on all policies and it appears escalation of any issues to the Central Team or the Steering Board were manageable. It is unknown whether the same structures would have been effective in a scenario where an intense load of claims needed to be processed.

"Typically, in reinsurance type of arrangement, an insurer is responsible for audit, [...] It is more about audit by exception than design. But this Scheme was audit by design. Every policy was looked at, audited and scrutinised [...] by design." – delivery partner

6 Delivery

This section of the report reviews the delivery of the Scheme, bearing in mind the research questions focusing on effectiveness in communication and engagement, the effectiveness of processes and partnerships. It draws on the overall set of interviews undertaken with those involved in the delivery and implementation of the Scheme, as well as event organisers taking out policies (and also those which did not). It should be noted that the evidence is more limited when it comes to considering the perspective of event organisers since there fewer event organisers were willing to take part in the evaluation than anticipated.

Key findings

Communications and engagement activities appeared effective overall in informing insurers, brokers and live events organisers of the Scheme (though data on levels of awareness across the relevant communities is not available).

Participating insurers and brokers considered that the delivery partner administered the Scheme effectively and built on its expertise in delivering schemes. There were some concerns regarding how far the delivery partner provided value in terms of providing clarification on detailed aspects of eligibility or other key Scheme criteria. This meant that the escalation process was relied upon more than intended. This was understandable considering the novelty of the Scheme and that the delivery partner had not been involved in its design.

Participating insurers felt that they had a sufficient understanding of the fundamentals of the Scheme and its associated requirements at the point it was launched. Overall, they considered that the application process of applying to the Scheme was straightforward. Although the process was reported as being slightly arduous for event organisers (due to the range and scope of data points requested), there was a general understanding of the need to provide accountability given the investment of public funds.

Feedback from brokers suggests that more in-depth insurance expertise within the government could have accelerated the application process as government would have been better placed to discuss technicalities with underwriters and brokers. This is despite government recognising this knowledge gap -, which led to close working with the insurance industry to leverage its expertise at the design stage. However, the compressed timelines in which the Scheme was designed and delivered meant that there was limited room for testing the data requirements and processes. This, combined with a high degree of scrutiny on government decision making processes, led to a higher-than-expected volume of information requested from participating insurers. Whilst insurers and brokers would have ideally preferred more streamlined processes, there was an understanding that a government-backed product would require a certain level of scrutiny.

Partnership working between the government, the delivery partner, participating insurers and brokers in delivering the Scheme was effective. Evidence indicates that the delivery partner, government and external lawyers worked together to make decisions and determine policy eligibility. The multi-layer diligence checks conducted across the lifecycle of the policy cover were seen as highly rigorous, leaving very limited room for potential fraudulent policies or claims. That said, participating insurers felt the checks were a little disproportionate given the most likely policyholders came from businesses they knew well, and also because the underwriter was appointed as the loss adjuster and the arbiter of any claim, which left little room for fraudulent calculations in the size of the claims.

6.1 Effectiveness in communication and engagement

Engagement with insurers

Engagement with insurers was supported by several guidance documents, including the Scheme Handbook, Heads of Terms and the Scheme FAQs. These guidance documents helped the team to assess events against the Scheme rules, determine eligibility and identify recurring points of confusion.

The communications provided details on how the Scheme worked, the parameters of the Scheme and how to apply. There was also an expectation that participating insurers would promote the Scheme to brokers that they worked with, and for brokers to proactively seek out information in relation to the Scheme – on the assumption of a mutual commercial interest in proposing the Scheme to live events clients. The purpose of the promotion was therefore not just to make stakeholders aware of the Scheme, but also to clarify its scope and ensure that the Scheme rules were understood.

The Scheme FAQ was produced by the delivery partner. It was a live document updated regularly after clarifying recurring points of confusion with regard to the scope of the Scheme and the eligibility criteria. Live events organisers would address questions to either the broker or the insurer, who would then escalate it to the delivery partner who would either signpost to answers to similar previously asked questions or escalate them to government for review. To provide answers, the government would consult with external lawyers where appropriate and provide an official response that would be added to the FAQ. The updated document was shared with insurers on a weekly basis.

Developing the FAQ document was seen by the delivery partner as a time consuming yet necessary task, with initial lags in providing answers reflecting the novelty of the Scheme and an inevitable 'learning curve'. While participating insurers appreciated the longer time needed to work out exact answers to questions raised, especially at the start of the Scheme, there were also some concerns from insurers that answers were not communicated quickly enough.

“There was a FAQ doc that evolved constantly and got to a state that included all questions. The problem is that the document was finalised 2 or 3 months after the announcement [of the Scheme] so anything in between was very difficult to communicate with brokers because we didn't 100% know if something was covered or not” – Participating insurer

Feedback from participating insurers and brokers indicated that the delivery partner executed its role of intermediary effectively, delegating questions to DCMS, who would consult HM Treasury and external lawyers to make decisions, which would then be communicated back to insurers and live events organisers. This chain of communication was confirmed by the delivery partner, with the regular reporting schedule including:

- calls with DCMS (initially up to three times a week) to discuss all questions that came through brokers and insurers as per the eligibility of potential policies
- monthly reports summarising applications, policies written, and risks communicated to DCMS
- updating of the FAQ document and dissemination of it to insurers and brokers.

Live events organisers

Live events organisers were generally well informed of the fundamentals of the Scheme, though the route and time at which they became informed varied. For example, the LMA reported that smaller live events organisers would mainly have been aware of the Scheme via small brokers, whilst large live event

organisers would have been directly aware of the Scheme given government consultations with that group in the design phase of the Scheme. Speaking to participating and non-participating live events organisers suggested that this picture was a bit more mixed: medium and large sized live events organisers that were interviewed first became aware of the Scheme from their insurance provider and broker respectively. Live event organisers were also informed about the Scheme through press releases and Live, the representative body for the live events sector, with a membership of 3,500 companies involved in the live events value chain.

Non-participating live events organisers also felt that the limited scope of the Scheme – as a cost indemnification insurance Scheme and one that could only be applied in the case of government-imposed measures legally preventing events taking place– contributed somehow to a cynical reception of information via press releases and general media coverage. It is unclear the extent to which this negative reception may have impaired the effectiveness of messaging around the parameters and aims of the Scheme.

“Had we not been involved in the consultation; I think it would have been quite hard to actually get that information except through our normal insurance broker. I think there was a bit of style over substance at the time of the launch.” – Non-participating live events organiser

Interviews with both participating and non-participating live events organisers suggests good overall understanding of the aims and parameters of the Scheme, though it is clear that only those who felt they could benefit had the incentive to further look into the specific paperwork to understand the finer details of the Scheme. They were all aware that the Scheme only covered costs incurred. This was clear when discussing reasons for deciding whether to take-up the Scheme and emerged as a barrier to take-up.

6.2 Onboarding insurers

Participating insurers report that they had a sufficient understanding of the fundamentals of the Scheme and its associated requirements at the point it was launched. Overall, they found the application process of applying to the Scheme straightforward but somewhat onerous..

Insurers expressed surprise at the volume of background information required, with some reporting some degree of frustration with being asked to provide information that they felt was publicly available. One insurer suggested possible streamlining of the application process by pre-populating data entry form with publicly available information. However, given the compressed length of time for government to launch the Scheme by September 2021, it is doubtful time and resourcing were available for developing, testing, and launching such prepopulated application forms. It is also unclear whether expecting government to capture basic descriptive information to such an end would result in resource savings compared to insurers providing the same information they would be more familiar with.

Overall however, there was consensus that the use of public money to fund the Scheme justified the government’s risk averse position, the degree of scrutiny at the onboarding stage and the required vigilance in checking their credentials – all of which necessary checks required for minimising risks of fraud.

“It was pretty time consuming to apply but I wouldn’t say it was inadequate. I would expect some form of scrutiny on the application. I can’t say if they could be more efficient. It was time consuming, but I didn’t think there was anything requested that I wouldn’t request if I was on the other side.” – Participating insurer

6.3 Applying for cover

Application process

Policyholders typically applied for cover via their brokers. As live events organisers had to take out non-COVID-19 cancellation cover in order to apply for the Scheme, at the time that they were purchasing this, it was easy for brokers to have conversations with their clients about whether or not they were interested in the Scheme.

“Because we’re talking to them already about the cancellation insurance it was very easy to be able to talk to them about accessing this Scheme.” –Participating broker

Obtaining quotes and writing policy covers effectively followed brokers’ business as usual processes. The added elements were the eligibility checks specific to the Scheme, and for which the delivery partner provided little advisory support.

Similarly to insurers, brokers also mention the unexpected volume of data points required across application forms. Some also expressed a lack of clarity as to the purpose of the volume of information that was being asked for (see details on pre-populated online forms expectations in section 6.1).

Analysis of relevant documents pertaining to the Scheme, further reinforces brokers and insurers concerns over the volume of information asked, though it is worth noting that participating insurers offered little alternatives, or suggestions, as to what a reduced set of data points could look like.

“The proposal form is overly complicated and asks for lots of irrelevant data. It’s also unclear who is supposed to complete what and what is being asked. The form is a lot more involved (74 questions!) than standard nonappearance forms (which take about three mins to complete on the phone)”¹⁵.

Further, as reported above some insurers did reflect on the fact that had they been in the government’s position and running the Scheme, that they may have required a similar amount of data given the unique position of government in needing to mitigate against fraudulent claims.

Eligibility checks

The delivery partner held regular meetings with the Central Team providing a feedback loop to raise concerns and ask questions including those raised by insurers. The frequency of these meetings fell over time as the Scheme progressed. Where there were particular areas of uncertainty / novel situations as to whether a policy was eligible or not, or where queries were raised, these were escalated to the Central Team who would then come back to the delivery partner with a decision.

Though the setting up of a live FAQ document was deemed the most efficient tool for the delivery partner to clarify questions on the eligibility of events to the Scheme, several stakeholders questioned the added value of the delivery partner given that queries quite often needed to be escalated back to the Central Team (and in turn potentially the Steering Board) for a decision to be made (more frequently than was anticipated at the outset). However, feedback also suggests that there was a sense that it was important for the delivery partner to be able to demonstrate impartiality and transparency, to avoid being seen to be

¹⁵ Stakeholder type unknown, quote retrieved from document review

acting in an advisory capacity to the Scheme. In addition, the delivery partner was perhaps cautious to provide advice on what was a new and novel product, with unanticipated scenarios justifying further clarifications from the Central Team. This feedback loop may have contributed to responses to insurers being slower than expected, in turn limited their ability to confirm policies with clients. It is not clear, however, the extent to which slow responses actually resulted in loss of business for insurers.

“It's quite a high turnover class of business and if you've got a prospective client saying I've got an event in three weeks' time and you're waiting two weeks for an answer to come back in, that's not ideal”. – Insurer industry association

The efficiency of the Scheme could perhaps have been improved by ensuring a more streamlined process of dealing with coverage queries. While appropriate infrastructure was put in place, the escalation process was used more than was anticipated, and expert input from those involved at the design phase (for instance from the Lloyds Market Association representative) was often needed to resolve queries once escalated. Given the unanticipated scenarios brought about by the novelty of the Scheme, the escalation process could have possibly also been sped up by capacity-building a wider team within the delivery partner. That said the degree to which additional resources could have resulted in speeding up the decision process is not clear given the levels of ‘unknowns’ regarding, for example, the details of queries that were dealt with and their degree of novelty, or whether previously dealt with queries could have served as an example/precedent for subsequent similar ones.

6.4 Dealing with claims

One claim was submitted and paid out during the lifespan of the Scheme. Interviews across the delivery partner, participating brokers and the Central Team suggest that rigorous processes were in place for assessing eligibility, clear communications to the claimants, and then proceeding with payment.

Feedback from the delivery partner indicates that claims required a thorough assessment of the specific circumstances to ensure that no fraudulent claims were made, and that government funding was not going to be used inappropriately – as well as serving an auditing purpose. Typically, claims were presented to the Steering Board for discussion and a collective decision taken, with input from external lawyers. This process, from flagging a claim to making a decision, was deemed to be overly long by participating insurers and brokers, but entirely justified from the delivery partner's perspective and often reflecting the ambiguity of scenarios encountered.

An example of this ambiguity and the complexity of circumstances (and potential claims) that the Scheme had to deal with is reflected by the only claim that was paid. In this case, an event had been cancelled, not because of an imposed lockdown, but because the policyholder's event venue was taken over by the Scottish government and transformed into a vaccination centre. While this specific scenario was not part of the Scheme's remit, as it was the Scottish government that made the decision to repurpose and commandeer the venue, the event was ultimately deemed eligible for cover, given the Covid-related reasons for its cancellation. It is also worth mentioning that the Scottish government paid out costs for the organiser that were not covered by the policyholder's policy. This then required the Central Team to make detailed checks to ensure that public money was being protected and that the event organiser was not being compensated twice. Feedback from the Central Team refer to inconsistent data shared by the policyholder which led to delays in paying out the claim, with the complications of checking requirements not fully appreciated by the insurer and broker sectors.

From the participating insurer's point of view, concerns were expressed about the delays in securing formal confirmation of the claim validity from government led to two key concerns. The first was of possible legal

actions from the policyholder should the insurer refuse to pay out the claim, and the second, was the risk of exposure in paying out the claim in advance of confirmation from government – thus effectively leaving the participating insurer exposed if it had been unable to reclaim the cost involved with no certainty that they would get 95% back.

Several stakeholders suggest that this challenge might have been minimised if government had a more in-depth knowledge of the contingency market which potentially slowed decision-making despite the layer of eligibility checks for events, and follow-up reporting data requirements. Insurers and brokers would have clearly preferred government to have had the knowledge and speed of decision-making processes of a private sector insurance partner. However, given government accountability and high degree for scrutiny in decision making processes, this was clearly not feasible. The peculiarities and complexities of the specific claim, with the involvement of payment to the organiser from a second UK government entity, highlight the complexities faced by the Central Team, which added time required to properly assess the claim and perform the required due diligence.

So you had a party that was less experienced in this space having to make decisions and ask questions, but maybe not knowing what the right questions were and not really respecting the speed in which those decisions need to be made. In the end the insurer thought it was in the interest of the client and the black and white of the policy wording that the claim was settled and the insurer paid the claim. So I'd say probably it took longer as a result. – Participating broker

6.5 Monitoring

The submission of monthly bordereau, as well as the extent of information required (as discussed in Section 5), also attracted some criticism from participating insurers. This was felt to be excessively engineered, in terms of the number of reporting metrics, with one insurer describing the frequent submission as 'a pain'. While the delivery partner acknowledged that the information and data needed was significant, they also referred to requirements from participating insurers to complete all relevant sections in the Scheme rules, and that in turn, from their perspective, these rules were clear from the outset. That said, evidence from participating insurers and brokers somewhat contradicts this feedback. Whilst in principle the Scheme had clear parameters, initial delays in providing clarifications to brokers' and insurers' questions suggest a degree of confusion which extended to reporting metrics. A typical example of a recurring point of confusion was the mismatch between cover dates and event dates, which the delivery partner would clarify with the insurers after referring over to the government.

Our consultations with the delivery partner indicate that the 'heavy' reporting requirements, and due diligence checks were something they were aware of and clearly more onerous than usual processes that insurers and brokers are familiar with but felt were justified given the involvement of government and the need for accountability in how public money is managed. The delivery partner also alluded to the limited time available for refining the bordereau, with developments being largely based on their experience in administering the government's Film and TV Production Restart Scheme, and an anticipation of the reporting metrics that government would like to see. This compressed timeline in which the monitoring system had to be developed resulted, in hindsight, and as admitted by the delivery partner, in a larger number of data points than was strictly required, though few alternatives were suggested in terms of how else the bordereau could have been developed within the time given.

“The bordereau development was hypothetical and based on general experience. We tried to anticipate and base it on the TV and Restart Scheme. [...] but it was generally, ‘ministers will ask x questions’ [...] or we tried to anticipate further questions, and some work was relevant for that purpose if you are trying to anticipate questions in the future, which is always difficult to do so”- The delivery partner

One participating insurer reports that most applications came from businesses the insurers knew well, which further contributed to the insurers’ perceptions that checks carried out as part of the Scheme were overly cautious. Another participating insurer also notes the scope for fraudulent claims, given the systematic checks as part of the relations with underwriters, was very limited.

“Could you commit fraud in the calculation of the claim? Yes, but then it would go to the loss adjuster to be the arbiter of the claim. I never really thought there was a huge potential for fraud.”- Participating insurer

Evidence shows some consensus that the monitoring information reporting processes had room for improvement. Whilst the level of multi-layered scrutiny from insurers, the delivery partner and the government were, in theory, deemed acceptable given the exposure of public money, participating insurers felt that data requested across application forms could have been streamlined. For example, one participating insurer mentioned the frustration of having to provide proof of being FCA regulated, and having to submit basic firm details (e.g. Companies House number, location) given that this is public information that the government could have cross checked via other means. However, though effectiveness in data entry processes could have been improved by pre-populated online forms, these would have also required extensive lead-in time for platform development, testing and launch which was not available in the design phase of the Scheme. This same lack of time also contributed to the delivery partner re-using similar monitoring reporting processes to those used in the government’s Film and TV Production Restart Scheme, though by their own admission, this led to reduced effectiveness given the differences across the two Schemes.

7 Conclusions and Lessons Learned

This section sets out the key conclusions of the process evaluation. Whilst the Scheme was launched as a result of very specific and unusual set of circumstances, this section also highlights some potential lessons for future reinsurance Schemes, should the need to intervene arise again in the future.

7.1 Key findings

The key findings of the process evaluation are summarised below:

- **Effect on insurance markets:** Insurers experienced major losses on communicable disease cover during the COVID-19 pandemic and had largely withdrawn from the market by 2021. DCMS and HM Treasury engaged the insurance sector effectively (largely through the Lloyd's Market Association) to develop a reinsurance product that the industry was willing to offer. Six of the ten main participants in the market for events cancellation insurance participated in the Scheme (though five actually wrote any policies), enabling facilities of around £800m to be made available and restoring the provision of some COVID-19 cancellation coverage from September 2021.
- **Product design:** The design of the reinsurance product included several provisions to minimise the exposure of the public sector to unnecessary risks to value for money. This included a risk sharing arrangement in which insurers were exposed to five percent of the losses (or less or less, depending on the tranche of losses¹⁶) associated with a successful claim (introduced to minimise the risk of possible 'moral hazard' issues and ensure that claims were investigated thoroughly). Risks to the public sector and the insurance industry were also minimised by limiting the scope of the product to the risk of cancellation caused by restrictions on whether the event could legally take place and to costs incurred (rather than revenues foregone).
- **Take-up:** Take-up of the product was more limited than anticipated. A total of 169 policies were taken providing £117m of coverage, implying just 15 percent of total capacity was used. Most policies (66 percent) were taken out for events scheduled in December 2021, following the emergence of the Omicron environment when the risk of any reintroduction of legal restrictions was at its highest. Levels of demand were strongest for live sporting (25 events); live music (47 events) and business to business events (56 events).
- **Effectiveness:** The attractiveness of the product to organisers and its effectiveness in stimulating activity in the events sector appear to have been limited by its late introduction (launching too late for outdoor events during Summer 2021) and the limited scope of the risks covered. By September 2021, the perceived risk of a reintroduction of legal restrictions had also substantially fallen owing to the success of the vaccination programme, and event organisers tended to see other issues (such as restrictions on capacity) as more significant risks. Demand for coverage was reportedly concentrated amongst the most 'risk averse' - such as those organising major annual events delivering most of their profits. It is difficult to assess how far the price of coverage (at five percent

¹⁶ Insurers were exposed to 5% of the losses for the first £5m of eligible losses, 3% for the next £5m of eligible losses and 0% for losses incurred above £10m

of costs insured) was 'fair' in view of the risks involved, though the cost of the policy will also have created affordability issues for event organisers with lower profit margins and potentially further limited take-up.

- **Governance:** The arrangements introduced to govern the Scheme were largely viewed as appropriate. The design of the Scheme allowed the government to leverage the capabilities of the insurance industry in managing risk exposure and investigating claims (and, at the time of writing, no claims had been determined to be fraudulent). The appointment of a delivery partner with a brokerage business - despite appropriate arrangements in place to manage potential conflicts of interest – created concerns within the brokerage industry, although these appear to have abated over time.
- **Delivery processes:** While the delivery process created some administrative burdens for participating insurers (in the application and reporting process), these were recognised as largely necessary given the public funding involved and did not act as an obstacle in securing the engagement of the insurance industry. The process of applying for coverage and assessing applications largely followed business-as-usual processes for reinsurance cover, although could potentially have streamlined to minimise burdens on applicants (though this had no effect on take-up levels). Some questions were raised in relation to whether the delivery partner was used to its full potential in terms of the level of advisory support they provided to insurers and potential policyholders around issues of eligibility. This resulted in eligibility queries being escalated to the Central Team, causing some frictions given the rapid pace of the events cancellation insurance market. However, it should also be acknowledged that the Scheme was a new product that the delivery partner was not involved in designing and further they recognised the need to remain impartial.
- **Unintended consequences:** The design of the product (as a 'bolt-on' to existing events cancellation policies) effectively targeted the market failure motivating the Scheme. There was no evidence that it led to any crowding out of private activity (a point reinforced by the withdrawal of insurers from the market for communicable disease cover following the closure of the Scheme reported by industry stakeholders). There was also no evidence that the Scheme had any material unintended consequences in distorting competition in insurance markets. Similarly, no evidence was found that the choice of delivery partner created adverse competitive outcomes in the brokerage market.

7.2 Value for money

The results of the evaluation have the following implications for value for money:

- **Economy:** The design of the Scheme minimised the exposure of taxpayers to unnecessary risk. The 'bolt on' nature of the product facilitated targeting of specific risks and the scope of risks covered was limited. While the design of the product will have limited its overall impact, the public sector did not assume any liabilities that were not directly related to the aims of the programme. Risk sharing arrangements with the insurance industry also provided reassurances that risks would be managed in line with industry best practices (and no claims were determined to be fraudulent). In practice, the Scheme generated net income for the Exchequer with only one claim settled for £200,000 against total premium income of approximately £5.9m. This was largely spent on scheme administration. Opportunities to improve value for money by requiring insurers to shoulder a greater share of risk were limited and would have threatened the viability of the Scheme by reducing participation (rather than improving value for money).

- **Efficiency:** The Scheme was administered and delivered with good levels of efficiency and the delivery process did not create any obstacles to the achievement of its objectives. The Scheme was established in less than five months with limited resources and without an existing template for delivery. There may have been some opportunities to improve efficiency by streamlining application processes (both to participate in the Scheme and to apply for cover) though as a publicly funded Scheme, there is recognition that a certain level of scrutiny was needed which had implications for the level of information collected. Greater added value from the delivery partner could potentially have been obtained in relation to advising on eligibility issues though the novel nature of the Scheme and need for the delivery partner to be an impartial administrator likely prevented this (also bearing in mind that this partner had not been involved in the detailed design stage discussions). It is unlikely that value for money could have been improved by performing the role of the delivery partner within the public sector (as it could not supply the capacity or capabilities needed).
- **Effectiveness:** The introduction of the Scheme provided additional confidence to some live events organisers during a period of elevated risk following the emergence of the Omicron variant though difficult to quantify. While many policy holders indicated that events would have taken place in the absence of coverage, event planning activity is likely to have taken place more efficiently. However, while evidence on overall levels of activity in the live events sector is not available, the overall impact of the Scheme in stimulating additional activity is likely to have been limited. The primary factors constraining its effectiveness were its late introduction some three months following the withdrawal of legal restrictions and the limited scope of coverage available, as noted above.

7.3 Lessons learned

The findings highlight the following potential lessons for any future need to reintroduce a similar product to stimulate activity in the live events sector:

- **Economic case:** Whilst, as indicated, the effectiveness of the product was limited partly by the narrow scope of risks that were covered, an alternative design would likely only have been possible if the public sector assumed the full risks involved and/or provided implicit subsidies to the sector (e.g., to lower the cost of premiums). Questions could be raised regarding the strength of the economic case for such an approach, given that unemployment rates had fallen to historically low levels by late 2021. The case for more expansive public intervention would therefore principally rest on how far live events generate opportunities to raise productivity, generate positive externalities (e.g., improving wellbeing of attendees), and the strength of the risk of long-term scarring effects. The government may wish to consider further research to explore these aspects to strengthen future decision-making (the Business Case focused heavily on the potential risk exposure of the Exchequer).
- **Timing:** The evidence indicates that the effectiveness of these types of intervention are likely to be higher when risks are more acute. The government may wish to consider undertaking more extensive preparations for these forms of product available when legal restrictions are withdrawn as part of planning any future Schemes of this nature. This could possibly be supported by more regular or proactive engagement of the insurance industry in relation to risks in contingency markets or commencing discussions and scoping work much earlier in anticipation of being given approval to formally launch any Schemes. That said, some delays may have been unavoidable, for instance feedback suggests that there were extensive discussions with the Chancellor to try to demonstrate the value for money of the Scheme.

- **Sector engagement and insight:** The Scheme was built on structured and productive engagement with the insurance industry and resulted in, quite likely, the only feasible product that met the needs of both insurers and the public sector. However, insurers and brokers highlighted a view that the technical understanding of the workings of the contingency market and wider insurance sector within Government is limited. Here there was the feedback that some aspects of Government engagement with the insurance sector over recent years has seemed to be somewhat ad-hoc, with the risk here that momentum and insights can be lost when those leading on engagement move on. Building on this, there may be scope for Government to improve its understanding of the workings of and challenges faced by the insurance sector through integrating more structured and ongoing consultation mechanisms to improve the insights within Government. Though the feasibility of this will be dependent on the availability of resources and capacity and the balancing of other priorities. The sense from the insurance sector engaged in the evaluation was that proactive and ongoing engagement could better prepare and equip Government to design informed and timely sector interventions in response to future needs.
- **Leveraging the private sector:** Both the feasibility and value for money associated with the Scheme - as with other financial market interventions during the COVID-19 pandemic, such as the COVID-19 Loan Guarantee Schemes - was improved because the public sector was able to leverage the infrastructure, capacity, and expertise of the insurance industry. The 'bolt-on' nature of the reinsurance product also allowed the public sector to precisely target the market failures motivating the introduction of the Scheme. As such, the delivery model provides a potentially effective template for future interventions of a similar nature.
- **Adverse selection:** There is a need for insurance products where the pricing reflects risks. In this case the Covid cancellation insurance made no distinction between events according to the likelihood of cancellation and demand was ultimately concentrated amongst the most risk averse (for example, maybe the objective risk of mandatory cancellation was different for indoor / outdoor events or for different sizes of event). The government may wish to consider whether differences in risk should be priced in relation to any future publicly supported insurance product.

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