

## Member Spotlight

# Don't Let Insurance Ruin Your Special Event

By *Collin Hite*

Planning a special event—whether it's a wedding, corporate gathering, festival, or concert—requires careful consideration of risk management. Special event insurance is designed to protect organizers from unexpected financial losses. However, there are several coverage issues that policyholders, vendors, and venue owners should be aware of to avoid unpleasant surprises.

## Misunderstanding Policy Exclusions

One of the most common pitfalls is assuming that all potential risks are covered. Many special event insurance policies have exclusions for:

- Extreme weather (hurricanes, floods, or wildfires);
- Pandemics or health crises;
- Pre-existing structural issues at the event venue; and
- High-risk activities such as fireworks displays or mechanical rides.

Organizers should review the fine print and speak with their insurer to clarify what is—and isn't—covered.

Moreover, because many special event policies are purchased through websites, the buyer must pay extra attention to the language on the site. Often, insurers or brokers will require buyers to acknowledge the major exclusions in the policy as part of the process. Such acknowledgments are saved and can be evidence that the buyer (a/k/a policyholder) was aware of the exclusion even if just listed by title. Because, let's be honest; a bride or groom (or other host) are not reading the policy after it is issued. They simply want a Certificate of Insurance ("COI") required by the venue.

## Insufficient Liability Limits

Special events often involve large crowds, alcohol service, and temporary structures, all of which increase liability exposure. Policies with low liability limits may not be adequate to cover medical claims or property damage if an accident occurs. Event planners should assess the scale of the event and ensure the liability coverage meets venue and legal requirements.

Unsophisticated buyers often do not recognize the scope of risk associated with their event. Many think “what could really happen?” Well, a guest gets drunk and has an accident that kills the driver and passengers leaving the wedding. A guest dives off a pier into shallow water and breaks her neck. Guests get into an argument and start shooting at a “reunion.” These are all real occurrences from what appeared to be mundane events when the policy was issued.

### **Gaps in Vendor and Third-Party Coverage**

Many events rely on caterers, performers, equipment rentals, and other third-party vendors. If these vendors cause property damage or injury and are not properly insured, the event organizer might be held responsible. It’s important to:

- Require vendors to provide proof of insurance; or
- Ensure your policy extends coverage to third-party activities if needed.

Most special event policies only cover the buyer of the policy for his or her own negligence. This can be misleading as many also allow the buyer to add entities as additional insureds on the COI. Of course, a COI does not change the policy. The definition of additional insured rarely matches the vendors being added on COIs.

The same is true for venue owners. Many owners require the host to purchase special event insurance and believe that makes them additional insureds. In reality, that often is not the case. Owners are shocked when they have to make a claim with their own insurance, which we all know can affect subsequent premiums and renewals.

### **Cancellation and Postponement Limitations**

Event cancellation insurance doesn’t always cover every reason for canceling. Common limitations include:

- Voluntary cancellations (e.g., low ticket sales);
- Known risks at the time of purchase; or
- Failure to comply with permitting or legal requirements.

Providing thorough documentation of unforeseen events is often necessary to trigger coverage.

### **Timing of Purchase and Coverage Gaps**

Buying coverage too late, after certain risks are foreseeable, can result in denied claims. For instance, purchasing event insurance after a storm warning has been issued may exclude weather-related cancellations.

### **Marketing Puffery Does Not Create Coverage**

Many websites tout the extent of coverage for special event policies, or the variety of events that can be covered. Policyholders have tried to use that marketing to define the scope of coverage after a loss. For example, Arizona has a robust reasonable expectations doctrine with respect to insurance. Relying on the website marketing to define the scope of coverage is a dangerous methodology when compared to the “click through” acknowledgements during the actual purchasing process and policy language. It would be a rare instance where website puffery could create expectations of coverage, because the purchase process will debunk the view of hoped-for coverage.

### **Buyers Beware of Your Event Description**

Insurers have clamped down on the types of special events they will insure. For example, outdoor weekend music festivals are now hard to insure due to rampant drug use at such events. Certain challenge activities that likely generate a lot of physical injuries may be hard to cover. Same for events centered around marijuana.

It is not unusual for buyers to first describe their event accurately when applying online. However, when the algorithm rejects the coverage, the prospect will try again and change the description in order to get the system to accept the application for insurance. This leads to a lot of rejections of coverage after a loss due to a misrepresentation in the application process. Understand that there is no human underwriting these policies. It is a computer system that quickly analyzes the online application answers and the algorithm accepts or rejects almost instantly. It is critical for buyers to be honest in the application process or run the risk of no coverage down the road.

### **A Real World Example: *Murphy v. Evanston Insurance Company***

In *Murphy v. Evanston Insurance Company* in *Murphy v. Evanston Insurance Company*, 544 F.Supp.3d 879 (D. Ariz. 2025), the Arizona federal court addressed critical issues surrounding the scope of special event insurance coverage. The plaintiffs, event organizers, sought coverage under their policy after an accident at a festival led to significant injury claims. Two attendees shot each other with one dying at the scene. Evanston denied the claim, citing specific policy exclusions for assault and battery and a misrepresentation in the event description during the online application process. On summary judgment, the court examined whether the insurer had a duty to defend or indemnify under the contract.

The court ultimately granted summary judgment to Evanston Insurance, finding that the plaintiffs’ event description in their application was materially inaccurate. Evidence showed that the organizers initially described the event truthfully, but changed the description after the automated system rejected coverage. The organizers described the event as a family reunion fish fry. In reality, it was a motorcycle event with rival biker gangs present. This misrepresentation went to the heart of underwriting risk and allowed the insurer to rescind or deny coverage. The court also emphasized that the policy contained clear exclusions for the type of activities involved in the accident, and

marketing statements on the insurer's website could not create reasonable expectations of coverage contrary to the policy language.

In its ruling, the court rejected the plaintiffs' argument that Arizona's reasonable expectations doctrine should override the express exclusions. While Arizona courts do occasionally apply this doctrine, the judge noted that the plaintiffs had clicked through multiple online acknowledgments of the exclusions and had received the policy documents before the loss. The court held that no reasonable jury could find that the plaintiffs were misled as to the scope of the coverage.

The *Murphy* decision reinforces two key lessons for event organizers and insurers alike: accuracy in applications is essential, and courts are reluctant to let marketing puffery override clear policy provisions. For policyholders, the case is a cautionary tale that attempting to adjust event descriptions to secure coverage can lead to a total denial of claims when a loss occurs.

### Key Takeaways

- Review policy exclusions and limitations carefully.
- Confirm liability limits adequately reflect your event's risk level.
- risk level.
- Vet vendor insurance to avoid unexpected liabilities.
- Understand the conditions under which cancellations and postponements are covered.
- Purchase insurance early to maximize protection.

By proactively addressing these potential coverage issues, event organizers can better secure their investment and provide peace of mind for all participants.



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