

Ticketing Insurance The Business Case

The commercial benefits of Ticketing Insurance and Protection are compelling. This discussion paper – from the experts at TicketPlan – makes the calculation and highlights key considerations when choosing a provider

The business case for Ticketing Insurance and Protection is increasingly compelling. The concept of protecting tickets was first introduced in the late 1990's. Since then, the service has evolved and is now very much a ticket customer expectation.

FINANCIAL BENEFITS

The potential financial benefits (particularly when viewed in the round) are substantial:

- Sales revenue/commission.
- The ability to justify a "no refund/no cancellation" booking policy.
- The opportunity to outsource all matters relating to ticket cancellations.
- Increased investment income (which will become increasingly important as interest rates rise).
- Increased ticket revenue – as protected ticketing customers book further and further in advance, knowing that their bookings are secure.
- The potential value of re-sold tickets.

GAINING TRUST & GOODWILL

Aside from the increased revenues and improved cost savings (see example over the page), a seller offering Cancellation Protection also gains the goodwill created with the customer and the many intangible benefits, such as:

- A refunded customer is very likely to book with the same ticket vendor in the future;
- Some customers will only purchase a ticket of any value if it is protected/insured;
- Reassurance from familiarity: For example, the TicketPlan logo (which has now been recognised within this sector for almost 20 years) is widely regarded as a symbol of security and reputation.

Ticket Insurance and Protection is now a standard customer requirement – the business case is tried, tested and proven. But there are a number of important issues to be considered.

REGULATION

In general terms, there are two distinct sales models:

1. Where the ticket seller offers a regulated insurance policy to each and every ticket buyer. In this case, the ticket seller would need to be regulated by (in the UK) the Financial Conduct Authority (either directly or as an Appointed Representative) and will be subject to all of the appropriate rules, regulations and potential penalties.
2. The second option involves a regulated insurance policy being provided to the ticket seller who can then market a non-regulated, back to back Cancellation

Protection facility which is effectively a simple contractual variation (at a cost).

If this second option is chosen, the ticket seller must ensure – first of all – that this is permissible within the country(ies) within which they operate, that there is no suggestion or inference that the customer is purchasing a regulated insurance policy and that any form of technical insurance language such as policy, claim, insurance or similar terms is avoided.

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The second non-regulated option also means that the customer does not have access to the Financial Ombudsman Service (or similar within each country) or any recourse to the insurers themselves and it is imperative that neither are mentioned within customer facing documentation.

INTERNATIONAL DIFFERENCES

This whole area is increasingly complex. We are constantly seeking legal advice within the geographical areas within which our clients are

operating and the rules within each country are very different.

The US is particularly challenging, as the regulations vary from State to State – but the initial feedback seems to be that only a regulated insurance policy issued to each and every ticket buyer will be allowed.

Pre-ticked sales boxes are now illegal under both options and the presentation of the product/service now tends to be either:

- **Optional (Opt-In)** – whereby the customer must tick a box or select an option to select the protection offered;

Or

- **Informed Choice** – whereby the customer needs to answer positively or negatively before they can advance to the next stage of the booking process.

TECHNOLOGY – API's

An API between the ticket seller and the ticket insurance/protection provider can be ideal.

However, the use of an API raises issues in relation to the integrity and security of client data and the vast majority of our own clients have chosen not to integrate but to adopt our traditional and far simpler model where a sales

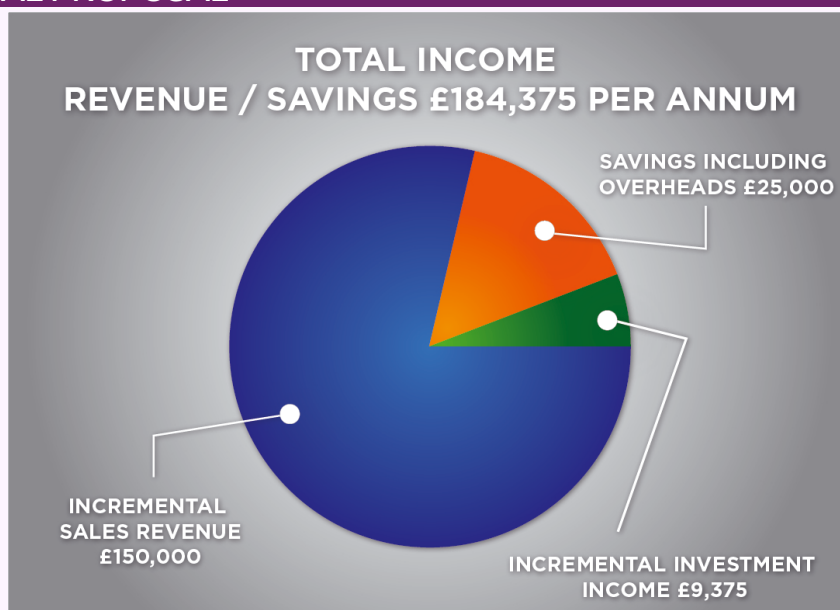
EXAMPLE: THE COMMERCIAL PROPOSAL

Let's consider a venue selling 1 million tickets per annum at an average value of £50. A Cancellation Protection payment of £2 is charged per ticket which includes a profit margin of £1 to the ticket vendor.

With an attachment rate of 15% this would generate incremental sales revenue of £150,000.

Additional investment income based on 150,000 tickets being purchased 1 month earlier than originally anticipated (assume an investment return of 1.5% pa), will generate incremental investment income of £9,375.

However, we should also consider the potential cost savings from outsourcing all



cancellation activity. Let's just assume one FTE member of staff) which would cut overheads by a further £25,000.

In this case, the provision of a Cancellation Protection policy, generates incremental revenue and cost savings of £184,375 per annum. ■



declaration is simply submitted at the end of each month. This is more secure and, in truth, it is somewhat debatable as to exactly what benefits an API can really offer (in this specific situation) to the ticket seller.

ATTACHMENT/CONVERSION

Attachment rates can range from as little as say 2-5% if offered via a simple Opt-In up to a figure of possibly 40% (particularly where high value tickets are concerned) if offered via an Informed Choice method of sale.

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Some clients have looked at pop-up screens (or more sophisticated alternatives on the same theme), post-booking emails and even the potential for dynamic pricing in order to achieve similar objectives.

CLAIMS SERVICE

Claims service is perhaps the most important but least discussed piece of the jigsaw. If a refund claim is covered and the appropriate information and documentation has been provided, the refund / claims payment needs to be made as quickly as possible – and ideally within an electronic process.

The claims / refunds team needs to have experience of dealing with large volume, low unit cost claims quickly and efficiently. It should also have the ability to effectively upscale following inevitable peaks in activity (such as those triggered by unexpected extreme weather or outbreaks of illnesses such as flu epidemics).

Ideally one should look for a partner provider that has experienced such peaks and has in place internal processes and procedures for an in-house Refunds Team which are robust, tried and tested.

The insurer – and the claims team – need to be strong and well-resourced. This type of facility can work extremely well and enhance the reputation of the ticket provider. Conversely, if the refund service is slow, unduly harsh or inconsistent, the same principle can apply – but in reverse!

SUMMARY

There is a clear business case for Ticket Insurance and Protection. When selecting a partner Provider, make sure that you are fully aware of the appropriate rules and regulations within the country(ies) in which you operate and that your Provider has a complete understanding of what is required – and a refunds / claims team which is able to accommodate the very specific needs of this sector.

If you are assessing alternative providers for Ticket Insurance and Protection we strongly recommend thorough due diligence before making a decision.

Systems providers, in particular, should not be exerting any influence whatsoever within a ticket vendor's decision making process in this regard. ■

ABOUT THE AUTHOR

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