

Insuring your future

Stuff happens and certain sorts of stuff is happening a lot more regularly and a lot more intensely than before. Is it about time that you thought about some type of cover to protect your livelihood and business or do you believe that it never happens to someone like you?

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WHEN TWO NASTY hurricanes blew their ill winds and water into the Gulf of Mexico and the shores of the American Southland, it was a wake-up call for a lot of people. While there's no reason to put recording studios and audio professionals above the butcher, the baker, the candlestick maker and the other people and professions devastated by those storms, it is an opportunity to look at how disasters have impacted the music recording business over the years. It's also a chance to discuss the fact that, at least until relatively recently, this has been a business with a poor awareness level of insuring itself against loss.

If you don't count the manmade calamities that have terminated a few great recording studios, such as the real estate boom-fueled demolition of the classic RCA Studios on Sixth Avenue, or the classic Columbia 'church' studio on East 30th Street, both in Manhattan in the 1980s, the most spectacular instance of a studio in distress was perhaps Air Studios Montserrat, a Caribbean paradise that unfortunately happened to find itself in the path of a molten lava parade from an erupting volcano in 1995.

Other studios, such as Caribou Ranch in Colorado, famous as the recording redoubt for the SoCal mafia of the Eagles and Linda Ronstadt, endured fires. Others had floods — I remember being in New Orleans in the 1990s at a studio (which was eventually done in by a combination of hurricanes and economics) and the owner proudly showing me the watermark left by a previous storm-induced flood. Riffing on the notion of 'That which does not kill me makes me stronger', there is a human tendency to regard having gotten through a disaster with life and limb intact as an indication of a special benediction having been bestowed that somehow inoculates one from further catastrophe.

Which is, of course, a crock. If you are the nervous type you might want to skip this next paragraph. As I write this I'm glancing at the telly watching the progress of Hurricane Wilma, Category 4 and which looks like it's headed right for my condo on the outskirts of Miami. I could take some comfort from the fact that I'm sitting in Nashville at the moment, but then I remember that Music City is a scant 200 miles away from Memphis, home to House of Blues Studios and Ardent Studios. Unfortunately, it's also home to the New Madrid Fault, the geological equivalent of a passive-aggressive personality: it's not a particularly assertive fault line, but when it finally does let go, watch out — the last time it unwound, in the 1820s, it changed the course of the Mississippi River. Just some Native Americans and the odd trapper or trader were hanging about then. It will be a little different next time.

Then there's the more famous San Andreas Fault that runs down the spine of California, which also has a few recording studios. The last time that one ripped it combined with the O.J. Simpson verdict to send much of LA's over-40 rock contingent fleeing to Nashville. (Wait'll they read about the New Madrid.) Even New York City, which likes to boast of its thick schist bedrock, will have the occasional trembler or two, one of which I experienced about 15 years ago.

Then there are the odder sources of economic demise. BOP Studios, in Bophuthatswana, in South Africa, was at one time in the early 1990s the world's largest recording facility until it fell victim to regime change in the country and encountered the approach to business of the African National Congress.

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More recently, we can add another, more sinister cause of disaster: terrorism. Several New York City recording studios were closed for extended periods of time in the wake of the 9/11 attacks in 2001. None were damaged directly, but the closure of much of lower Manhattan for several months during cleanup and investigation took their toll on revenues. (More about that in a moment.)

There's not a lot can be done about most of this stuff. Like John Lennon said, life is what happens while you're busy making other plans. The threat of annihilation has never stopped a sufficiently motivated entrepreneur. But there are ways to minimise the risk, spread it around, like those blokes in Lloyd's pub in London 400 years ago who created the modern insurance industry.

I've known Joe Montarello for over 15 years now, from not long after he dreamed up what remains the only insurance package tailored specifically for recording studios. Insurance agents and music industry types might not usually be found hanging out together very often, but Joe still plays the bass he played in high school bands in Albany, in upstate New York, and he actually knows what Pro Tools is. And he can play a mean actuarial table.

Montarello insures studios as he would any other business, for all the usual disasters, such as fires and water damage. (Flood insurance is a tricky one in the States, as people in Louisiana and Florida have unhappily learned after recent devastating storms. Most residential and commercial policies cover water damage from burst pipes and direct precipitation like rain and hail, but the storm surges — the most common source of flooding during hurricanes — are almost universally excluded. The large print giveth and the fine print taketh away...) But the one aspect of coverage Montarello emphasises most, and the one that most studio owners seem to know the least about, is business interruption insurance. 'You might find that some kind of event or disaster strikes and you get lucky and your equipment isn't damaged or stolen,' he was saying at his booth at AES in New York City

last month. 'But whatever it is that happens shuts you down for an extended period of time, denies you or your clients access to the studio, keeps your business from making money, and that keeps you from making loan or rent payments. That could endanger your business more than the disaster itself.'

In fact, that is exactly what happened when the World Trade Centre towers were attacked in 2001. Of over a half-dozen recording studios in downtown Manhattan, none were significantly damaged but all were cut off for some period of time, from weeks to months. Montarello's clients had business interruption coverage, which paid them a fixed amount of money per day of lost business, after an exclusionary period (the equivalent of a deductible) had passed, usually ranging from a week to a month. (The longer the exclusion, the lower the premium payment, and vice versa.)

It's harder for individuals to get this sort of coverage, but engineers and producers (all freelancers of any stripe, really) can get disability insurance. That and basic medical coverage are often provided by social legislation in most European countries but not in the US, and Americans working overseas will have limited access to such medical care, so having a personal policy is absolutely necessary. (Ironically, it's even more necessary when Americans are working in America, since only the poorest citizens are off the hook for their medical bills, even those incurred in emergency rooms. If 50 Cent gets shot again, he better figure on paying for it this time.)

Individuals can and should also take pains to insure their equipment. To some extent, gear up to a certain amount can fall under homeowners' or renters' residential insurance policies; for equipment worth more than £5,000, it's advisable to get a professional equipment rider that lists each piece and its value. When establishing a rider, bills of sale or a valuation estimate from a certifiable source, such as a pro audio dealer, on letterhead, is generally enough to certify the value for insurance coverage. However, keep in mind that the value of equipment changes over time — a few pieces of choice analogue gear, such as a vintage microphone, may continue to appreciate over time, but the vast majority of stuff, especially digital stuff, will be worth less and less every year. Get the items on your rider reappraised every two years, lest you find the insurance adjuster doing it for you in the event of a loss.

And one other word of advice to the feloniously minded. More than one studio or Les Paul has disappeared in a puff of smoke over the years when its owner found himself in need of quick cash. I have it on very good authority (from a friend and member of the 'authorities') that individual losses like that are vetted especially carefully by insurance and law enforcement folks. (I'm not suggesting that any of our readers would even harbour such thoughts, but drugs, alcohol, protracted divorce proceedings or angry bookmakers have been known to cloud judgment on occasion.)

I didn't mean for this to read like some medieval Armageddon tapestry or Hieronymus Bosch vision of all the bad things that can happen to you or your business (I didn't even mention plague or locusts). But given how difficult the economics of the technical side of the music business have become, why not cover yourself to the extent nature and Lloyd's will let you? Now, I've got some real estate for sale in Florida, and don't let those fools on Sky News scare you about there now being more hurricanes every season... ■