

Playing it safe

Yes, both Kaminey and Life Partner are covered for losses. But will that help them tide over the three-day closure of theatres?

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Today it is not enough that the show go on. Even if it is no show, the film industry wants the moolah to come in. That's the reason production houses like UTV Motion Pictures and Indian Film Company (Studio 18) have taken out insurance policies against losses sustained due to untoward incidents like terrorist attacks, fires and more recently the swine flu that can jeopardise the commercial viability of a project.

Both companies must be patting themselves on the back today as theatres in Mumbai, Navi Mumbai and Thane for three days following a state government directive which means both films won't be screened till Sunday at the earliest. Compounding the losses are the cancellations of paid previews on Thursday night.

Covering losses

After the corporatisation of the industry began, more and more movies are being insured. The latest is a cover against distribution loss of profit (DLOP), which UTV and Indian Film Company opted for in case of Kaminey and Life Partner respectively.

"The primary idea is to cover up for any distribution mess-up. Alternately, if an exhibitor doesn't give the terms mentioned in the contract, a producer can make a claim too," explains Aatur Thakkar of Alliance Insurance Brokers that offers cover for films and sporting events like the Indian Premiere League.

This insurance is two kinds.. partial in case of a dip in collections due to unavoidable circumstances, or total as in the case of theaters shutting down.

Although studio majors in Hollywood and top-rated production houses have long been buying policies, Indian producers gave the subject a thought only a couple of years ago. "Fanaa wasn't covered so Yash Raj couldn't make good the losses suffered when the film wasn't allowed to

release in Gujarat following Aamir Khan's involvement in the Narmada issue. Likewise, UTV incurred losses when Jodhaa Akbar faced protests and its screenings in parts of Rajasthan was halted," recalls Thakkar.

Even today, small films don't opt for insurance cover. A case to point is Tere Sang that will also be affected by the swine flu closure but losses will be minimal. Also, it doesn't have to worry about anyone legal suits because even if one were to be filed, they could also argue that they don't have the money to settle. But higher the budget, bigger the problems.

Measuring deficit

According to trade analyst Amod Mehra the recent three-day closure could set UTV back by Rs 3 crore per day. And since there's no confirmation from the state government that theatres would open on Sunday, the losses could be even bigger.

The insurance companies concerned won't instantly repay damages. "The quantum is agreed upon by comparing collections in theatres in comparable territories. If it's Mumbai, the yardstick is



HOW FILMS ARE INSURED?

Insurance of movies works at three levels. The first naturally being production, which also includes cast and weather related issues. The producers of Chandni Chowk To China had the good sense to opt for this insurance as the camera malfunction resulted in production delay. The claim, for a few crores, is said to be the biggest in production losses and is still under process.

The second level of insurance comes into effect just before the trailers go on air. Copyright, Intellectual Property Rights (IPR), defamation, libel, slander, stealing of idea, music, Errors and Omissions (E & O).. come in this level of insurance. It may be recalled that the producers of Hari Puttar were sued because the title seemed inspired by Harry Potter. Rakesh Roshan was ordered by the court to pay composer Ram Sampath Rs 2 crore for using his Thump composition for Sony Ericsson commercial in Krazy 4.

The third level of insurance is to cover distribution loss of profit. It comes into effect on the day of the paid previews and is valid upto 60 days after a film's release. According to Aatur Thakkar of Alliance Insurance Brokers, this insurance should be opted for at least two weeks prior to release. The next big film to go in for this insurance is Boney Kapoor's Wanted, toplining Salman Khan.



Life Partner



Kaminey



Jodhaa Akbar



Fanaa



Aaja Nach Le

Delhi or Bangalore. That's the way to arrive at numbers," explains Thakkar.

The loss made good by the insurance company is shared equally by the producer/distributor and the exhibitor.. going by the 50 per cent each share in the collections.

Playing safe

Earlier Dostana was covered by both Dharma Productions and Yash Raj Films. A couple of weeks after its release, the theatres shut following the 26/11 terror attack.

The producer and distributor didn't lose any sleep over the turn of events because the losses were insured.

Unfortunately, Oye Lucky! Lucky Oye! And UTV wasn't

as lucky.

Thakkar goes on to inform that an insurance policy becomes functional as soon as the film opens with paid previews and is valid up to 60 days after release. It can be extended sometimes to cover publicity costs.

"The promotional and publicity campaign is at its peak in the last week before release. So if the release date is cancelled or postponed, another week-long promotion is required," he points out, adding that the amount covered depends on the projected revenue territory-wise and the estimated advertising expenditure in the last week.

Unfortunately, losses due to piracy are not covered.