

Implications of Hurricane Katrina to the Event Industry by Jack Buttine, Buttine Exhibition Insurance



The insurance ramifications of Hurricane Katrina are being analyzed by the insurance industry, and it is still too early to know how circumstances will play out.

The Event Cancellation Insurance industry is well positioned to respond to show managers who have purchased Event Cancellation Insurance, assisting them with relocating event(s) or with the loss adjustment of their cancelled show(s).

Typically, natural catastrophes such as hurricanes primarily affect the personal insurance industry – homes, cars, etc. With Hurricane Katrina, however, both the commercial and personal insurance industry will likely experience an unprecedented level of loss. Commercial property and business interruption claims will be significant and it is likely that a number of companies

purchased insufficient business insurance coverage, which could result in legal action against boards of directors, executives and other business leaders.

The effect on the exhibition and event industry is also unprecedented. When officials cancelled all events scheduled in New Orleans until 31 March 2006, a shockwave was felt by both the exhibition/event and insurance industries. In the past, the resulting disruption from a single hurricane was limited to one, or maybe two weeks, worth of events being impacted within a city. Now, six months worth of events will need to be relocated, abandoned or cancelled.

Establishing contingency procedures that address catastrophic events will be prudent and may be required by some insurers.

The Event Cancellation Insurance industry is evaluating the situation. Issues that must be addressed include:

- Hurricane season still has a few months left, with other storms looming, even as this article is being written.
- Assessing the total losses from Hurricane Katrina will take time.

Implications of Hurricane Katrina to the Event Industry cont'd

Addressing these questions will determine how coverage will be provided in the future and what rates will be utilized.

Just as the insurance industry re-evaluates how it assesses its catastrophic exposures, event organizers will also need to do the same. A better understanding of the exposures within catastrophic prone areas is essential. Establishing contingency procedures that address catastrophic events will be prudent and may be required by some insurers.

When scheduling an event on the U.S. Gulf Coast during the months of July through November, in

the North during the winter months, or in earthquake prone areas, insurance companies will want to know that the event organizer has a contingency plan to react to a hurricane,

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snowstorm or earthquake. Insurance rates for events taking place in hurricane prone areas will most likely increase. Having such a contingency plan in place will allow for a more efficient "crisis management" process and most likely a lower rate.

Hurricane Katrina will have a long lasting impact on the insurance market. Just how it will affect the market is not yet known. However, the Cancellation of Event insurance industry will fulfill its important role – guaranteeing the financial security of the exhibition and special event industries – and will remain strong in the face of future disasters.