



Insurance



INSURANCE

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CAN YOU AFFORD TO HAVE YOUR EVENT CANCELLED?

As discussed during the session 'Planning for a Natural Disaster' during NACDA's recent Convention, there are many unintended consequences when disasters strike. One such consequence can involve the cancellation of your event. With the tragedy of 9/11 still fresh in most people's minds, did you know that millions and millions of dollars were lost due to the cancellation of thousands of events around the country? The severe hurricane seasons of the past several years also have wreaked havoc on events, with millions more dollars being lost.

There is a solution to this problem, and it is called Event Cancellation Insurance. This product can protect 100 percent of your expenses or gross revenue should your event be cancelled, abandoned, postponed, interrupted or relocated due to a covered peril. Catastrophic in nature, event cancellation coverage is primarily applicable to indoor events (weather/usually rain insurance is a separate product geared toward outdoor events).

This coverage is usually provided in a 'base' format with the ability to add on other perils such as terrorism and in some cases communicable diseases. The base coverage generally contemplates perils such as adverse weather (hurricanes, tornados, severe winter storms, etc.), venue unavailability from perils such as fires, structural collapse, etc., and power blackouts. In most cases, expenses required to avoid or diminish a loss are also part of the base coverage. Other coverage components may apply depending upon the facility involved.

As noted above, terrorism coverage is available as an additional peril – with additional premium required. Terrorism can be provided in numerous ways – ranging from a 'time and distance' mechanism (i.e. a terrorist act – as defined – which occurs with 7 days and 25 miles of the event location) to complete removal of the terrorism exclusion. Again, these options are dependent on the provider and premium considerations.

While many variables can impact the pricing of this coverage for an event – location, limit, marketplace, capacity, etc. – general rate parameters can range as follows: base cover – 1 percent to 4 percent of the limit insured; terrorism – 1 percent to 5 percent of the limit insured. The only way to officially determine your costs is to obtain a proposal from one of the providers of this specialty coverage.

Take a look at the following scenarios and guess what each have in common:

- a wildfire ravaged a rural area, causing a significant disruption of services;
- a labor strike essentially shut down a city;
- in an area not known for such activity, an earthquake rattled the locals, causing minor damage and a disruption of services;
- someone cutting down a tree did so in a manner in which it fell on electrical lines, causing a long term local power outage.

If you guessed that each of the above situations caused an event cancellation claim, you would be correct. As you can see, it's not always the blatantly obvious things that can negatively impact your event but also the completely unforeseen and yes, sometimes bizarre happenstances, that can occur and be equally devastating.

You may be asking – what types of events should I consider insuring? Ultimately, it really depends on your situation and philosophy. If one event – or a series of identical events – represents a significant portion of your institution's revenue or expenses, you may want to review cancellation options. This could involve anything from a local fundraiser to a conference tournament, Final Four or other championship game or even an entire season for one of your teams.

Regardless of your institution's situation, you will likely find the provision of event cancellation coverage to be a cost-effective measure which adds piece of mind – and stability of budget – to your event planning future.

Thanks for this guest column to Steve Kapusta, President and CEO of KSI Consulting, LLC an independent specialty insurance firm. Mr. Kapusta has more than 15 years of experience in the field of specialty insurance and has been involved with hundreds of events during this period. Information on Event Cancellation Insurance may be obtained by contracting Kathy Polanshek, senior vice president of Summit America Insurance Services – exclusively partnered with NACDA.