

What if Mother Nature Has a Bad Day During *Your* Big Event?

In the case of special events, Murphy's law usually applies—whatever can go wrong, will go wrong. To protect your upcoming special event from an unforeseen setback, consider investing in event cancellation insurance. In the past, organizations usually purchased this insurance to cover events scheduled in wintry regions and other areas prone to inclement weather or natural disaster. Today, however, other potential, 21st-century problems concern association executives—everything from terrorism to communicable disease exposures.

By Eileen Hoffman

Everything's all set, down to the most minute detail. But then a week before your event, Mother Nature gets grumpy and sends a tornado through your convention hall. You have no choice but to cancel. Not only will your association face huge financial loss—it's the biggest fundraising event—but your members will want to be reimbursed for registration, flights, and hotel fees. In an instant, your big moneymaking event could become a financial catastrophe.

The price can be high if you don't have event cancellation insurance for your annual meetings, seminars, trade shows, and conventions. A few decades ago, organizations purchased event cancellation insurance mainly to cover events scheduled in winter-weather areas and coastal areas, or near earthquake faults. Today, thousands are purchasing this coverage not only for these types of potential losses, but also because of terrorism and communicable disease exposures.

Even though the actual events of 9/11, the SARS epidemic of 2003 in Toronto, and Hurricane Katrina are in the past, we are always going to be at risk for situations such as these. Whether the unexpected is an act of terrorism, wildfires as experienced in California this past year, or winter storms throughout the Midwest, we are up against the unknown.

If you are responsible for the financial operations of your association, you may not be involved in all of the logistical aspects of putting together an event. It is, however, your duty to ensure that your association's financial stability is protected.

Many contracts are put in place for a single event—meeting rooms, food and beverage service, guest rooms, speakers, maybe even bus service for offsite excursions. With everything involved in planning successful, meaningful events, your exposure grows. Event cancellation insurance helps alleviate some risks—risks that could wipe out your association's biggest fundraising event of the year and put your operations in a precarious position.

Event cancellation insurance provides financial protection if your event is canceled, curtailed, postponed, or abandoned due to the following:

- Inclement weather, including hurricanes, blizzards, ice storms, tornadoes, and flooding;
- Earthquakes and fires;
- Terrorism. Coverage is provided if a terrorist act or threat of a terrorist act occurs within 50 miles of your event's venue and if your event is scheduled within 50 days after the terrorist act. Coverage includes 50 percent of your projected financial exposure to a maximum of \$1 million. There also is coverage if the facility you were planning on using was damaged from a terrorist act. Be sure to carefully review each insurance proposal because the time, distance, and/or limit of coverage may vary. (Also, there is up to \$1 million of requisition coverage if a facility is taken over by the government from a local disaster, whether the situation is due to an earthquake, hurricane, or terrorist act.)
- Communicable disease exposures. Coverage varies. Some policies offer full coverage for communicable disease, whereas other policies may specifically exclude losses due to SARS and/or avian flu.
- Labor disputes. Event cancellation insurance includes coverage for air, train, and bus-tour transportation strikes and for strikes within a facility.

An event cancellation policy can even provide coverage if attendance is reduced and if certain events, such as a golf outing, are canceled due to adverse weather.

Example: An insured organization called the insurer, frantic, because a hurricane was expected to hit on the first day of the organization's exhibition. Hundreds of attendees and exhibitors were questioning whether the event was on or not. Would flights be canceled? Would hotels be open for business? Decisions had to be made fast. Yes, the insured's event cancellation coverage (purchased six months prior) would cover the organization's loss. As it turned out, the organization canceled the exhibition and received more than \$3 million from the insurance company to recover from its loss. The association felt it was well worth the \$30,000 in premium cost to cover the loss.

Typically, an event cancellation policy can be written two to three years before the start of an event. However, most policies require coverage to be in place at least 30 days before an event. Coverage begins when the premium is paid and usually expires five days after an event closes (to cover moving out and return shipments). The event cancellation policy also includes the association's personal property while in transit before, during, and after an event up to \$125,000 if the property is lost or stolen.

Example: A loss occurred at an association's annual meeting being held at a hotel. A staff member noticed that the room used to store some materials was out of sorts. An investigation found that several items, including a few laptops, were missing. Insurance covered the losses.

If you experience a loss during an event, keep these tips in mind when submitting an event cancellation insurance claim:

- Contact your insurance provider at the first sign of a potential loss.
- If a loss occurs, send written notice with the basic information. State what happened, where it happened, and when it happened. Also explain if the event had to be canceled completely or if attendance was reduced.
- Keep good records. When a loss first occurs, you may not know the full impact. You may need to provide a claim adjuster with documentation of signed contracts, lists of attendees/exhibitors who were preregistered, actual income and expenses, and a financial history of the event.

When your association begins planning its next event, add up the financial consequences of cancellation. What would it cost your association to cancel the event a week or month before it's scheduled to occur? Then consider what that loss would do to your association's financial well-being. Event cancellation insurance can't protect your association from experiencing a disaster, but it can protect your association from the negative financial fallout.

For more information, including a 60-minute recording about event cancellation insurance, visit www.asaecenter.org/asaeservices/event.

Eileen Hoffman is assistant vice president of the ASAE-endorsed Aon Association Services Showstoppers event cancellation insurance program. Email: Eileen_Hoffman@asg.aon.com

[Top](#)

First published in the March 2008 issue of ASAE & The Center's *Dollars & Cents* e-newsletter. Reprinted with permission.

ASAE & The Center connect great ideas and great people to inspire leadership and achievement within the association community.