

THE CHALLENGE OF EVENT PLANNING

Doing Something About the Weather

CHAOS. Even before Edward Lorenz framed weather patterns with his unpredictability theory, everyone knew that in most parts of the habitable world weather was unpredictable. Lorenz used the example that even the wings of a butterfly could affect weather—very small disturbances in the atmosphere could cause enormous consequences in the weather. Lorenz posited that chaos would always exist and that predictability was impossible because perfect information on which one could rely was unattainable.

But the chaos theory should not be the guiding principle in event planning for public entities. Chaos in the atmosphere should not result in ineffectiveness in planning or turmoil in budgeting. Along with planning to minimize risk, prudent public entities insure themselves against adverse weather conditions. Both information and insurance can help entities manage the risk caused by weather's uncertainty.

Can You Plan to Minimize the Weather's Impact?

According to the National Center for Atmospheric Research (www.ncar.ucar.edu), useful weather forecasts were once limited to a period of two or three days. Now, even with improved computer models, there is no measurable confidence in weather prediction more than a week ahead. Computer models can now project large-scale weather features up to 15 days out, but smaller-scale features evolve more rapidly and have smaller time scales. So while progress is being made in identifying the approach of larger-scale systems such as hurricanes, or the weather patterns that produce droughts, predicting tornadoes, ice storms, and flash flooding is impossible.

Even in areas with fairly consistent weather patterns, when a forecast period is extended beyond two weeks, the outlook becomes no better than chance; it's impossible to say what weather will materialize on a given

day several months out. For events that have to be planned months or years in advance, historic information can be useful, but does little to remove the risk of adverse weather.

What if You Threw a Party and Nobody Came?

Adverse weather conditions could significantly degrade the success—and therefore the financial result—of a planned event. Weather losses include reduced ticket sales and lower concession income that comes from diminished attendance. In addition to a drop in expected revenue, fixed expenses can also be adversely affected when appearance fees, equipment rentals, and other non-cancellable costs occur irrespective of the viability of the event.

Any type of severe weather could cause an event to be cancelled or under-attended. Weather perils in Texas or another Southwestern state could include unexpected rain,

as negotiated in the coverage and not by measuring the impact on the policyholder's operations. No proven amount of loss is necessary.

The weather is always going to be a significant variable in determining risk. Insurance coverage can help entities limit the effect of that variable. Government entities should understand how weather affects the profitability of an event and correlate weather conditions with corresponding financial conditions. Unique coverage can be structured to protect income as well as recover expenses for which the event might be liable, such as venue costs, sponsorship guarantees, or entertainment expenses.

The location, date, and hours of coverage are essential components of the policy. The hours of coverage and the hours of the event might differ. Minimizing the period susceptible to loss reduces the cost of the coverage. Limits are established by

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excessive heat, gale-force winds, the threat of tornadoes, or large-scale events such as hurricanes or ice storms. If a large indoor event is scheduled, inclement weather during the event might not result in a financial loss, but if the same weather or warning occurred in the hours prior to the event, the result could be financially disastrous. Anything related to the weather that reduces income can be critical.

What Is Weather Insurance?

While entities usually have insurance coverage for physical harm caused by adverse weather, such coverage does not pay for anticipated income or event costs. Weather insurance pays solely based on weather conditions

the policyholder on a basis of fixed expenses, projected revenues, and anticipated profits. Because coverage is provided on an agreed-upon value with no up-front deductible or co-insurance costs, all of the financial exposure can be covered.

The coverage would insure against loss of revenue and, if desired, the fixed expenses incurred. Events such as sponsored fairs, festivals, parades, and air shows are highly dependent on the weather and need to be considered for protection. All that is needed for a claim to be paid is that the specific weather peril occurred as per the specified claims verification method. The policy then pays the agreed-upon limit of insurance.

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While rain, snow, excessive wind, unseasonable temperatures, lightning, or other severe weather may trigger coverage, an event can be adversely affected whenever there is a public safety warning in place prior to or during the scheduled event hours, forcing the event to be cancelled.

How Does Weather Insurance Work?

There are a few basic elements to weather insurance. Obviously, the amount of money to insure and the weather triggers for the policy to pay need to be determined. A method for determining whether the triggers occurred must also be set. Perhaps most importantly, a time frame for the weather conditions must be established. The basics are the following:

1) Does the insured want to secure insurance for only the loss of revenue or include the fixed expenses incurred? Sometimes the profit from an event can be a substantial amount of the insured's revenue for the year. Any loss of this income may have budget constraints for the future. The amount of coverage is highly variable; few entities have the need to insure for 100% loss of income or the total expenses of the event. Since the

coverage is an agreed amount, there is no proof necessary to determine the loss sustained.

2) What should be the coverage trigger? The coverage can be structured to address many conditions, such as a certain amount of rain, temperatures that exceed or fall below certain levels, and National Weather Service documented severe weather broadcast warnings issued during the event hours causing cancellation of the event. Obviously, the premium is based on what levels of weather disruptions are set as triggers.

3) Where will the measurement be taken for the coverage trigger? Often, a National Weather Station is used since climate data is routinely measured. Such an official repository of information can be a significant distance from the insured's site or affected by micro-climates that do not affect the event location. At times, an independent observer with suitable credentials is designated as the impartial observer. The alternative off-site monitoring facility or independent site-specific observer must be able to record climatological data such as rain, temperature, and wind speed data on an hourly basis.

4) When should the coverage be in place? The longer the time frame during which the coverage is in place will increase the expense. An entity's risk management determination might decide on coverage before the actual event since disruptive weather might reduce the ability or desire of prospective participants to attend. For an outdoor event, the coverage might be structured only for the peak activity time. The planning of an event can minimize the probability of interruption as well as lower insurance costs by selecting those periods when adverse weather is least likely to occur and narrowing the time frame for coverage to a segment of time that would have the greatest possibility of loss.

Can You Afford to Ignore the Weather?

Weather is a significant factor in the planning and execution of any event. Weather insurance exists to minimize the financial impact of weather on an insured's operations. Many events have a limited opportunity for success. Insurance can provide the protection against the most uncontrollable aspect of the event—the effect of the weather. While entities cannot control the weather, they can control the financial effects of weather on their operations.

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Information and Risk Management Ideas for Public Entities