

Client Alert

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Dorian's Wrath: How Event Cancellation Insurance Helps Businesses Recoup Losses from Severe Weather

As the 2019 hurricane season peaks, the Bahamas and the Southeast United States have already endured a catastrophic storm. Hurricane Dorian not only tragically caused loss of life and substantial property damage, but it also led to the cancellation or postponement of major events, resulting in considerable economic losses for affected companies.

For instance, Hurricane Dorian forced the cancellation of one of the Rolling Stones' concerts at Hard Rock Stadium in Miami, as well as the cancellation of R&B singer Chris Brown's concert in Fort Lauderdale. Dorian also affected the college football game between Florida State University and Boise State University in Jacksonville. Having sold 45,000 tickets to the game, officials were forced to move the game inland to Tallahassee at great expense and effort.

The planners, headliners, teams and fans of these and similar events were not the only ones affected by the cancellations and schedule changes. Hotels, restaurants and businesses relying on tourism also were severely impacted by the schedule changes resulting from Hurricane Dorian over Labor Day weekend. Other programming that may have been affected includes conventions and meetings, fairs and festivals, trade shows and exhibitions, or any other corporate events planned to take place outdoors, requiring travel or with ticket-paying audiences.

Businesses or individuals impacted by schedule changes and cancellations resulting from hurricane season can tap into event cancellation coverage for, among other things, lost profits and revenues or amounts paid to reimburse ticketholders, vendors or other third parties. Coverage is also potentially available for out-of-pocket or unexpected costs, lost advertising, lost ticket sales or other contractual obligations or costs incurred due to a cancelled or rescheduled event.

Many event cancellation insurance policies promise to indemnify the insured for "any loss occurring during the policy period and causing the unavoidable ... cancellation, curtailment, postponement, removal to alternative premises, or abandonment of the event." Though such policies typically provide broad coverage, businesses must be wary of certain obstacles insurers may raise in attempting to avoid paying claims. Insurers might attempt to disclaim or limit coverage for various purported reasons, including alleged nondisclosure at the policy application stage, failure to satisfy certain conditions after the loss, application of policy exclusions, and questions concerning whether an event was cancelled due to a covered cause of loss.

The recurring nature of, as well as the extensive economic losses cause by, these weather-related cancellations and postponements underscore the importance of event cancellation insurance. Indeed, another potential tropical storm just threatened Florida's coast this past weekend. Businesses of all sizes should be mindful of the risk management tools available that can provide protection from the effects of event cancellations or scheduling changes.

Businesses should familiarize themselves with the scope of coverage provided by their current insurance policies and consult knowledgeable insurance coverage counsel during the application process and at

policy procurement in order to ensure the most favorable policy language and maximum coverage available.

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