

Plans in place to insure World Cup stadia against disasters

EIGHT of the 10 2010 Soccer World Cup stadia have been insured for an estimated combined value of R19.2bn for a period of 12 months against material damage or collapse due to natural disasters such as rain, hail, storms and wind by Lion of Africa Insurance.

Adam Samie, CEO of Lion of Africa, says business interruption and liability cover have not been included. Riot cover through the SA Special Risks Insurance Association (Sasria) has been requested in some instances.

"With an estimated R33bn being spent on the preparations for the World Cup, the country will be positioned to host other top class international events after 2010 and it is imperative that specialised expertise manage and maintain the facilities, providing lasting benefits far beyond the World Cup as multipurpose venues," says Samie. "Each stadium represents a considerable capital outlay for the owners and communities and as a result facility management has progressed from

a traditional caretaking role to one of asset management."

He says these assets need to be managed efficiently to ensure long-term benefits and sustainability as income generators rather than cost centres or expensive white elephants.

However, natural disasters remain a frequent phenomenon.

For example, the tsunami in the Indian Ocean in 2004 wrought an estimated \$4.45bn in damages to the resort islands and the destruction of hurricane Katrina on America's east coast in 2005 cost more than \$100bn.

"According to the Inter-American Development Bank, the devastating earthquake that hit Haiti in January this year may have caused \$7.2bn to \$13.2bn in damages," says Samie.

This year, SA had floods in the North-West and in 2006 and 2007 in the Eastern and Western Cape, resulting in R1.7bn and R880m of major infrastructural damage to roads, bridges and drainage systems respectively.

"All these catastrophic events remind us of how disasters can affect human beings wherever they live and at whatever time. The financial costs can cripple communities and the economy, bringing about widespread disaster if the necessary risk management plans are not in place," Samie says.

To protect Lion of Africa against the exposure, the company faces a significant reinsurance programme for the stadia to mitigate against the occurrence of poor risk management.

"We are particularly interested in the risk management plans put in place by the facility management of each stadium and have ensured that they are to actuary standards.

"Risk assessments have been conducted and, as part of the risk treatment plan, the risks have been prioritised, followed by a coordinated and economical application of resources to minimise, monitor and control the probability and impact of natural disasters," Samie says.