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## Drinking the Bills Away

Even from three thousand miles away, the fatal Great White fire of 2003 has inflamed our cost of having fun.

By [David Downs](#)

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You're 25th in line for a beer at the Oakland Coliseum when tragedy strikes: "Ten dollars for a Bud Light? Jesus God! Why?" The answer: Real tragedies are playing a role in this summer's rising price tag on fun. Among them is a crime that happened more than three years ago and three thousand miles away, caused \$1 billion in estimated damages, and of which insurers speak in the same breath as 9/11 and Hurricane Katrina.

On February 20, 2003, the mythic Great White fire killed 99 concertgoers and one band member and injured two hundred more, making it the fourth worst concert fire in American history and the worst in recent memory. Stage pyrotechnics ignited polyurethane foam insulation on the ceiling and walls of the Station roadhouse just outside Providence, Rhode Island. Charred bodies were "piled like cords of wood," prosecutors said, as fans in the over-capacity building attempted to flee the fast-moving, chemical-fueled flames. The nightclub was gutted in a matter of minutes, and the blaze sent shockwaves through the close-knit music industry while causing a knee-jerk reaction in the concert insurance business.



## Music Details

### Who / What:

Great White fire

Dan Biechele

### Music Genre:

Because of it, the price venues must pay for liability insurance has soared from 58 to 300 percent over the last few years, depending on the sorts of events they stage. Insurance is now among the top five operating costs for music venues, on par with wages and utilities. But club owners aren't hiking ticket prices. Instead they're charging more for concessions such as beer and T-shirts.

In May, Great White's manager Dan Biechele was sentenced to four years in prison after pleading guilty to one hundred counts of manslaughter for flipping the switch on the band's pyro setup. Michael and Jeffrey Derderian, the club's former owners, are set to stand trial on charges related to the tragedy, and lawyers are lined up to sue anyone even remotely involved in the fire, from promoter Clear Channel to the insulation manufacturer and even the state of Rhode Island.

Oakland Coliseum general manager Mark Kaufman says the Great White fire came smack in the middle of a huge insurance-industry shakeup caused by 9/11 and Katrina. His general liability policy costs 58 percent more than it did last year, and he's trying to get that money back through the concessions. "We're even suggesting at one point looking at self-insuring the facility because we haven't experienced the amount of losses that would justify the expense," he said.

Oakland Coliseum joint venture insurance specialist A.J. Robertello says the Great White spike was immediate and remains in effect, and the expected wave of civil suits is expected to jack up the rates even more. "The only thing that has come down has been the criminal charges," he says. "We need to find out what's going on with the supposed \$1 billion in civil suits. Right now it's just all rumor."

Even now, small hard-rock, hip-hop, and punk venues are getting especially slammed, according to James Chippendale, president of CSI Entertainment Insurance, a huge broker that deals with fifteen insurance companies on behalf of the Lollapalooza festival, the Dixie Chicks, and Ludacris. "Insurance used to be number fifteen on a promoter's to-do list; now it's number three," he notes. "Heavy metal with moshing and mosh pits are still really difficult events to cover. They're underwritten very closely: "How are you preventing moshing? Do you have metal detectors at the door?"

Indeed, general liability costs for the group that runs San Francisco's Great American Music Hall and Slim's, both of which have lots of punk and hard-rock shows, have tripled over the last three years to more than \$90,000 per venue per year, which makes insurance one of their biggest expenses. "Does it affect the concertgoing experience?" asks Dawn Holliday, general manager for the GAMH/Slim's group. "Of course it does. It affects every ticket you pay for, and also bands are paying more insurance, not only liability, but we have workman's comp then we have liquor liability. It's got to come out of somewhere, and we try to keep it out of the ticket as much as we can. We hope any money the club is going to make is out of bar and food."

Rock/Pop

Norman Dog



Chippendale predicts that insurance rates will likely plateau and may even drop, despite the huge payouts expected in the Station fire. Major companies like Clear Channel with contractual limits of up to \$2 million underwrote the Great White show, he says. Anything in excess of that would have to come from the municipal and state governments in Rhode Island, who will likely end up holding the bag.

Some readers may wonder why rates are going up at all, given that the whole point of insurance is to collect a bunch of small payments from a lot of people and make big payouts to a few. Don't insurers have tons of money in reserve? "You'd be really surprised," Chippendale says. "It shocked me when I got in the business. Most insurance companies run at about 90 to 110 percent loss ratio and basically make all of their money in their investments. They have all that cash they invest. When the economy took a downturn following 9/11, they lost money on investments *and* claims and went broke. The whole industry flipped upside down with one bump in the road on 9/11, but the real flip was the Station fire. That kind of set the whole entertainment industry on its ear."

Hoping for a future respite on those beer costs? Don't count on it. This year's big expense, fuel, also has put a crimp in the live entertainment industry – high payouts at the pump have cut tours short and hiked up ticket prices. Almost every activity has fuel costs worked into it somehow. The Coliseum's manager has even delayed repaving its parking lot because new asphalt contains lots of oil and its expense would drive the project overbudget.

So next time you get burned for a \$10 vodka tonic, remember the Station, and keep an eye on the exits. The dollar you save may be your own.