

# In Katrina's Wake: Business Owners Assess the Fallout

By Inés Bebea

As the Black community rallies to the aid of victims of Hurricanes Katrina and Rita in the Gulf Coast region, professionals and business owners outside the six hurricane-ravaged states are assessing the fallout on their respective industries. Katrina was the far more damaging of the two storms, causing at least 1,000 deaths and billions of dollars in personal and commercial property losses in the worst natural disaster in U.S. history. Katrina's toll surpassed Hurricane Andrew's in 1992, the losses from which, adjusted for inflation, were \$20.8 billion. The Network Journal spoke with business owners about the ramifications of the storm in their specific sectors.

## INSURANCE

In a survey published in early October by Insurance Services Office, an insurance risk and data firm in Jersey City, N.J., insurers said Katrina alone is likely to result in at least \$34.4 billion in personal and commercial property loss claims. This preliminary tally includes boats and vehicles, business interruption and additional living expenses, plus reported damage to insured onshore oil facilities.

Aubrey Branch, chairman of the National African-American Insurance Agents Association, says insurance rates are certain to go up as the industry makes good on loss claims and moves to offset the payouts. Some companies may not even have the capacity to make all of their payments, he says, in which case they will either go out of business

or be bought by bigger, more financially sound companies. Concern that the billions of dollars of losses from Katrina and Rita could make it harder for the insurers to pay victims' claims is so great that the Securities and Exchange Commission agreed to ease the rules under which insurance companies raise capital. Still, "what you will also see now are insurance companies that will no longer offer their services in the Gulf region, and if they do, it will be at a higher price," Branch says.

Branch, who also is CEO of Branch Hernandez & Associates, an insurance firm in Las Vegas, Nev., says Katrina should spur home and business owners nationwide to "inquire into their own coverage" to make sure they are protected. He estimates that most of the home owners who were victims of Katrina held only hurricane insurance, which simply covers damage caused by wind. "[It] will not pay for all of the repairs and it is very unlikely that FEMA will refund you for the entire value of the house," he says. "What this tragedy is bringing to the forefront is the importance of having the right insurance for your house, not just home owner's insurance. Even if you don't live in an area where floods are likely to happen, you should consider flood insurance an investment," he notes. Whether such consideration results in actual policy purchases, which would bring additional revenues to insurance firms, remains to be seen. "At times like these, people should consider talking to their financial advisers to assess their situation. You should be aware of all your insurance options to avoid being

left out in the cold," Branch says.

Gulf region business owners who no longer have an income likely will use their business-interruption insurance to get by, Branch says. "If you didn't have that type of coverage, you can't pay yourself or your employees," he says.



## OCEAN SHIPPING

Katrina forced major maritime ports in the Gulf region to close, placing in limbo imports destined for distribution along the entire East Coast and exports destined for overseas markets through those ports. The sudden halt in Gulf traffic emphasized the need for alternative maritime ports, says Beverly Grissom, who hopes to put New Jersey's Camden pier on the map as a viable alternative. Grissom, a TNJ 2005 40 Under-Forty honoree, is president and CEO of Camden Shipping Corp., the first woman-owned maritime transportation company. "Prior to the hurricanes, [Camden Shipping was] working on a lease agreement for the Camden pier with the South Jersey Port Corp. This is a perfect opportunity to revitalize the area and serve as a port for shipping lines that will be looking for alternative routes," she says.

Grissom notes that 20 percent of the goods that come into the United States enter through Gulf Coast ports,

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including those at New Orleans and Mobile, Ala. Once those ports are reopened, the first order of business will be the removal of the garbage and debris that has accumulated from rebuilding and dredging operations. "For the next year, the ports in the Gulf Coast will be used only as garbage removal," she says.

Outside of New Orleans and Houston, the major shipping ports on the East Coast are New York/New Jersey; Norfolk, Va.; Savannah, Ga.; Charleston, S.C.; and Miami, Fla. Allowing Camden to become a shipyard, break-bulk facility, dry dock, or hub zone will offer tremendous advantages to the region's shipping infrastructure, Grissom says. "The next phase for us will be to find a developer for the pier and finalize a contract. The pier is a prime real estate location for development," she says.

A New Orleans native, Grissom is looking for a dredging company to partner with in order to bid for contracts to help clean up and rebuild the city. Such a partnership would add maintenance capability to her company's services, she says. "The cleanup operation is going to

be a \$50 million to \$60 million job, with all the debris going to Texas. I want to be part of that," she says. The New York/New Jersey ports cannot sustain the traffic that the Gulf Coast accommodates, but Camden would be a good alternative, she insists.

At press time, Grissom was finalizing the lease agreement for Camden pier and preparing for an uphill battle with the Army Corps of Engineers to be part of the Gulf Coast's debris removal and rebuilding. "The Camden pier, a state-owned property, has not been used for 20 years. We want the shipping lines that used the Gulf Coast to come here, particularly as the United States continues to trade with China and other Asian countries. We cannot let ourselves be vulnerable to another disaster, crippling our shipping operations," she says.

#### **TRAVEL**

The travel industry stands to suffer as oil prices continue to rise post-Katrina and companies pass on the cost of fuel to consumers. Says Donald Haygood, president of Haygood Travel in New York City, "Our agency does not

travel to the Gulf region, but all travelers will feel a pinch in their pocket as ticket prices go up because of increased gas prices due to the discontinuation of oil deliveries, [what with] refineries in the Gulf being down." Leisure travel will see a drop as a result of lost jobs, household income going toward the support of additional family members or efforts to save through the winter. "What you will see now are people looking for better deals by traveling during the week instead of on the weekend and splitting the cost with others," Haywood says. Business travel, however, will not see a major decline, since conventions, conferences and business deals take place year-round.

The extent of Katrina's impact on the travel industry will not be known until the numbers from the industry's biggest holiday season are calculated, Haywood says. "Besides the summer season, the peak travel period is during the Thanksgiving holiday weekend. After Thanksgiving, the holiday travel season begins on Dec. 15 and ends Jan. 2," he says.