Risk Management in Uncertain Times

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Anticipate the Worst & Plan For It

- Unexpected negative events – large and small – are dangerous for your business and reputation.
- Most business failures are not due to catastrophic events.
- Lack of foresight and inadequate planning
- Smart outlook for emergencies:
  - Plan for “when” – not “if”
  - Easiest crisis - one that never happens.
Crisis Management

• Planners and suppliers may have no control over what happens. However, they do have control over what they do about it:
  – Negotiate *before* event to address possible crisis *during* event.

• Effective risk management focuses on prevention and response.

• Strategic process – not tactical

• Managed at Executive level
Assessment and Prevention = Risk Management

- Risk Avoidance or Mitigation
- Risk Assumption
- Risk Transfer or Shifting
  - Indemnification
- Risk Management
  - Insurance
  - Compliance with Laws
  - Release and Waiver
Force Majeure – Triggers

• Acts of God [includes severe weather events and natural disasters]
• War, threats or acts of terrorism, or similar acts
• Strikes (except those involving hotel’s employees) or imminent threat
• Disease, epidemic, fires
• Governmental or international agency travel advisory
Force Majeure – Triggers

• Corporate travel restrictions
• Civil disturbance
• Transportation curtailment or disruption
• Essential facility unavailability
• Interruption or cessation of electrical power
• Any other cause beyond the parties’ control
Force Majeure – Provision

• Inadvisable (from safety, health or financial standpoint), illegal or impossible for either party to perform its obligations.
  – Materially affected
  – Commercially impracticable

• If Group decides to hold meeting despite such circumstances, Hotel waives fees related to reduced-sized meeting (room, F&B attrition fees) and gives Group's guests any lower room rate offered during contracted dates.
Force Majeure – Provision

Supplement standard language to minimize subjectivity and risk:

• Identify minimum number of attendees necessary to achieve goals of meeting.
• Include controls on time periods
• Define area perimeters
• Specify that if minimum number is not achieved due to unforeseen circumstances, Group may cancel or postpone contracted services without liability.
Cancellation Provision

- Allow either party to cancel contract without liability if certain conditions are met.
- Cancellation options and fees clearly expressed including if Hotel cancels.
- Define ancillary spending.
- Define lost profits and state percentages.
- Limit party’s obligation to vendor’s out-of-pocket expenses up to date of cancellation.
- Address rebooking cancelled meeting
- Require resale efforts.
Indemnification Provisions

- Essential to every contract – should be mutual (except alcohol).
- Protects party from being financially harmed by other party’s negligence.
- Include word “defend” – requires party to hire counsel to defend lawsuit at beginning rather than reimbursing after the fact.
- Always cover “negligence” as well as “gross negligence” to cover widest range of possible occurrences.
Sample Mutual Indemnification Clause

Each party to the Agreement shall indemnify, defend, and hold harmless the other party and its respective officers, directors, employees, agents and members and each of them from and against any and all claims, demands, actions, judgments, costs, and expenses, including costs of defense thereof, caused by or arising from the negligence, gross negligence, or intentional misconduct the indemnifying party, its officers, directors, employees, agents or members. The terms of this provision shall survive the expiration of this Agreement.
Sample Alcohol Indemnification Clause

Notwithstanding any other provision of this Agreement, the Hotel shall defend, indemnify and hold harmless Group and its directors, officers, employees, agents and members and each of them, from and against any and all losses, damages, claims, expenses and liabilities of any kind, including costs of defense thereof, caused by or arising from the Hotel’s sale or service of alcoholic beverages. The terms of this provision shall survive the expiration of this Agreement.
Insurance Provision

• Coverage should be addressed in every contract.
  – General Commercial Liability
  – Event Cancellation
  – Professional Liability
  – Specific Liability
  – Director’s and Officer’s Liability
  – Additional Insureds
Compliance with Laws Provision

• Issue should be addressed in every contract.
  – Compliance with health, safety, fire codes including sprinkler systems and smoke alarms.
  – Adequate security for guests in corridors, parking lots, recreational and public areas.
  – Written policies and procedures available for review by group’s representative (including security plans).
Release and Waiver

- Participation in Event is voluntary
- Individual is physically/mentally fit
- Assumes responsibility for well-being
- Is aware physical injury is possible
- Assumes full risk, regardless of severity of injury or loss
- Waives and releases all claims against sponsoring organization, planner, event supplier or facility
- Agrees to indemnify them from all claims resulting from or connected to individual’s participation.
Risk Management Strategy

• Emergency Response Plan
• Crisis Communication Plan
• Business Continuity Plan
  – Run drills, evaluate results, train, test plans again – keep all information current
  – Regularly review insurance policies
  – Communicate plans to all employees and staff
  – Develop clear organization chart with assigned responsibilities
Emergency Response Preparation

• Make thorough assessment
  – Talk to your clients, executives, department heads, employees, attorneys, auditors, insurance brokers
  – Take inventory of policies, assets, systems, functions
  – Identify areas of risk and analyze vulnerabilities
  – Prioritize and develop plans which outline preventive actions to be taken

• Assemble Crisis Response Team
  – Include individuals from all departments
  – Insist on executives’ support and participation
Crisis Communication Preparation

• Form Media Response Team
  – Company’s GM, President, CEO/CFO, legal counsel, service manager, executive of sales, HR director, security professional
  – In-house PR/marketing department head (or outside PR advisors experienced with crisis management)

• Give Team authority and responsibility.
Crisis Communication Preparation

• Review company’s communication process.
  – How do you provide accurate information?
  – Who makes public statements?

• Designated spokesperson as authoritative source for information
  – One person, one voice
  – Determine if that spokesperson will also be responsible for sending regular updates to media and other audiences
Crisis Communication Preparation

• Provide formal media training to spokesperson – involve video training, if possible
  – AVOID “no comment”
    • Public perceives this phrase as admission of guilt.
    • Reporters invariably find someone who will comment.
    • You have more control if you’re the one responding to inquiries.
Business Continuity Preparation

• Make thorough assessment
• Consult with company’s GM, President, CEO/CFO, legal counsel, service manager, executive of sales, HR director, security professional
• Identify critical functions
• Prioritize resumption of activities
• Have resources lined-up to recommence operations
Response

• Implement Emergency Response plan.
  – Protect guests, staff, employees, volunteers, vendors, suppliers, clients

• Shutdown operations and information systems.
  – Protect electronic systems and paper files
  – Protect technology
  – Notify crisis communications spokesperson
  – Notify legal counsel
  – Notify insurance broker
Response

• Implement Crisis Communication Plan
  – Develop 3-5 key talking points.
  – Determine specific communication objectives for company’s various audiences.
  – Include message of caring and empathy.
  – Return as often as possible to talking points.
  – If you have no information, say so honestly.
  – And … tell reporters that *you will contact* them as soon as information is available – follow up and keep in touch.
  – Try to work your message into every major answer.
  – End with positive, sincere message.
Response → Recovery

• Implement Business Continuity Plan
• Resume operations, step by step, per Business Continuity plan.
• Involve crisis communications spokesperson (optional).
• Never lie, never speculate, never spin.
• Monitor, revise and act – repeat as needed.
Recovery

• Update issues management and/or crisis communication plan *regularly*.
  – Updating maintains plan’s integrity.
  – Keep current lists of local media representatives.
  – Any press announcement should include answers to the following questions: *who, what, where, when, why* and *how.*
Other Things To Do

• Have resources ready – emergency contacts, telephone numbers, medical and security locations

• Life Saving - who knows what - from CPR to Heimlich to AEDs

• Train all personnel on what to do if press or media shows up or calls
  – Top to bottom – executives, managers, receptionists, front desk staff, assistants, mail room, concierges, valets, housekeeping

• Rehearse communication plan

• Keep good notes; make list of every media inquiry
Aftermath - Risk Management

• Why did this happen?
• Could this have been mitigated or prevented?
• Could we have reacted more effectively?
• What could we do better?
• How do we change going forward?
• (Un)intended consequences?
Frequently Asked Questions Regarding Risk Management

• Can my organization be sued if someone gets hurt because of something a vendor does during my conference?
• How much insurance does my organization need to have in place?
• One of our organization’s members signed up to participate in our annual community service project – a home improvement program in a low income neighborhood. While he was working on a ladder, he fell and broke his leg. He has sued our organization for his injuries. Was there anything we could have done to avoid this lawsuit?
• In which types of situations should I ask a vendor to name our organization as an additional insured on their insurance policy (ies)?
• I know it’s important to make sure that every contract includes an indemnification provision. My conference decorator will not agree to include an indemnification provision in our contract unless it’s mutual/reciprocal. Should I agree?
RESOURCES

Occupational Safety Health Act (OSHA)

Emergency Preparedness Certification (PS-Prep)

NFPA 1600 – Standard Disaster/Emergency Management and Business Continuity Programs

Sarbanes-Oxley Act (SOX)
How much can you afford to leave to chance?
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Naomi works with individuals and organizations in the meetings, travel and hospitality industries, including corporate and independent planners. Additionally, she serves as General Counsel to national and international trade associations of manufacturers, suppliers, and professionals, providing guidance in the areas of antitrust, intellectual property, standards development, certification and accreditation, governance, contracts, international organizational issues, product liability, and risk management. Naomi has appeared before federal and state agencies and worked with national research laboratories, advocating positions on behalf of client associations. She is a trained mediator with extensive commercial litigation experience at state and federal levels, and is admitted to practice before the Supreme Court of Illinois; the Trial Bar of the U.S. District Court, Northern District of Illinois; and the U.S. Court of Appeals, Seventh and Federal Circuits.

Naomi is a member of the American Society of Association Executives and serves on ASAE’s Association Law & Policy Committee; the Association Forum of Chicagoland; and the Chicago Bar Association; and is a past chair of the Chicago Bar Association’s Trade and Professional Association Committee. She is a graduate of UCLA and DePaul University College of Law where she was a member of the DePaul Law Review.