

FROM MEETING PLANNER TO RISK MANAGER:

Convention Risk Management and Insurance 101

Whether it's a blackout, earthquake, disease epidemic, theft, or an injured attendee who files suit, the risk of disaster for unwary meeting sponsors is greater than ever

BY JOHN FOSTER, ESQ., CHME

The general litigation explosion that has hit our society in recent years certainly has not missed the meetings industry. A meeting planner is now not only responsible for booking guest rooms and meeting space, choosing menus, and hiring speakers, but also for protecting the sponsoring organization from risk and ensuring, to the extent possible, the safety and well-being of the participants

once they get to the meeting. In short, meeting planners are also risk managers.

Risk management starts by asking four basic questions: What can go wrong? What can be done to prevent harm from occurring? What steps should be taken if harm does occur? Where will the money come from?

Risk of loss to meeting sponsors from accidents and disasters generally falls into five categories: 1) property and casualty losses from theft, 2) damage or destruction to property from negligence, intentional acts, or natural causes such as fires, floods, or hurricanes, 3) personal injury to staff, attendees, or participants, including damage to reputations, 4) economic losses from cancellation of the event because of acts of God, i.e., natural causes or other events caused by third parties, and 5) contractual liability from cancellation or attrition. (The subject of negotiating and wording meeting contracts is not dealt with in this article because of the uniqueness of such contracts.)

Planners' Legal Duties

Lawsuits in the meetings industry have resulted in four legal duties that meeting sponsors owe to attendees and participants:

- ▶ Investigate all aspects of the event and take appropriate action.
- ▶ Inform and warn attendees and participants of known hazards.
- ▶ Plan for the safety and well-being of every attendee and participant.
- ▶ Take precautions to not subject attendees and participants to unreasonable risks of harm.

These duties are collectively known as the "duty of reasonable care." The law does not require that we be perfect in conducting our business, but it does require that each one of us conduct our affairs without negligence. Negligence occurs when a duty of reasonable care is owed to someone and that duty is not exercised. If the failure to exercise the duty of reasonable care causes harm or loss to someone who was owed the duty, liability for neg-

ligence can attach to the organization or person causing the harm or loss.

Risk Management 101

Risk management is a set of guidelines for dealing with the possibility that some act or occurrence in the future may cause harm. Risk management techniques and strategies recognize and confront that possibility by taking proactive steps to prevent or deal with the harm.

Managing risk is a process, not just an end result. Smart planners will utilize the process and incorporate it into every meet-

- Assume some of the risk when necessary.
- Transfer the risk to another party through “hold harmless” and indemnification clauses.
- Minimize the risks through loss-control measures before and after the event.
- Insure against the risks that cannot be avoided, assumed, or transferred.

Insurance 101

No matter how careful you are, you still can't plan your way around every hazard. That is the role of insurance. Insurance is only one of the basic steps of risk man-

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ing they plan. The process can be summarized as follows: 1) acknowledge and identify risk, 2) evaluate and prioritize each risk, 3) decide how to manage each risk, 4) implement the risk management plan, and 5) review and revise the plan as needed.

The classic risk management strategies that meeting managers should adhere to include:

- Avoid risks whenever possible.

agement, but it should be included in every sponsoring organization's risk management program. Buying insurance can be costly, but not buying it can be the most expensive mistake a meeting professional makes.

Claims made by or against meeting sponsors fall into three general categories:

- 1) claims and lawsuits filed against the meeting sponsor and its staff for injuries to

8 Tips on Purchasing Insurance

1 Do a risk/benefit analysis to determine if insurance coverage is desirable. If the total premium for the regular convention cancellation policy and the terrorism coverage is \$10,000, for instance, and your company or association stands to lose \$250,000 or more in net revenue or non-refundable expenses, you have to decide if your organization can absorb this loss with its current assets or whether it is a better bet to pay the premium and add the \$10,000 to the cost of the meeting. It's not an easy decision. However, if you are talking about an annual meeting intended to generate 75 percent of the association's annual operating budget, then the picture becomes a little clearer that the insurance is a good deal.

2 Identify needed coverage by brainstorming with your staff to determine everything that could go wrong with the events for which you would need insurance. Your attorney also can help you identify potential areas of liability.

3 Shop early. Liability insurance can be difficult to obtain in some markets, and the earlier you start shopping for it, the easier it will be to locate. The last thing you want to do is shop for insurance when your meeting is right around the corner and you've got to have it.

4 Use insurance brokers that are familiar with the meetings industry. This will save you the time and trouble of explaining all the aspects of your business to an insurance broker who knows nothing about the industry or, even worse, being sold insurance that you don't need or that isn't appropriate for your business.

5 Compare policies, not just prices. It's important to know not only what the insurance policy covers but also what the exclusions are and whether a different policy would be better suited to your needs. The prices will differ according to your organization's claim history and the features of the policy.

6 Get quotes at different levels of deductible. The higher the deductible, the lower the premium. Take as high a deductible as your organization can afford.

7 Understand the difference between “occurrence form coverage” and “claims-made coverage.” Occurrence form coverage will apply any time the loss is claimed as long as the loss occurred during the time the policy was in effect. Claims-made coverage is more restrictive in that it only covers timely claims that are made during the actual policy period. If a policy lapses and a claim is made against the insured, there is no coverage.

8 Reduce your future premiums by using good risk management techniques and by sharing them with your insurance carrier. Putting your risk management policies in writing will not only show the insurance carrier that you are a good risk, it also will reduce your claims and keep your premiums in line in the future. — J.F.

third parties due to accidents, 2) claims for loss of or damage to property owned by the meeting sponsor, and 3) claims made by the meeting sponsor for cancellation of an event due to a covered peril.

There are different types of insurance policies and coverages to address these different categories. A summary of each follows:

Commercial General Liability (CGL).

This insurance is a must for all meeting sponsors. A typical CGL policy provides protection against claims involving bodily injury or death; damage to property owned, occupied, or rented by the meeting sponsor as well as property in the sponsor's care, custody, and control (as long as the premises rented or used by the meeting sponsor is for seven consecutive days or fewer); and personal injury to third parties caused by an accident.

In general, most injuries and losses are covered unless specifically excluded. Most CGL policies will cover liquor liability situations as long as selling, serving, or furnishing liquor is not the main business of the insured party. This limited coverage for liquor can be broadened with an endorsement to the policy. CGL policies also cover libel, slander, and false arrests. Fire dam-

age to the rented premises caused by the meeting sponsor's negligence is also covered. Liability assumed in a contract (i.e., hold harmless agreement) for bodily injury or property damage also is covered, with the exception of damage to rented premises caused by fire. Finally, this coverage will pay all expenses, including attorney fees, to defend a claim against an insured party up to the limits of the policy.

CGL policies also cover medical expenses for bodily injury caused by an accident on any premises the meeting sponsor owns or rents. Excluded are medical expenses for bodily injury to employees; these expenses are better covered by workers' compensation policies.

An optional rider is available to trade show sponsors for exhibitor liability. This expense can be passed on to exhibitors in a separate contract or exhibitors can be required to purchase it on their own.

Every CGL policy has a long list of exclusions of which policyholders must be aware. In most cases, there are other policies or endorsements that are better suited for losses excluded under CGL policies. Typical exclusions include: liability for injury or property damage arising from

automobiles and watercraft, liability from intentional or criminal acts, damages to the meeting sponsor's products, bodily injury or property losses due to war, injuries sustained by a participant in an athletic contest, and liability for failure to adequately protect against terrorist attacks. (Terrorism coverage is available in a stand-alone policy but is very expensive.)

There are other optional coverages,

(covers employee theft and embezzlement), and theft of property by a non-employee.

A policy for the use of an automobile by the staff during a meeting should also be considered. This type of policy is referred to as a Business Auto Policy. An extension of this policy is coverage for non-owned and hired automobiles (rental cars). It is also important to have Uninsured and Underinsured Motorist Coverage in the

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enhancements, and exclusions that apply to CGL policies. Consult with your insurance broker for more information.

Basic Property Insurance. This coverage is intended to be broader than a CGL policy in its coverage of property owned by an insured party. Property covered includes: buildings, valuable papers (handouts, brochures, printed proceedings, etc.), money and checks, computer equipment, lost income, personal property, accounts receivable, property in transit to or from the event, property belonging to others, fidelity bond

event that a staff person is involved in an accident with an uninsured driver. Medical Payments Coverage should be considered as well as coverage for physical damage to a hired automobile.

International Property and Casualty Insurance. This type of policy is becoming popular as domestic companies and associations plan more international meetings and events. It can include property, liability, foreign voluntary compensation, employer's liability repatriation, travel services, accidental death and dismember-

ment, medical, political evacuation, and kidnap and extortion coverages all in one. Common exclusions to this coverage are war and terrorism.

Convention Cancellation Coverage. Even the pros can't plan their way around strikes, fires, floods, snowstorms, hurricanes, blackouts, or other unforeseen hazards not within the planner's control. Convention cancellation insurance will protect against lost profits and expenses if the meeting or event cannot go on because of unforeseen events like these. For example, if a major airline strike, or strike at the headquarters hotel or convention center, causes your event to be either canceled,

cancellation policies now cover cancellation, interruption, or postponement of an event caused by terrorism, including bioterrorism, threats, fear of travel, or prohibition of travel by employers. Coverage is limited to sub limits, location, and time period for any terrorist act.

A meeting sponsor purchasing convention cancellation insurance has three levels of terrorism coverage from which to choose: no coverage, full coverage for any act of terrorism whenever and wherever it happens, and partial coverage. The level of coverage chosen determines the cost of the policy. Full coverage is preferred but is very expensive. With

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postponed, or relocated, this coverage would pick up the tab. This insurance will also cover the non-appearance of a principal speaker or entertainer provided that, in the case of an entertainer, the performance was not the principal purpose of the event.

Some forms of this insurance will cover additional expenses resulting from the meeting sponsor's failure to vacate the facilities at the scheduled termination of the meeting due to unexpected causes beyond the control of the meeting sponsor. Also covered is cancellation due to adverse weather, physical loss, or damage to property at an airport location where either airline cancellations or schedule reductions occur.

Furthermore, some convention cancellation policies will exclude known hazards inherent to a specific locale, such as earthquakes in California. Also excluded from this coverage are war or the threat of war, losses from radioactive contamination or other industrial pollution, and variations in the rate of exchange or stability of any currency. These are uninsurable risks even the insurance companies won't touch.

Additionally, no coverage is offered for losses due to the financial failure of any venture; inadequate receipts; lack of response or withdrawal of support by sponsors, financial supporters, or exhibitors; lack of attendance, unless caused by a covered act of God; financial default or insolvency; and failure to pay any person or corporation whether or not they are a party to the insurance.

Terrorism Coverage. Typical convention

partial coverage, the act of terrorism must occur within 25 miles of the meeting venue, the meeting must be scheduled to take place within 30 days of the terrorism event, and there is a cap of \$250,000 payout per meeting.

The Bottom Line

Any loss of or damage to property, harm to people, or liability for damages incurred through contractual liability could spell financial disaster to a meeting sponsor.

The role of insurance is to not only pay off claims, but also to provide funds for defense if a frivolous lawsuit is filed and a defense versus a settlement is appropriate. Legal fees and court costs can mount up quickly and insurance should be there to provide for peace of mind. Furthermore, the cost of insurance will be more reasonable if you practice all risk management strategies over and above just purchasing insurance. ■

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DISCLAIMER: This article does not discuss all of a meeting sponsor's insurance needs. It is also not intended to take the place of advice given by an insurance broker and an attorney familiar with the specific circumstances and needs of your meeting and the sponsoring organization.

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