

Assets@Risk

RISK MANAGEMENT TIPS FOR FINANCIAL SERVICES FROM THE HARTFORD

Minimizing the Risks of Sponsorships

As prominent members of their communities, financial services businesses often choose to sponsor local events as part of their corporate mission to support the community that supports them. The publicity around such events is an added bonus that can enhance awareness of their business. As business managers consider embarking on sponsorships of special events, they need to be aware of risks associated with sponsorships and take precautions to protect their interests.

Assessing Legal Exposure

When a business sponsors an event, there are a variety of exposures to think about in order to determine if the insurance currently covering the business is adequate to cover the risks. Sponsors should consider that when they assume responsibility for an entire event, it may be a double-edged sword. They will have more control of the risk exposures, but they may also have sole liability. When an event is held on the sponsor's property, there are additional exposures to consider. Joint sponsorships can serve to share the liability, but will also relinquish some of the control.

In many cases, sponsors hire a vendor to manage the actual event, especially the larger ones. The capabilities of the organization managing the event are very important. Some questions to consider before entering into a sponsorship, or holding an event, are:

- How long has the organization conducting the event been in business?
- What kind of special training do they have?
- What is their financial status? (This pertains to their ability to maintain equipment safely.)
- How many of these events have they conducted?
- What measures do they take to reduce exposures?

Steps to Take

There are three primary areas where a business can act to minimize risks when they sponsor a community event. Those are:

- Risk control
- Risk transfer
- Risk financing



Risk Control

Two methods of risk control include:

- Waivers
- Insurance coverage

Waivers can limit exposure by shifting the liability when all participants, brokers, agents and employees sign a waiver of participation. This may be an appropriate method to control risk when sponsoring an employee athletic team or trip.

Sponsors may also require the licensor of the event to obtain adequate insurance for commercial general liability, workers' compensation, automobile liability and/or professional liability. As part of this measure, a business may also be added as an additional insured through specific language on an endorsement to the licensor's insurance policy. Requesting a certificate of insurance will help ensure adequate coverage is in place.

Risk Transfer

You can also be protected from mishaps during an event by transferring responsibility and liability to a hosting facility. The outside facility may attempt to pass liability along to the sponsor by requesting that they enter into a hold harmless/indemnification agreement, and to name them as an additional insured on the sponsor's policies. That is not in the best interest of the sponsoring business.

In fact, the opposite is true. The sponsoring business should secure hold harmless and indemnification whenever possible, and arrange to become an additional insured on the liability policies of the sponsored organization or licensor of the event.

Risk Financing

You may also finance the sponsorship risk through purchasing special insurance. The following insurance programs limit exposure:

- Sponsorship Liability – designed for liability of sponsors of races, walks and other sporting events. This coverage applies only in the United States, unless extended to worldwide territories.

- General Liability – protects a business owner or business from most liability exposure other than automobile and professional liability. The policy should include bodily injury, property damage and personal injury, and advertising liability coverage.
- Accidental Death and Dismemberment – often written along with Group Life Insurance programs, generally pays the full principal sum when death occurs or more than one bodily or principal member (e.g. hand, eye, foot) is lost in an accident. This policy should cover guests of the sponsoring business, spouses, children and spouses and children of employees.

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Hosting an Event that Includes Alcoholic Beverages

Receptions, retirement and anniversary parties, and year-end recognition events often include alcoholic beverages. Setting business guidelines for this type of function can help ensure the health and safety of guests, employees and others and avoid situations that may tarnish a business's reputation.

Some guidelines to consider include:

- If the event is on business property, serve alcohol only in designated areas (dining rooms, lounges, cafeterias), and not in offices or work areas.
- If the event is held at another location, be sure it is a licensed facility with professional bartenders.
- Require vendors serving alcohol or selling alcoholic beverages to have liquor liability coverage, as part of the risk transfer method mentioned above. This can be provided by an endorsement to a general liability policy or by a separate liquor liability policy.
- Always provide non-alcoholic beverages and food.
- Use professional bartenders.
- Place reasonable time limits on serving alcohol, and set up control measures to be sure those limits are adhered to. Ensure that no minors are served, as well as anyone who appears to be impaired. Service should cease at least one hour prior to the end of the function.

Events for Children

Sponsoring an event for children presents a different set of responsibilities and liabilities for the sponsoring business to ensure a suitable environment for the children and to avoid potential liability to the business.

For children's events, the sponsoring business is responsible for providing a safe, secure environment. The facility where the event is held needs to be free of hazards that could cause injury or illness to any of the children. It is also up to the business sponsoring the event to ensure that the staff caring for the children is knowledgeable and adequately trained. Being sure that the ratio of adult supervision to the number of children is adequate is critical. It is also important that all staff be trained to release children only to the care of their parent or guardian as identified in their registration for the event.

Negligence is the most common liability that a business may face when they sponsor a children's event, either on the part of the facility or the staff. It makes sense for businesses to be aware of the four elements involved in proving a charge of negligence. Those are:

- **Duty** – Generally, there is a duty to act or not to act.
- **Breach** – The duty to act or not to act was breached. In other words, someone either failed to act when there was duty to do so, or acted irresponsibly when there was a duty to refrain from action.
- **Proximate Cause** – There was a causal relationship between the breach and the resulting damages.
- **Damages** – Real damages, either property or personal injury, are the result of the breach.

There are policies and procedures that businesses can put in place to minimize their liabilities and ensure that children in their charge are protected. These include, but are not limited to:

- Providing adequate training for the staff responsible for the care of the children during the event, such as:
 - **Emergency preparedness**, including fire and natural disasters such as tornado, flood, bomb threat etc.
 - **Proper food preparation** and storage procedures including refrigeration, cooking, food handling and disposal.
 - The staff should be made aware of any known **food allergies** of the children before any event.

Necessary precautions should be taken to ensure that these exposures are avoided.

- **First aid** and CPR.
- To provide a safe environment, some precautions may include:
 - **Safety gates** to keep children away from dangerous areas like stairs. Gates can prevent accidents such as falls.
 - **Window blinds and curtain cords.** Be sure window blinds do not have looped cords. Check that vertical blinds, continuous looped blinds, and drapery cords have tension or tie-down devices to hold cords tight.
 - **Outlet covers.** All outlets should have proper outlet covers to prevent electrocution.
 - **Recall products.** Check that no recall products are being used and that a current list of recalled children's products is posted prominently. Recalled products may pose a threat of injury or death.

Before Signing on to Sponsor a Community Event

To make an informed decision about sponsoring an event, consider the following:

- What are the capabilities and experience of the organization that will hold the event?
- Where will it be held? Is the facility well maintained?
- Have all participants signed a hold harmless waiver?
- Has your business obtained a copy of the certificate of insurance from the organization you will sponsor?
- Has your business been named as an additional insured on the certificate of insurance?
- Are you comfortable with the limits on the certificate of insurance in the event something happens?
- Does the certificate of insurance include policy dates?
- As the sponsor, if possible, has your company secured hold harmless and indemnification agreements from the organization you will sponsor?
- If alcohol will be served, has your business set guidelines as mentioned previously?
- Will alcohol be served by professional bartenders? Will non-alcoholic beverages and food be available?
- If the event includes children, has your business taken steps to provide a safe and secure environment for them?
- Is the staff responsible for caring for the children knowledgeable and adequately trained?

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