Risk Management

Protecting your travelers and your organization

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Travel Insurance & Your Travelers

• WHY? *If you can’t afford to lose it, then insure it* – Protect a travel investment like any other investment.
  - A sudden sickness or injury to a family member or traveling companion before your trip.
  - There’s an emergency or sudden death in the family while on a tour and a traveler needs to leave a trip early.
  - On-tour medical emergency requires traveler be flown home in a business class or first class seat.
  - Traveler has an emergency medical need in a developing country and needs to be medically evacuated to another country. Can cost thousands of dollars!

• Trip Cancellation and Interruption helps your travelers recover non-refundable trip deposits and payments

• Medical Coverage for outside the U.S.

• Travel Professionals to assist you, 24/7, with any challenges you may face away from home
What to look for in a Plan

• A clearly written policy design that offers different levels of coverage and price options
  – Let travelers choose what level works best for their lifestyle and needs

• Easy to understand Early Purchase windows and how coverages are impacted

• Option to cover pre-existing conditions
  – Usually available with a limited purchase window (i.e. purchase within 14 days of making the initial trip deposit)
Must Have Coverage Inclusions

• Cover 100% of out-of-pocket travel costs
• Trip interruption and delay
• Medical expense
• Emergency evacuation
• Baggage & loss of personal effects
• Tour Operator Bankruptcy or Default
• 24/7 Emergency Assistance

Other Coverage Options to Consider:
  – Terrorism
  – Pre-existing conditions
  – Cancel for any reason
When Should Travelers Purchase Travel Insurance?

- As soon as any pre-paid, non-refundable costs are incurred
- Within the purchase window to cover pre-existing medical conditions or terrorism (usually 14 days from time of initial trip deposit)
- Most travel insurance policies can be purchased up to 48 hours before a trip departs
Where Should Travelers Buy Travel Insurance?

• Your Organization
  – You can share insurance policy information with your travelers
    – NOTE: New in 2013!
      • Only individuals ‘licensed’ to sell insurance can recommend travel insurance to travelers
      • A travel planner can ‘share’ travel insurance information with your travelers but can not recommend or solicit any policy

• The Tour Operator
  – Your tour operator most likely has an insurance company they work with and they can send travelers this policy information
    – NOTE: Most insurance policies available through tour operators will NOT cover the financial default of that specific tour operator

• Other Options
  – Let your travelers know there many options available in the insurance marketplace. (i.e. AAA, many policies available on the internet, etc.)
Evacuation/Medical Blanket Policy

Organizations can limit their liability and protect their members by covering all their members with an Evacuation/Medical policy. It is an easy way to provide peace of mind to your members and insure their safe return home.
Protecting Your Organization
Insurance:
- Is your program covered under the organization’s general liability insurance plan?
- Do you need a supplemental errors and omissions policy for the program?

Release of Liability Waiver:
- It’s important to have one!
  - Having a single release that covers both the tour operator and organization is fine.
  - Make sure a signed copy is on file for all travelers before trip departs
- Make sure it includes a clause that your organization is NOT responsible for the tour operator’s bankruptcy or failure to perform
- Have it vetted by legal counsel that knows the travel industry
Your Tour Operators:

- You should have guidelines for selecting tour vendors.
- Do they have a proven track record in the industry?
- They should have an insurance policy that includes Professional Errors & Omissions Coverage:
  - You have a copy of the operator’s liability certificate on file.
  - Your organization is listed on the certificate as ‘an additionally insured’.
  - The certificate includes a ‘hold harmless’ or indemnity clause.
- Do they have an Emergency Communications plan in place?
  - Can they provide examples of how on-tour emergencies were previously handled?
Your organization should be listed in the responsibility clause on the tour brochure

Your organization should have a Tour Operator Manual and Contract (or Tour Agreement).

**Other Things to Keep in Mind:**

- How you describe your trip in print and by phone:
  - Do not ‘hype’ the trip too much
  - Avoid statements such as “you will have the time of your life” or “100% worry-free”
  - Be very careful not to describe a feature of the program unless you know what you are saying is accurate.

- CDC and other warnings – who is communicating these?
  - Munn v. Hutchkiss

- Key to avoiding litigation is to avoid negligent selection & to disclaim responsibility for 3rd party negligence.
Legal counsel: Have someone lined up who is familiar with both your overall organization and the travel program, ‘before’ you need help!

Finally, make sure your risk management plan fits into the individual requirements of your own organization.
IRS Regulations & Your Tax Exempt Status

What You Need to Know

- You need to be aware of the legal status of your organization and any effects that this status might have on your program.
- You probably work for a **nonprofit organization with an educational mission**. If so, your organization does not pay federal income tax on most of its income.
- To the IRS, your organization is probably an **EO (Exempt Organization)**, and you are responsible to ensure that your programs do not endanger that status.
An organization may qualify for exemption from federal income tax if it is organized and operated exclusively for one or more of the following purposes. Charitable, Religious, Educational, Scientific, etc....
From the IRS Regulations

What is 501(c)(3) Anyway?

“To be tax-exempt under section 501(c)(3) of the Internal Revenue Code, an organization must be organized and operated exclusively for exempt purposes set forth in section 501(c)(3), and none of its earnings may inure to any private shareholder or individual. In addition, it may not be an action organization, i.e., it may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.”
What About Your Travel Program?

Yes, the IRS Cares about Your Program

Regarding revenue derived from your travel program, your organization has two options:

1. Pay tax on the net income.
2. Don’t pay income tax on this revenue. In this case, your travel program must be “substantially related” to the tax-exempt educational purpose of your organization.
How Related to Your Organization?
Specifically, the IRS Says...

Publication 598: Tax on Unrelated Business Income of Exempt Organizations

Travel tour programs. Travel tour activities that are a trade or business are an unrelated trade or business if the activities are not substantially-related to the purpose for which tax exemption was granted to the organization.
Is That All?

That’s Enough, but Not Quite All for the IRS

- How do you derive income from your programs?
- Do your members make contributions to your organization in connection with taking your tours?
- If so, do your members seek to deduct these as “charitable gifts” on their personal income tax returns?
Charitable Gifts are Tax Deductible, Right?

Voluntary Gifts are Deductible

- In order for a member of your organization, to deduct his contribution on his personal income tax return, the gift must be voluntary.
- And, you must specify clearly on your brochure that a gift is voluntary.
- Another option is to include income for your organization in the cost of your program.
Unfortunately, the Post Office Also Pays Attention

About the mailing of your tour brochures, questions are:

- Who pays for the mailing of your brochures?
- Are they mailed at standard or nonprofit postal rates?
- If you mail at “nonprofit rates,” then…. 
Postal Service Regulations Stipulate:

Authorization to mail at the Nonprofit Standard Mail (nonprofit) rates is a privilege granted by law only to authorized organizations. Civil and criminal penalties apply to false, fictitious, or fraudulent statements made in connection with a Nonprofit Standard Mail mailing. Under USPS standards, an authorized organization must:

- Ensure that only its own matter is mailed under its Nonprofit Standard Mail authorization.
- Never use the nonprofit rates to send matter on behalf of, or produced for, an unauthorized organization or individual.
- Never delegate, lend, or "rent" its Nonprofit Standard Mail authorization to any other person or organization.
Cooperative Mailings
What Mailings are Eligible?

USPS Eligibility Factors...from the USPS regulations.
In order to determine whether a mailing is eligible for nonprofit rates, the USPS evaluates the answers to these questions (see CSR PS-209):
1. Who devised, designed, and paid for the mailpiece?
2. Who paid the postage on the mailing, either directly or indirectly?
3. How are the profits and revenues divided from the mailing or an enterprise it supports?
4. What risks are entailed with the mailing or with an enterprise it supports and who bears these risks?
5. Who makes managerial decisions about the content of the mailing or the enterprise it supports?
6. What are the participants' intentions and interests?
IRS, mailings etc

- Lots more information in specific sessions of the conference.
- Watch for the “Newbie” track and check content for areas of interest.
- Don’t assume your organization is doing it right, talk with your Business office or Treasury area.
- The laws and how they are applied change annually, stay informed about changes and updates.
U.S. State Department Travel Information & CDC Warnings
Travel Warnings and Travel Alerts

- Know what they are, what they mean and how to use them.

- Understand that a country may be big and they may only cover a certain area.

- Understand when they expire and what that means.

- Use your tour operator, destination expert or other resources who have been in the country lately.
Travel Alerts – 1st Level

The U.S. State Department issues Travel Alerts for short-term events they think you should know about when planning travel to a country. Examples of reasons for issuing a Travel Alert might include an election season that is bound to have many strikes, demonstrations, disturbances; a health alert like an outbreak of H1N1; or evidence of an elevated risk of terrorist attacks. When these short-term events are over, they cancel the Travel Alert.

Travel Warning – 2nd Level

These are issued when the U.S. State Department wants American citizens to consider very carefully whether they should go to a country at all. Examples of reasons for issuing a Travel Warning might include unstable government, civil war, or ongoing intense crime or violence, or frequent terrorist attacks. The State Department wants travelers to know the risks of traveling to these places and to strongly consider not going to them at all. Travel Warnings remain in place until the situation changes; some have been in effect for years.
CDC Warnings

- Be aware of any CDC health warnings for the countries your tours visit
  - How are your travelers being advised of these warnings?
  - What is your tour operator’s policy should a new warning come up before a tour departs (SARS)?

- Resources for your organization and the tour operator:
  - Travax Health Report
  - Control Risks Holding Group Ltd.
Other Things to Consider

• What is the tour operator’s policy for both Travel Alerts and Warnings?
  ➢ Would it cancel a tour or when would they cancel a tour?
  ➢ If a tour is cancelled, are tour funds fully refunded or is a credit for future travel offered?
  ➢ How will it notify travelers?

• What will your office tell travelers?

• During what circumstances will you postpone or cancel a trip?
The Purpose of an Emergency Response Plan is to outline the actions an organization will take in case of serious accidents, incidents, or other emergencies involving participants in a program sponsored by the organization.

The primary purpose is to ensure prompt action in the event of an emergency and to provide a compassionate response to participants and their family members under trying circumstances.
Definition of an Emergency

An emergency is any serious incident or situation occurring during a program that significantly threatens our group as a whole or is an incident involving one or more participants, which may have significant repercussions for that participant(s).
TEAMS:

Emergency Response Leader (ER Leader)
Action Team
Support Team
Outside Assistance for both the Action Team and the Support Team
Initial Contact Flow Chart
Three key components

- Communications – with your travelers, your organization and your tour operator.

- Documentation – write it all down, for now and for later

- Follow a pre-approved action plan. Talk with your superiors and your tour operator about each role and who will do what. Talk ahead of time, so tough decisions do not need to be made in a hurry and long distance.
Follow up

• Documentation is key and follow up with all involved parties

• Letters and written communications to say thank you, we are thinking of you, etc.

• Lessons learned.
In Conclusion

• Risk management can be complicated and multi-faceted.
• Be aware of:
  • How your travelers can protect their investment and themselves.
  • The risk to your organization of sponsoring a travel program and what is available to mitigate this risk.
  • Keep up-to-date on world events