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Today's Presentation:

Top Risks for 2017 and Possible Responses

- Based on various surveys of members of governing boards, executives, risk management experts, and insurance companies
- Three areas studied:
 - Macroeconomic Risks
 - Strategic Risks
 - Operational Risks

Current Climate

- Brexit Vote in the UK
- Possible additional exits from European Union
- Refugee crisis (Europe and U.S.)
- Presidential election in the U.S.
- Terrorism
- Concerns regarding Chinese economy
- Ongoing instability in the Middle East

Definition of Risk

- Possibility of loss or injury
- Someone or something that creates or suggests a hazard
- The degree of probability of a loss
- The chance of loss or the perils to the subject of an insurance contract
- A person or thing that is a specified hazard to an insurance company
- The chance that an investment will lose value

Strategic Risk Issues

- Rapid speed of innovations or new technologies that outpace an organization's ability to manage a risk appropriately without making significant changes to the organization's business model
- Not prepared to manage an unexpected crisis significantly impacting an organization's reputation
- Shifting expectations may trigger stakeholder activism that may significantly impact an organization's strategic plan and vision
 - Who are stakeholders?
 - Shareholders
 - Voters
 - Interest groups

Operational Risk Issues

- Risks arising from reliance on outsourcing, technology vendor contracts, and other partnerships and joint ventures
- Inability to manage cyber threats
- Difficulty in obtaining affordable insurance coverage for risks that have been insurable in the past

Risk: Rapid Speed of innovation/new technologies outpace ability to manage risk without change in business model

Response:

- Conduct an annual risk assessment
- By an expert team (outside risk expert/risk transfer attorney/industry operations expert)
- Without a dog in the fight (who doesn't stand to gain from assessment)
- And who understands your business model (most overlooked element)

Risk: Not prepared to manage crisis impacting reputation

Response:

- Identify likely risks
- Prioritize by risks causing most damage
- Develop a response team and plan
- Get someone else to pay for some of it
 - Via risk transfer vehicles—insurance; indemnity agreements; built into contracts

Risk: Stakeholder Activism

Response:

- Identify possible agitators in advance
- Develop best practices for responding to inquiries
- Document response
- Understand the agenda

Risk: Stakeholder Activism (cont...)

Response:

- Transfer some of the risk
 - D&O insurance (defends officers and directors re shareholder suits)
 - E&O insurance (defends governing board and staff from claims by third parties)
 - Property insurance (damage by activists)
 - Business interruption coverage (arising from property damage)
 - Indemnity clauses in third party contracts
 - Public opinion polling
 - Rapid response team (PR/legal/trained spokesperson)

Risk: Reliance on outsourcing, technology vendor contracts, and partnerships/joint ventures

Response:

- Insurance requirements in contracts
- Actual review of compliance (e.g., need actual policies and not certificate of insurance)
- Understand how your insurance is impacted: Is it primary or excess to contractors insurance?
- Require indemnity that has value and works with insurance policies
- Develop internal best practices and use technology to implement same

Risk: Managing Cyber Threats

Response:

- Cyber insurance is often inadequate in terms of coverages provided and limits
- Prioritize risk and attempt to transfer via:
 - Your insurance
 - Other responsible parties' insurance
 - Indemnity agreements
- Internal training and response teams to mitigate risk

Risk: Difficulty in obtaining affordable insurance coverage for risks

Response:

- Affordability is not always the issue: actual coverage and limits are often the issues
- Explore self-insurance and captive insurance options
 - Combine these with some insurance purchase for catastrophic loss coverage
 - Beware the coverage traps
- Team would include tax advisors, legal, and risk management

Risk: Affordable Insurance

- Consider remaking your response to claims
 - Examples:
 - The Nursing Home Company
 - The lawn care manufacturer
- If joint excess risk pool: beware losing fundamental rights (litigation/jury/appellate)

Thank You and Questions

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