

Don't Roll the Dice

Insurance is there for a reason.

In a classic Simpsons episode, Homer's next door neighbour, goody-two-shoes Ned Flanders, opts to forego house insurance because he feels in his righteous heart that it is a form of gambling. Of course, the next day his home is destroyed by a raging hurricane. In an animated sitcom this kind of tragedy is played for laughs. However, in the real world it is no laughing matter when tragedy strikes and a business is left trying to pick up the pieces without an adequate insurance policy to protect it.

If a hotel were to make a Ned Flanders-esque error in judgment, the repercussions could be nothing less than catastrophic warns Justin Friesen, vice-president of commercial insurance for Group Insurance Solutions of Western Financial Group.

For instance, he says, "Improper coverage often results in an inability to re-open a business and the bankruptcy of a business." That's a pretty compelling reason to source the proper level coverage.

He adds that, "Inadequate limits in property coverage could render a hotelier

responsible for a shortfall in coverage," through a co-insurance clause found in most policies. Also, in the event of a slip and fall or other bodily injury claims "Inadequate liability limits could leave a hotelier responsible for legal judgments and costs."

Clearly the stakes are high with the actual survival of a business hanging in the balance. Despite these stakes, Friesen estimates that 50 per cent of Canadian hoteliers are not sufficiently covered to protect

against the risks they face. Considering the exposure it is hard to understand how so many operators continue to put their business in serious jeopardy.

For those hoteliers looking to ensure they have the right level of coverage for their business, Friesen has several suggestions.

At the top of the list hoteliers should have a policy that adequately covers the replacement costs of both the hotel itself and all of its contents. While this seems





Courtesy of Photodisc/Keith Brofsky

Hoteliers should have insurance that adequately covers the replacements costs of the hotel and its contents.

totally obvious, it is amazing how many properties are lagging in this area.

At Group Insurance Solutions, the company has a department dedicated to ensuring that policies reflect not the market value of a property but the potential reconstruction costs and equipment replacement expenses. With experienced property assessors as part of the process, Group Insurance Solutions is a partner hoteliers can trust to ensure their interests are protected.

It is up to a brokerage to advise clients to meet sufficient limits in their policies. Hoteliers have enough on their plate running the actual business, so when it comes to the right levels of coverage they need to be able to trust that their brokerage is doing its job.

That said, in order to ensure proper coverage is in place Friesen says it is imperative that operators find a brokerage that fully understands the hotel industry. All businesses have their specific issues associated with the risks they face. The hotel biz is no different. So when it comes to choosing a policy it makes sense to be dealing with a brokerage that sees the industry's big picture and can ensure that operators are provided with the facts on the risks they face in order to make an informed decision on how to protect the financial interests of their business.

While many small brokerages do great work, it is hard to argue that specialty brokers like Group Insurance Solutions do not

have an advantage in the top to bottom way they are able to work with their national group clients. From property assessment to claims handling, most busy hoteliers appreciate a brokerage that can handle most of the heavy lifting.

For instance, Friesen is proud of the specialization of service they are able to offer the roughly 1,200 hotels across Canada. With centralized and specialized departments dedicated to ensuring the insurance process is as smooth and seamless as possible, Group Insurance Solutions is able to remove potential headaches from stressed out operators.

One such department devoted to helping clients keep as much money in their pockets as possible is the risk management and loss prevention department. When thinking about insurance, hoteliers generally focus on the exposure they face when dealing with claims. To cut down on their exposure, they should also be thinking about proactively figuring out problem spots that could become an issue in the future.

Having risk management and loss prevention specialists scour a property to identify potential problems — be they identifying faulty wiring, assisting with procedures relating to enhanced employee training or building manuals identifying common procedures designed to reduce risk — should be part of all businesses insurance programs. These valuable services will not only help hotels reduce claims and lower costs, but also help in the defense of claims that may arise.

For instance, implementing a salting and sweeping schedule with respective logs

detailing when and where they occurred can be extremely valuable in defending against a “slip and fall” lawsuit.

Another area that Friesen strongly suggests hoteliers pay close attention to is the exclusions that insurance carriers build into policies. In particular, exclusions for liquor liability (depending on the province) and forcible ejection from a property are areas that operators should look at.

Abuse exclusions covering staff acting inappropriately towards other staff or guests is another area that hoteliers may want to examine more thoroughly.

These are all examples of situations that could result in hefty lawsuits. And with Canadians becoming more litigious in recent years coupled with heavy American tourist traffic across our border, it behooves operators to make sure they protect themselves against potential legal action.

Taking a look at the financial health of the insurance company underwriting a policy is another area that hoteliers should consider. It will not do an operator much good to diligently make their monthly insurance payments only to find that in the event that a claim needs to be filed the insurance carrier is unable to pay out.

To try and make sure that kind of nightmare does not occur, hoteliers would be well advised to heed the advice of their local hotel associations. Industry associations spend a lot of time researching which companies their membership should work with and therefore are a wonderful matchmaker when it comes to potential business partnerships.



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Ensure that the brokerage chosen fully understands the hotel industry.

In TV world Ned Flanders learned a tough lesson. Given a second chance, here's betting he would not make the same mistake twice. In the real world, hoteliers cannot afford to make that kind of mistake. Because if they do, it is the kind of catastrophic error a business would be hard-pressed to rebound from. ●