

Leadership within the western hotel & lodging associations decided to take action when insurance rates climbed to unprecedented levels after 2001. Now, nine years later, all provinces west of Quebec are reaping the benefits of a concept called “Protected Self-Insurance.” The five participating provincial hotel associations call their “Protected Self-Insurance” program the “Hospitality Insurance Program” or HIP. The HIP presently provides coverage to over 1000 hotels, motels, lodges and campgrounds and has resulted in substantial premium savings, customized enhanced coverage, a risk management and loss prevention program and significant returns of premium to participants.

When hi-jacked airplanes hit The World Trade Centre in September of 2001 they took out not just a big part of New York but hammered the world’s insurance sector as well. Not surprisingly, the disaster caused rates to rise sharply as insurance pools sought to make payouts for the billions of dollars lost in the tragedy and deal with increased global risk. Suddenly, hoteliers from small towns to urban centres across the country found themselves between a rock and a hard place with a need for coverage, but not at the high rates to which policies had climbed. Some properties were even considering going without insurance, a huge mistake for any business.

Necessity is the mother of invention. Indeed, with rates at record levels, the Manitoba Hotel Association (MHA) partnered with HED Insurance & Risk Services to implement a “Protected Self-Insurance” program; providing greater overall control and premium stability when compared to the traditional open marketplace concept. Within three months of offering the new commercial insurance program, the MHA “Protected Self-Insurance” program provided 173 of its members properties with an immediate 15 per cent premium reduction, enhanced

coverage, and a level of overall program control not possible within the traditional insurance structure. This was 2004. By 2005, the Alberta Hotel & Lodging Association had come on board with over 300 member properties and soon the Saskatchewan Hotel & Hospitality Association and the British Columbia Hotel Association joined, increasing the number of participating properties to over 1000 and growing. The four western provinces joined forces to create what was then known as WHIP (Western Hospitality Insurance Program); the largest and most successful commercial insurance program in Canada.

From the outset, the program has been a huge success that has worked to keep the industry profitable in the face of rising costs in a key area.

“Through this program we were able to take control of our own destiny,” says Dave Kaiser, president and CEO Alberta Hotel & Lodging Association. “By partially self-insuring we were able to lessen our exposure to the world’s commercial insurance market,” he says, noting that in years where claims are low, hoteliers can actually receive a return of premium from the program. “With traditional insurance programs, this money would go to the insurance industry as underwriting profit. Under the “Protected Self-Insurance” structure, we are able to retain a portion of the premium not required to pay claims which is then distributed back to the participating member properties.”

According to Kaiser, the “Protected Self-Insurance” structure also contributes



RIGHT-SIZING RISK
INSURANCE

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Dave Kaiser, President and CEO, Alberta Hotel & Lodging Industry.



to a feeling of ownership among policy holders. "This has meant that hotel operators are looking at ways of improving their loss prevention efforts and getting more education on various aspects of risk. We are also seeing far fewer members who are under-insured," says Kaiser, remarking that as a result of the HIP's "Protected Self-Insurance"

structure, rates do not fluctuate with the same kind of volatility that characterizes traditional commercial insurance programs. "Collectively, we are taking control of our insurance situation which can only be achieved through strength in numbers created through members of the HIP"

Another important factor that has served to make the HIP a success is partnership. From the outset, the associations were able to join forces with HED Insurance & Risk Services (Hayhurst Elias Dudek Inc.),

an insurance brokerage based in Winnipeg. HED brought much to the table with expertise in delivering unique insurance products with a focus on helping manage risk more effectively, rather than just implementing the traditional approach of "selling" or "brokering" business to the open market. Since 1978, HED has specialized in helping independent Canadian businesses aligned with associations and buying groups manage risk more effectively through the "Protected Self-Insurance" structure.

This past fall saw HED purchased by Alberta's Western Financial Group. Given the previous success at HED, now branded as Group Insurance Solutions, Western Financial Group's vision has not changed. Justin Friesen, vice-president of commercial insurance emphasizes "that we will continue to provide the same innovative products by the same staff with the same level of service. Group Insurance Solutions has found a niche within the insurance marketplace and we intend on continuing to provide an alternative approach to traditional insurance by helping independent Canadian businesses manage risk more effectively.

Our commitment will continue to extend to things such as willingness to learn and understand specific businesses and the risks they face. We are also there to consult regarding the right level of coverage and unique specific needs."

What are the features and benefits of HIP? Firstly, Friesen points out that hoteliers would see an immediate rate reduction from their current policy. They would also be pro-



tected from market swings because future premiums are primarily based on the program claims and are sheltered from world events. As well, a portion of premiums paid to the insurance companies are eligible for a return of premium in good policy years, thus providing a level of ownership.

Already HIP is looking after more than 1000 hoteliers across the west, making the program the largest hotel insurance plan in the country.

Given the benefits of the program, it's no wonder that associations have been singing its praises since the beginning. Concluding, the AHLA CEO states "We're very positive about HIP. In fact, it has become one of the most valued programs we offer our members." ●

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