

2009 HOSPITALITY LAW CONFERENCE

HOSPITALITY INSURANCE 101



Presented By Rich Clark



Presenter



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What Is Insurance?



Transfer of Risk



Why Do I Need It?



- ❖ Protect Assets
- ❖ Required By Lenders
- ❖ Required By Franchisors



Types of Coverage



- ❖ Property
- ❖ Liability
- ❖ Excess Liability or Umbrella
- ❖ Automobile
- ❖ Workers' Compensation
- ❖ Crime
- ❖ Employment Practices
- ❖ Identity Theft or Cyber Risk
- ❖ Employee Dishonesty
- ❖ Employee Benefits



Rules of the Road



- ❖ **All Policies Are NOT Alike**
- ❖ Ask Questions
- ❖ Never Assume
- ❖ The Words Matter
- ❖ Choose a Specialist
- ❖ Get References
- ❖ Carrier Ratings
- ❖ Practice Good Risk Management
- ❖ Lower Claims = Lower Premiums



What Types Of Coverage Should I Consider?

❖ Property:

- Including Building, Contents and Business Interruption

❖ Coverages:

- Fire
- Windstorm
- Earthquake
- Flood
- Water Damage
- Vandalism

All Policies Are NOT Alike



Key Things To Look For



- ❖ Remove Co-Insurance Clause
- ❖ Replacement Cost Coverage
- ❖ Blanket Coverage for Multiple Properties
- ❖ All Risk Coverage Including Flood and Earthquake



Limitations or Exclusions to Look For

- ❖ Fences Unattached
- ❖ Signs
- ❖ Paved Surfaces
- ❖ Backup of Sewers and Drains
- ❖ Business Interruption Period of Restoration Limitation
- ❖ Business Interruption Extended Period of Indemnity Only 30 Days



Primary Liability Coverage Including Liquor

- ❖ Covers Bodily Injury, Property Damage and Personal Injury to Third Parties (Not Employees)
- ❖ Typical Limits:
 - 1 Million Per Occurrence
 - 2 Million Annual Aggregate
- ❖ Coverage Examples:
 - Assaults
 - Drownings
 - Slips and Falls
 - Food Poisoning
 - Liquor Liability Claims

All Policies Are NOT Alike



Key Things To Look For



- ❖ Limits Should be Per Location
- ❖ No Assault and Battery Exclusion
- ❖ Liquor Liability Should be Included
- ❖ Understand the Pollution Exclusion (Carbon Monoxide)
- ❖ Spa Exclusion
- ❖ Construction Exclusion
- ❖ Liquor Liability Restrictions
- ❖ Franchisor As Additional Insured
- ❖ Compliance with Management Agreements, Franchisor Requirements and Lender Requirements



Excess or Umbrella Liability Policies

How Much?

- ❖ Franchisor Requirements
- ❖ Lender Requirements
- ❖ Comfort Level vs Cost



All Policies Are NOT Alike

Many Onerous Exclusions Available

Ask Questions and Never Assume



Automobile



- ❖ Liability
- ❖ Physical Damage
- ❖ Hotel Vans
- ❖ Driver Requirements



Workers' Compensation



- ❖ Coverage is Statutory
- ❖ Premium is a Big Portion of Overall Insurance Costs
- ❖ Audited Based on Payroll by Class



Crime



- ❖ Employee Dishonesty
- ❖ Robbery or Burglary
- ❖ Theft of Guest Property (Innkeepers Statutes)
- ❖ Safe Deposit Box
- ❖ Computer Fraud
- ❖ Funds Transfer



Employment Practices Liability



- ❖ Covers Wrongful Acts Against Employees
- ❖ Coverage Examples:
 - Discrimination (Sex, Age, Gender, Religion)
 - Wrongful Termination
 - Failure to Hire
 - Failure to Promote
 - Third Party Discrimination can be Added



Cyber Risk / Identity Theft



- ❖ New Exposure
- ❖ Protects Against Theft of Guest and Employee Information
- ❖ Covers Damages and Litigation Costs From Suits Including Class Action
- ❖ You Should Have an IT Review



Summary



- ❖ A Good Risk Management Program is Imperative.
- ❖ Insurance Policies are Complex Legal Documents.
- ❖ Choose an Advisor/Agent/Broker who Knows Your Business.
- ❖ Policies and Coverages Vary Widely.
- ❖ When a Major Loss Happens, the Premium you Paid Becomes Secondary. (Do Not Buy Insurance Just on Price)