



**THE CLARO GROUP**  
CLARITY • VALUE • INTEGRITY®

# Five Important Lessons Hospitality Companies Learned from Hurricane Matthew

April 2017

## *It pays to be prepared...*

- ▶ Invest in the coverage placement process
- ▶ Enlist the help of a knowledgeable broker with an established book of hospitality clients
- ▶ Consider engaging coverage counsel and/or risk consultants to identify unfavorable policy language and potential coverage gaps
- ▶ Have a disaster response plan in place that is readily available to all property managers and other key constituents throughout the organization

# ***Reporting accurate values that are aligned with the policy matters more now than ever...***

- ▶ Named Storm perils often trigger % of value deductibles
- ▶ Deductibles may apply separately to each unit of insurance, which has sustained loss or damage, including:
  - Each building or structure
  - Personal property
  - Time Element values

## Lesson #2 (cont...)

***Reporting accurate values that are aligned with the policy matters more now than ever...***

Structure(s)	Value	% Deductible	\$ Deductible	\$ Loss
Guest Room - Building 1	500	5.0%	25	0
Guest Room - Building 2	500	5.0%	25	100
Restaurant(s)	300	5.0%	15	30
Golf	100	5.0%	5	0
Spa	100	5.0%	5	5
<b>Total</b>	<b>1,500</b>		<b>75</b>	<b>135</b>

Claim Element	Hotel Alpha	Hotel Omega
Loss	135	135
Deductible	(45)	(75)
<b>Claim/recovery</b>	<b>90</b>	<b>60</b>

# *Not all Time Element coverage extensions are created equal...*

This Policy covers the Actual Loss Sustained and EXTRA EXPENSE incurred by the Insured during the PERIOD OF LIABILITY if an order of civil or military authority limits, restricts or prohibits partial or total access to an insured **location** provided such order is the direct result of physical damage of the type insured at the insured **location** or within five statute miles/eight kilometres of it.

c) The actual loss sustained during a period of time not to exceed 60 days as a result of a peril insured against, access to real or personal property is impaired by order of civil or military authority, irrespective of whether the property of the Insured shall have been damaged

(d) Interruption by Civil or Military Authority: This policy is extended to cover the loss sustained during the period of time when access to real or personal property is prohibited by order or action of civil or military authority issued in connection with or following a peril insured against;

# ***Measuring business interruption losses is complicated...***

- ▶ Many variables to consider in establishing a realistic measure of how the business would have performed if no loss had occurred
  - Historical performance, occupancy and ADR trends, peer performance, forecasts, seasonality, weather, data anomalies etc...
- ▶ Certain variable expenses may necessarily continue during the interruption of business
  - Franchise, management, national advertising and various other fees may be owed on business interruption insurance proceeds

# ***Proactive management leads to better claim outcomes...***

- ▶ The insured has the burden of proving and documenting its claim
- ▶ Assemble a cross-functional team to assist with the analysis, preparation and presentation of the claim
  - Consider leveraging external broker, forensic accounting, coverage counsel resource to support your organization through the claim process
- ▶ Designate a team lead to manage external communications and keep the claims adjuster apprised of developments in the claim and restoration process