

**HOSPITALITY LAW CONFERENCE: SERIES 2.0**  
**HOUSTON**  
**APRIL 9-10, 2019**

**MOST FREQUENT HOSPITALITY CLAIMS AND HOW TO PREVENT THEM**  
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**Property Claims**

The five most common causes of hotel property claims account for two-thirds of hotel property claims. Fortunately, they are commonly covered by first party property insurance.

First party property coverage is for damage to a policyholder's own property, not for damage caused to the property of others. First party property coverage policies are where most policyholders find their business interruption coverage.

Business interruption coverage typically covers physical damage at an insured location that results from a covered peril and causes business income loss. These policies will pay for lost income (after offsets for cost avoidance) that would have been earned until the premises are or should have been restored to operation. Also, a financial allowance is often available to hire an outside CPA to calculate the loss.

**Guest Liability Claims**

The three most common causes of hotel guest liability claims account for more than half of all hotel guest liability claims. Such claims are often covered by a comprehensive policy sold as Commercial General Liability (CGL) insurance.

Third party coverage in the form of CGL insurance is coverage for a policyholder's liability to others. This coverage can pay for the cost of lawsuits brought against the policyholder. If a claim is potentially covered and not excluded by the policy, the insurance company will pay for a lawyer to defend the policyholder. If a claim is actually covered, the insurance company will also pay the policyholder's liability after trial or settlement.

CGL policies typically require that the policyholder give prompt notice of a potentially covered claim and that the policyholder cooperate with the insurance company in its investigation of the claim and its defense of the policyholder. Insurance companies sometimes threaten to deny coverage if they do not get all the cooperation they want. But there is no duty to cooperate after

a denial of coverage and a defense under a reservation of rights can limit the extent of the duty to cooperate. Policyholders should be mindful of privilege issues as well. CGL policies have exclusions from coverage that apply in certain circumstances.

### **Workers Compensation Claims**

The three most common causes of workers compensation claims account for more than two-thirds of all workers comp claims. The insurance available for such claims is usually confined to workers compensation insurance. A policyholder can reduce workers comp claims with the following techniques: perform pre-employment checks/physicals; limit housekeepers to cleaning 15 rooms per day; require employees to use equipment and procedures that reduce injuries (mattress lifters, light vacuum cleaners, proper work shoes, cart load limits); implement a return to work program.

### **Conclusion**

The most common claims in the hospitality industry usually have corresponding insurance coverage. Assess your risk and make sure you have the right coverage to manage it. If you have difficulties with an insurance company after a claim, seek advice and counsel about how to proceed.