Silver Bullets for Hospitality Insurance Programs

Gallagher Hospitality Practice

Arthur J. Gallagher & Co.
Every industry, but perhaps hospitality in particular, is concerned with safety at its locations and the performance of our security experts. These factors have a long-reaching impact on the bottom line. If guests are injured or victimized at a lodging property, not only will there be an immediate response (a reduction in reservations and the perception that

As the former lead executive of Wausau Insurance’s Hospitality Loss Prevention Division, I gained significant insight into what processes and procedures insurers find merit. First, let's review some basic, Insurance 101 terms.

- **Underwriter.** These individuals are responsible for evaluating the risk, including your business processes and controls and establish your insurance premiums. To assist them in their evaluations, underwriters engage the services of loss prevention consultants.

- **Loss Prevention Consultants** are responsible for visiting the corporate offices and, sometimes, a few properties, to identify the risks encountered and loss control measures implemented by the company. Loss prevention consultants will be reporting their findings to the underwriter.

- **Claims Managers.** Claims Managers will help you navigate the process of filing a claim. Additionally, in most cases, they will do their best to settle the claim quickly and to your benefit. In cases where fraud is suspected, they are the ones who will place undercover insurance fraud investigators on a case.

the property is unsafe) but also long-term financial consequences resulting from increased insurance costs and loss of business. Our responsibility includes the safety of the guests and their property.

One recent example, which began unremarkably, cascaded into a headline-grabbing event which ultimately had a huge negative impact on the property:

A client with a large, branded hotel property in a resort city had been experiencing a rash of car break-ins and car thefts. Unfortunately, these criminal incidents escalated to a point where two guests were held hostage by armed “home invasion-style” robbers. After several hours, the victims were freed from their ordeal when the robbers exhausted the limit on their ATM cards and left the guestroom. The guests contacted the front desk and the local police were summoned and the press followed shortly thereafter. Video of the elderly couple, understandably quite shaken by their experience, was circulated widely, even getting national coverage. It was not long before the repercussions impacted the hotel. First, a scheduled national meeting of a Fortune 1000 company was cancelled due to security concerns, and reservations reported a 35% decline in leisure traveler's reservations over the same period the previous year. The client estimated it lost in excess of $350,000 in revenue as a result of this one incident.
Now that we understand some of the key players, the following, “Silver Bullets”, will help your company present itself in the best light to the insurance carriers:

1. **Does the company have a dedicated risk manager?** Insurance companies want one individual to be in charge, to coordinate the company's loss control program. There does not need to be a full time risk manager (if the company's size does not warrant it) but there should be one “go to” person in the organization. Carriers also like to see if customers “walk the talk” when it comes to loss control. By appointing one corporate manager to function as the risk manager and manage the company’s loss control program, carriers feel that the company is determined about controlling losses.

2. **Is there an active safety culture?** Does the company have a written safety program? Is safety an issue and a priority with top level management and is that focus communicated throughout the ranks? A written safety program demonstrates this commitment to the insurance company. Additionally, loss prevention consultants review and edit safety programs as part of their service, so don’t be shy about requesting this (free) service. Although a “safety culture” might appear to be an intangible, this is a very important “silver bullet.” For example, at a recent kick-off meeting to introduce a new insurance program to the small company’s general managers, the president and owner of the company told the group that he had paid over $500,000 in claims and insurance over the last few years and was not happy about it. He told the group he did not want to write those checks in the future and expected his managers to make changes to make that happen. He stated he would be more than happy to write those checks to the general managers in the form of bonuses. The group applauded loudly. Two years later, this small company has one of the best loss histories of all our clients. That’s a safety culture.

3. **Accountability.** Is there an accountability program in place to provide incentives to managers for reducing and managing losses? Even better is an incentive that ties into a managers’ bonus plan. Carriers want to partner with insureds that have “skin in the game.” An insurance company views a company willing to place their economic success in managing their loss control program as a good partner. The most effective accountability programs are simple, have attainable goals, and are easily administered. Objective criteria such as reducing the frequency or severity of claims can be coupled with more subjective criteria such as instilling a positive safety culture in the hotel to produce effective programs.

4. **Safety Committee.** Does each location have a safety committee? Does the committee meet monthly? Is membership comprised of line employees and managers? Are all departments represented? Does the committee investigate accidents and near misses? Does the committee conduct monthly property inspections? Are the committee minutes posted in the breakroom? These are all key areas that carriers focus on when evaluating the effectiveness of a hotel’s safety committee. Numerous safety studies have shown that a key element of an effective loss control program is a viable safety committee. Most clients report positive results from engaging employees in safety activities. There are typically more line
Numerous workers compensation claims studies by insurance companies have shown that once a worker ceases to identify with their work group, it becomes much more difficult for them to return.
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About the author

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