



## Your Annual Insurance Check-Up – Why Bother?

A hotel may be a well managed operation that is consistently profitable and viewed favorably by its guests. Management and prosperity aside, however, things can change in a moment's notice by a property loss that damages the building and causes a full or partial suspension of business.

Although all business concerns face the risk of loss to their property, the loss can be prevented or minimized by sound risk management, and/or indemnified by the purchase of a comprehensive insurance program. On at least an annual basis, hotel management should review its insurance program with its agent or broker. Any substantial changes in the hotel facility, such as upgrades or additions to the building, should be communicated to the agent or broker.

Following is a "guide to discussion" when hotel management meets with the agent to review the insurance policy:

1. What is the value of the property, including furnishings? Has it changed in the last year? Is the amount of insurance sufficient?
2. Is coverage on a replacement cost (new for old) or actual cash value (subject to depreciation) basis? Replacement cost coverage is recommended.
3. Has an accurate assessment of the replacement value or actual cash value of the building been determined? If not, it should be to avoid a potential coinsurance penalty.
4. Are there works of art or antiques on the property? If so, are they insured separately from the building and contents?
5. Is there an exposure, even if moderate, to flood or earthquake? If so, has insurance been considered to protect against these exposures?
6. Does business interruption (loss of income) coverage apply? This is essential if the hotel, or a portion of it, is shut down because of a covered loss, such as fire, explosion, etc. Does the hotel have sufficient business interruption coverage to handle an extended shut down?
7. Is there coverage for damage to or theft of guests' personal property? State laws vary on what amount of liability is imposed on hotels for such losses, but innkeeper's liability coverage is available.



8. Does the policy include ordinance or law coverage? Building code laws usually grandfather in existing buildings. After a significant loss, however, the rebuilt structure must comply with current codes. That could mean rebuilding with additional fire walls or sprinkler systems, or rewiring the electrical system to comply with modern code requirements. This coverage is critical to rebuilding after a substantial loss. Make sure you have this coverage and that it includes the undamaged portion of the building.
9. Check if there are enhancements to coverage that may be available to meet your hotel exposures. Ask your agent if there are any exclusions or limitations in your policy, such as those for loss by mold or fungi, that may be eliminated by purchasing a "buy back" endorsement.
10. Other coverages to discuss with your agent, many of which are essential, include:
  - Debris removal coverage
  - Valuable papers and records
  - Outdoor signs
  - Money and securities
  - Glass breakage
  - Sprinkler leakage
  - Back up of sewers and drains
  - Outdoor property

The time it takes to discuss these details with your agent should provide peace of mind. In addition, the discussion could save hotel management a significant sum, by minimizing the risk that you will be uninsured in the event of a future loss.