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Ms. Sarmiento

Insurance

## Risky Business: New Amenities Bump Revenue – and Claims

By [Fran Sarmiento](#), Executive Vice President, Venture Insurance Programs

With strong growth continuing and more revenue at their disposal, U.S. hotels are looking for new ways to attract guests. That often means adding or enhancing amenities, which today means much more than an ice machine and fitness center. From water parks and rooftop nightclubs to the concierge turned tour guide, hotels are looking to differentiate themselves.

As you start dreaming of the next renovation or service, you should also heed a word of caution: Unique amenities hold the potential to differentiate your hotel, but what sets you apart can also increase your risk and your insurance claims.

Does this mean you should stop dreaming? Not at all: you can add amenities that are lucrative, unique and safe, as long as you understand and prepare for their inherent risks with a strong risk management and safety program, as well as adequate insurance.

### Waivers and Risk Transfer

Before examining some of the most popular amenities at hotels today, it's important to look at some risk management and insurance tools that apply to almost any amenity or service, whether you are adding a water park or just renting skis.



One important tool is the waiver. When guests sign these documents, they agree the hotel is not responsible for accidents, injuries and other harm to them or their possessions. While no waiver can eliminate a hotel's liability, especially if you are negligent, these documents can help minimize your financial responsibility when a claim is filed.

Waivers also serve another purpose. They inform guests of a risk; it encourages them, for example, to monitor their children closely in the water park. We recommend that hotels make waiver signing part of

the check-in process so that it becomes automatic for both staff and guests.

Second, if you are using outside subcontractors rather than in-house staff, make sure subcontractors have their own liability insurance covering whatever service they provide for you – and they have enough insurance to cover claims. So make sure they have insurance limits that are equal to your own.

You should also try to get listed as an "additional insured" on a subcontractor's insurance policy. This way if they make a mistake affecting your guests, you are covered under their policy. Some subcontractors' insurance companies will not allow additional insureds, but you should try. Not only can it save you cash needed to pay the deductible on your policy, it improves your loss history, which bodes well for your rates in the future.

### Water Parks

Indoor and outdoor water parks are one of the amenities that are multiplying throughout the

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Discussions on Emerging Growth Markets

### SEPTEMBER: Hotel Group Business for 2014



## Hybrid Meetings Not a Fad, Not a Threat

By [David M. Brudney](#), ISHC, Principal, David Brudney & Associates

Hoteliers and venue operators have debated over the threat to physical, face-to-face meetings and events by the evolution of new hybrid and virtual technology. At the core of concern is fear that by participants' desire to save time, travel and expense, they will choose technological connectivity over attending physical events in person. Impressive new results by convention management organizations, however, have demystified attendance drop off fears or, worst-case scenario, face-to-face events becoming obsolete. Verifiable results now indicate that, on the contrary, hybrid and virtual technology is now complementing face-to-face events - and previous virtual attendees are now registering for future physical events due to having participated the previous year via hybrid and virtual. [READ MORE](#)



## Hotel Group Business for 2014

By [Armand Guillemot](#), Director of MICE, Great Hotels of the World

This article will analyze the extent to which pricing has changed within the meeting and events market. It will go into further detail on the type of trends the hotels' have seen in relation to this subject as well as what they have been doing to invest in new technologies to respond to this aspect of today's competitive marketplace. [READ MORE](#)



## Convention Trends Shaping the Meeting Industry

By [Todd Ryan](#), Director of Sales & Marketing, Sheraton Phoenix

hospitality sector, and for good reason. What better way to appeal to families traveling with children? Add a park with tube slides, wading pools and lazy rivers and parents can turn their hotel stay into a must-have adventure for their children.

However, like pools, water parks can be dangerous places if they are not properly guarded and protected. As a result, they can be some of the biggest exposures at hotels, and are an area where insurers are seeing an increase in claims frequency. Risks range from the routine slips and falls to a tragic drowning. While not all drownings result in death, survivors who require cardiopulmonary resuscitation (CPR) may suffer permanent neurological disability.

There are more subtle risks, as well. For example, stagnant water in lazy rivers can lead to contamination, and water-borne illness can close the facility and damage a hotel's reputation.

A solid risk management and safety program can mitigate these risks. Among the guidelines you should follow are:

- Hire certified lifeguards and make sure they are on duty any time the pool is in use. If you do not use lifeguards, "Swim at Your Own Risk" signs should be posted clearly and emergency telephones should be readily available.
- Rescue equipment should be well maintained and accessible to the lifeguard and guests.
- If the park is outdoors, use a latching gate to control the flow of traffic in the area.
- Test water quality regularly — particularly in the lazy river — and clean frequently.
- Tall tube slides and other high pieces of equipment should have platforms every three or four steps to help guests climb safely or turn around if they change their minds.
- All public pools should comply with the Virginia Graeme Baker Pool and Spa Safety Act, which became a federal requirement on Dec. 19, 2008, and prevents entrapment from drain suction.

Hotels should review these and any other safety precautions periodically to ensure they are being enforced and maintained, and to determine if new safety regulations are necessary. When evaluating your insurance coverage, be sure to ask about your medical payment limit. If you have a water park, you need a high medical payment limit. While some insurance companies try to exclude this coverage, work with your insurance agent or broker to secure a \$15,000 limit, the highest available.

#### Daycare and Babysitting

Daycare and babysitting services are another amenity that helps hotels appeal to families. In some cases, a daycare operates as part of the hotel, and babysitting services are typically subcontracted. These services can provide a bit of freedom for parents, but whenever caring for other people's children, it's important to have adequate liability coverage.

All staff members who work with children, whether in daycare, babysitting or other areas of the hotel, should be subject to rigorous background checks, including criminal and sexual registry checks, and trained to handle medical emergencies. If you recommend a babysitter or babysitting service, secure similar background clearances. Though these are imperfect tools in the fight against child abuse, they are some of the best risk management tools currently at our disposal.

As mentioned above, if you subcontract babysitting services, make sure they have liability insurance equal to your own and ask if your hotel can be listed as an additional insured on their policy.

#### Casinos and Nightclubs

Nightclubs allow hotels to appeal to a younger, more diverse clientele beyond their guests. However, a nightclub can also open a hotel to a host of worrisome exposures, especially since serving alcohol carries with it the risk of heavy or underage drinking.

Performers are integral to the nightclub scene. A rotating cast of bands and DJs and their costly equipment can lead to property damage claims, not to mention the risks related to pyrotechnics. Rooftop nightclubs are increasingly popular, particularly on the West Coast, and raise the risk of severe falls.

In addition, as more and more states legalize gambling, casinos are providing a lucrative business opportunity for both hotels and their surrounding communities. However, like nightclubs, they open up exposures related to alcohol, particularly with non-guests coming and going. Casinos are also prone to employee theft at a level to which hotels are not accustomed.

Protect yourself with these and other risk management and insurance suggestions:

- Be proactive in preventing liquor liability claims, whether it's a casino, nightclub or just a bar. Make sure employees are fully informed and prepared for challenging situations, like cutting off an intoxicated customer. Institute liquor liability training for all employees who serve alcohol to guests and the public. You can use proven programs like TIPS (Training for Intervention Procedures) and SMART (Serving Managers Alcohol Responsibility Training).

#### Downtown Hotel

Many convention trends and factors are shaping today's meeting industry. No one can say what will happen for certain in the future of the industry, but it is important to be aware of, monitor and analyze key trends happening all around us. With uncertainty in the economy, multiple generations, shorter booking windows, advances in technology and changes in the way we communicate, hoteliers and meeting professionals will need to revisit Charles Darwin's reference to the "survival of the fittest" by adapting to the trends that are impacting the industry. [READ MORE](#)



### Convention Hotels: The Hosts of Group Business

By *Robert Mandelbaum*, Director of Research Information Services, PKF Consulting

The U.S. lodging industry is well into its fourth year of recovery from the great recession of 2009. One of the pleasant surprises of the current recovery has been the very strong return of lodging demand. From 2009 to 2012, Smith Travel Research (STR) reports that the total accommodated room nights at U.S. hotels has increased by 15.5 percent, the greatest three-year increase in demand observed in the past 25 years. [READ MORE](#)



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- Protect your hotel if liquor liability claims do arise with sufficient liquor liability insurance limits. Check with your insurance agent to ensure that you are adequately covered.
- If you've added a rooftop bar, make sure you have adequate railings and implement a careful monitoring system. You may also intensify your alcohol serving policies.
- Some hotel owners never think they will use employee dishonesty coverage, but it is essential, especially if you have a casino. These losses can be substantial so be sure you have this coverage and work with security experts to institute best practices for theft prevention.
- Since casinos generate a relatively high number of claims related to employment practices – discrimination, sexual harassment and the industry's notoriously long hours – employment practices liability (EPL) insurance is an essential coverage. This coverage protects you in the event a former employee pursues legal action related to discrimination and harassment, as well as breach of contract and wrongful termination.

**Redefining the Concierge**

Hotels today not only try to engage guests indoors at their nightclubs and casinos, they're also taking them outside with tailored experiences. Central to these experiences are concierges, who have become much more than purveyors of pamphlets and directions. They are experts on local attractions and activities, offering experiences that expose guests to the history, foods and attractions of the community surrounding them. The experiences are often exclusive and create value for guests. However, along with value comes new risks. For example, if a concierge recommends a particular white-water rafting guide that turns out to be unlicensed, the guest may seek to hold the hotel responsible in the event of injury. In cases like this, an injured or dissatisfied party could imply liability on the hotel. This is another example of why it is important for guests to sign waivers releasing the hotel of responsibility for anything that happens in or out of the hotel.

**Valets and Vans**

Shuttle services are a great way to get guests to and from airports, restaurants and other attractions, but as with any business offering transportation, you must be prepared. Of particular interest to insurers is the 15-passenger van. Larger than other passenger vans, they can give the inexperienced driver difficulty negotiating corners, backing up and making other maneuvers.

These vans also have higher centers of gravity, which makes them less stable, harder to handle and subject to rollovers. As a result, experienced, well-trained drivers are key. But even when you have the best drivers, most risk managers, insurers and safety experts recommend 12-passenger vans and will rate their insurance accordingly. When it comes to parking, most upscale and luxury hotels offer valet services and need to be sure they have care, custody and control coverage to protect them from damage to the guest vehicle. While there are few high severity claims related to valet parking, accidents and vehicle damage is frequent. Valet staff should be properly licensed well trained and their performance monitored. Talk to your insurer about driver safety programs for your valet or van drivers.

Finally, since there is a high frequency of stolen or damaged vehicles in hotel parking garages, care should be taken to ensure garages are well lit and have key control access at the parking gate or office.

**Prepare for Changing Risks**

The frequency with which hotels today are adding new amenities points to an important rule for risk management. Your risks will continue to change, so you should re-evaluate your risks, risk management, safety programs and insurance on an annual basis to make sure you're doing everything you can to protect your hotel and your guests. Risk management and loss control need to become a part of your hotel's culture as you grow and add new amenities. This approach will foster your growth rather than allowing new risks to deter you from adding attractive amenities. Talk to your insurer about what you can be doing to better protect your hotel.

Fran Sarmiento is the Executive Vice President of Programs for Venture Insurance Programs, a national program administrator for select industries, including the hotel and resort industry. At Venture, Ms. Sarmiento manages more than \$75 million of insurance premiums and is responsible for overseeing the underwriting, development and expansion of all programs. An outspoken proponent of providing insurance coverage that is specifically tailored to meet the needs of the ever-changing hospitality industry, Ms. Sarmiento's 30 years of commercial insurance experience includes positions with Liberty Mutual Insurance Company and CIGNA Insurance. She has spent the last 10 years focused on industry specific insurance programs, with one of her main areas of emphasis being the hotel and resort industry. Ms. Sarmiento can be contacted at 800-282-6247 or [fsarmiento@ventureprograms.com](mailto:fsarmiento@ventureprograms.com) [Extended Bio...](#)

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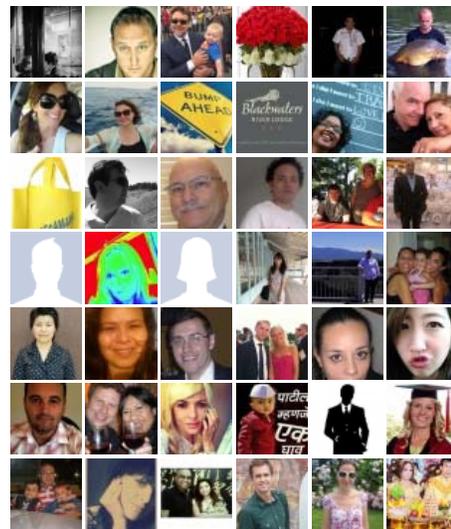
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The last few years have brought an explosion in the number of private lawsuits against employers for wage and hour violations and increased scrutiny by the federal Department of Labor and various other state enforcement agencies. The hospitality industry is not immune from these challenges. In fact, the Wage and Hour Division considers hospitality workers and other low-wage workers to be particularly vulnerable. Over the past year, the U.S. Department of Labor Wage and Hour Division has targeted hospitality employers across the country. Investigators often arrive unannounced and demand

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## Coming Up In The October Online Hotel Business Review



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### FEATURE FOCUS

## Best Practices on Maximizing Revenue Management

As it pertains to the hotel industry, revenue management is a complex set of strategies and tactics which are employed to generate revenue by taking advantage of available segments of occupancy. The primary strategy involves the adjusting of rates and inventory based upon room demand. Factors that typically influence these adjustments are current reservations, historical data, local market analysis and demand forecasting. Revenue management strategists also frequently collaborate with other hotel departments when designing and implementing their tactics, typically gleaned critical information from operations, marketing and financial management personnel. In traditional revenue management, discounted rate tiers are closed as occupancy increases and as occupancy increases, remaining hotel rooms are sold at higher rates. One conventional strategy that many hotels employ involves providing discounted rates to group business. By dedicating a portion of their discounted rooms to groups, it actually enables the hotel to end up with stronger average rates overall. Because the art and science of revenue management is still emerging, there are several significant issues that hotel owners and operators must continue to address; the most decisive is whether to hire a revenue management specialist in-house, or to outsource this responsibility to professional companies that are specialists in this field. The October issue of the Hotel Business Review will address these important subjects and examine how some leading hotels are maximizing their revenue management options.

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*By Mike May, President, Spear One*

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*By Craig Jacobs, Senior VP Group Sales, Preferred Hotel Group*

#### [Ensuring Security Standards in Group Business](#)

*By Paulo Salvador, Global VP Marketing and Sales, Worldhotels*

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