



Bringing Predictive Analytics to the Hotel Industry

[Read Whitepaper](#)

[SUBSCRIBE NOW](#)

INTRODUCING ALL-IN-ONE PLATFORM

COMPETITIVE INTELLIGENCE REPUTATION MANAGEMENT

Unity By RateGain

PRICE RECOMMENDATION ONLINE DISTRIBUTION



Mr. Harvey

Insurance

What Hotels Need to Know to Protect Against Inevitable Data Breaches

By [Philip J Harvey](#), President, Venture Insurance Programs

Data breaches are happening at hotels with increasing frequency, from small boutique properties to some of the largest international brands. Hilton, Starwood, Mandarin Oriental, Hyatt and the Trump Collection were all prominent victims in 2015.

Hyatt discovered malware designed to steal credit card data on computers that operate payment processing systems. At Evans Hotels, back-up card readers used to encrypt payment card data were breached. The front desk system at Peppermill Resort Spa & Casino was breached, compromising guest payment card information.

In a growing trend of criminals exploiting weaknesses in point-of-sale (POS) security, hackers used a malware intrusion of Starwood's POS system to expose credit/debit card information used at retail shops, gift shops and restaurants at its W., Sheraton and Westin brands. Hackers compromised POS registers in gift shops and restaurants at a large number of Hilton hotel and franchise properties across the country. Hackers also accessed POS systems at most Mandarin Oriental properties in the U.S.

Not only are hotels susceptible to data breaches, but they also present complex risk management and insurance challenges, with systems stretching across multiple properties, brands and franchises.

Yet, despite the frequency and severity of these attacks, many hotels are not prepared for the inevitable breach. They do not have data breach response plans, solid risk management strategies or insurance to cover the costs involved when there is a breach. These costs run into the millions and include myriad expenses like computer forensic investigations, guest notifications, legal defense of potentially costly lawsuits and public relations costs to protect and restore a tarnished image.

Vulnerable, But Unprepared

Insurers recognize when a hotel lacks preparation during the underwriting process while evaluating a hotel's risks. I am constantly surprised by how many hotels do not have solid risk management and data security strategies or a data breach response plan.

These plans are comprehensive documents that take into account all the factors involved in breach response. These include the computer forensic team needed to determine the cause and extent of the breach, the legal and compliance team to satisfy statutory and regulatory requirements, specialists to provide guest notification, and public relations to manage media relations and social media. Backing these plans should be training that can range from live simulations to tabletop exercises. Some employers are also using software designed to test the "phishing" awareness of their employees.

This planning process can help assure that guests are notified quickly and with accurate information - a challenge in many data breach cases. During the Hyatt breach in November 2015, it took more than three weeks for the company to notify guests. The delay earned them some angry backlash.

Data breach response is complicated by an array of laws and regulations. State laws govern this response, but not the laws of the state in which the hotel is located. Rather, the state law that applies varies according to where each guest lives. A small breach will affect guests in multiple states, each subject to different regulations.

Another area where hotels often are not prepared is insurance. Even if they carry data



I finally got our security system integrated with our fire system across the whole campus.

Then they built a new building...

And it was no problem."

RED HAWK
Fire & Security
the power of experience™

RedHawkUS.com | 888-991-0117

[Receive our daily newsletter with the latest breaking news and hotel management best practices.](#)

[SIGN UP](#)

[Hotel Business Review on Facebook](#)
Like 8,531 people like this.

RESOURCE CENTER - SEARCH ARCHIVES

Select a topic...

Select an author...

General Search:



Feature Focus
Discussions on Emerging Growth Markets

FEBRUARY: Social Media: Communication Platforms to Build Your Business



Give Your Guests Something to Write Home About

By [Darren Panto](#), Business Development Director, iRIS Software Systems

More and more guests post reviews online, tweet about their experience or post photos about their idyllic holiday getaways. This trend is gaining considerable momentum and many potential hotel guests place a lot of importance on these online opinions and will often make their decisions on which hotel to book based on these recommendations. Hotels can see this as an opportunity to boost their online presence, their brand awareness and grow their online community of fans. What tools can hotels use to encourage guests to post positive online reviews, tweets and photos? How can they increase customer loyalty and see their guests as their best marketers? [READ MORE](#)



The Business Impact of Social Media

By [Beth Benjamin](#), Senior Director of CX Strategy Research Group, Medallia

breach coverage, they may not have high enough limits to cover their expenses or may not be covered for every contingency. This is particularly true when there are third parties involved, such as vendors or business partners, and contractual relationships expose them to liability over which they may have little control. Many hotels do not understand the contracts they have with third party vendors such as payment card processors and data hosting providers.

For example, a recent data breach at a hotel group left more than 5,000 credit cards exposed. The hotel group used a large technology and consulting corporation to handle its card processing and believed the vendor would handle breach response. Unfortunately, the contract with the technology company had a "hold harmless" clause that left the hotel liable for all costs related to guest notification, forensic investigation and other costs.

Complicating Issues

Liability and insurance coverage is more complicated when there is a franchise agreement. On one hand, franchisees may lose some control over cyber security when they are required to use the franchisor's system. On the other, in the event of a consumer lawsuit, the franchisor - who is perceived as having "deep pockets" - will likely be sued along with the franchisee, especially if it exercised control over the way that the franchisee collected or used the data.

This was the case with Wyndham Hotel Group, which just settled a data breach case with the Federal Trade Commission (FTC) in December. The FTC charged that the hotelier itself was liable for data breaches at its franchise locations because the franchisor had made representations on its own website about data security and "allowed" franchisees to use improper software and lax security practices. In addition, the franchisor's data systems did not encrypt consumer information.

When franchisors are evaluating data breach liability coverage, they should consider the cyber security requirements that they impose on franchisees. They should also evaluate whether to require their franchisees to carry data breach insurance and whether those insurance policies can provide protection to the franchisor.

Hotel management companies should also consider their exposure, which may be on a larger scale because they manage many properties. If they use one central payment system and it is breached, it can affect many properties. But if different payment systems are managed at each hotel location, they have multiple systems to manage and protect.

Covering the Risk

Insurance is an essential part of preparing for and responding to a breach, helping you avoid assuming full financial liability for a data breach. So it's important that hotels involve their insurance broker to discuss the risk.

Coverage is available for hotels, including policies for first-party costs (the hotel) and third-party liability (guests and others affected). These policies should cover expenses related to response, including forensic computer investigations and costs to draft and deliver notifications to individuals, the payment card industry or a regulator. These policies also cover costs to set up a call center, deploy credit or identity protection services for affected individuals and hiring crisis management and public relations specialists to help mitigate the potential fallout.

In addition, privacy protection is necessary to cover the costs to defend claims, including negligent network security resulting from events such as the transmission of malicious software or a denial of service attack (when the hotel's systems or website are not available to guests or other intended users). Privacy protection also covers violations of privacy or consumer data protection laws, negligence or breach of contract and regulatory actions. The Wyndham case illustrates the reach of regulatory action, as the FTC and the hotel agreed to a stipulated injunction requiring Wyndham over the next 20 years to improve cybersecurity practices. These included establishing a comprehensive written information security program, obtaining an annual assessment by an independent third party of its compliance with data security standards and obtaining a forensic investigation within 180 days of a breach involving more than 10,000 payment card numbers. It also required the company to obtain an independent assessor's approval of any "significant change" in its data protection policies.

Hotels can add other insurance coverage, as well, including cyber extortion, hacker damage to your physical assets (also called "network asset damage") and cyber business interruption to compensate you for loss of revenue due to a data breach. In addition, cyber crime coverage protects against funds transfer fraud and computer fraud after a malicious system attack allows the attacker to use the banking information to transfer funds. It's different than cyber deception coverage, which is when a deceptive attacker fools an insured into voluntarily surrendering such information. Talk to your broker to find out if these risks are covered in your crime policy or you need them in your cyber policy.

In working with your insurance partners, carefully determine your policy limits (the amount the insurance company will pay for covered losses). It's important to make sure you have sufficient limits to cover each of the costs and liabilities you potentially face. Some breaches have taken up to two years to discover, accruing two years of associated costs.

Finally, most data breach insurance policies come with risk management features designed to mitigate the risk of a breach, as well as with post-breach response services to help manage an incident as it unfolds. The surge in breaches at hotels nationwide shows no sign of letting up. It's time every hotel acknowledges the risk and takes the necessary steps to protect itself.

As the use of social media becomes more pervasive, its impact on businesses becomes more significant. Digital conversations about your hotel are taking place all the time, and if you're not engaging in that dialogue, it's a huge missed opportunity to strengthen your relationship with consumers. By taking advantage of social media interactions, you learn more about your customers and their experiences with your company. Furthermore, you can leverage that information to enhance your operations, create new sources of value for your guests, and influence perceptions about your brand in the global marketplace—ultimately increasing your bottom line. [READ MORE](#)



Use Social Media Communication Platforms to Build Your Business

By Gini Dietrich, Founder and CEO, Arment Dietrich

In the past six years, social media has exploded on the hotel scene, creating an opportunity for many hoteliers to not only engage guests, but measure effectiveness. When Twitter became a household name in 2009, most business owners thought social media was a fad and hotels didn't take it seriously as a platform to communicate with guests. Since then, social media continues to evolve and new networks are introduced that affect the way we deliver news, communicate with guests, promote specials, and manage critics. Learn what is new, how you might incorporate it, and the opportunity you have to measure effectiveness. [READ MORE](#)



Choosing the Right Social Media Channels for Your Hotel

By Stephanie Hilger, Director of Social Media, Blue Magnet Interactive

The first step to social success is figuring out where to be, and even more importantly, why. Social media can be overwhelming at first. There are many different platforms organizations can use to deliver their message to the public. From Facebook to Twitter, Instagram to Pinterest, professional networks such as LinkedIn to video-orientated channels such as Periscope, Vine, and YouTube - there are endless opportunities out there for businesses to interact with their consumers (and that is without diving into extremely specific niche oriented channels). [READ MORE](#)

 **Hotel Newswire**

Free Daily Industry News Updates

Post your hotel business news over the Hotel Newswire and reach over 65,000 hotel executives!

[SUBMIT NEWS](#)

 **Hotel Newswire** The internet's leading business news resource

Philip J. Harvey is president of Venture Insurance Programs, a national program administrator for select industries, including hotels, resorts and golf and country clubs. Through Venture, Mr. Harvey created a leading all-lines insurance program for hotels and resorts called SUITELIFE. Mr. Harvey has more than 35 years of insurance experience in all facets of property and casualty insurance. The hallmark of Venture is an entrepreneurial spirit that identifies market needs and works to develop unique solutions. Mr. Harvey can be contacted at 800-282-6247 or Please visit pharvey@ventureprograms.com for more information. [Extended Bio...](#)

HotelExecutive.com retains the copyright to the articles published in the Hotel Business Review. Articles cannot be republished without prior written consent by HotelExecutive.com.



The 7 Layers of Data That Will Improve your Room Pricing
LIVE WEBINAR - Tuesday, February 23rd - 8:00AM (PST)

From historical booking information to newer consumer-centric data sets like web shopping behaviors and guest reviews, this joint webinar with Duetto and ReviewPro will help you understand future demand more accurately and how different data sets can affect pricing.
<http://info.duetto.com/the-7-layers-of-data-that-wi...>

WEBINAR: The 7 Layers of Data That Will Improve Your Room Pricing

Webinar Agenda: Understand the building blocks of an accurate forecast. How to use new consumer centric data sets like web shopping regrets and denials to improve your pricing. Learn why your online reputation is a critical component of pricing..

INFO.DUETTORESEARCH.COM

9 Comment 1



Hotel Revenue Management. FREE white paper by IDEaS on Why Revenue Management is Becoming a General Manager's Biggest Ally... Gain a better understanding on how a general manager's participation in revenue

Coming Up In The March Online Hotel Business Review

FEATURE FOCUS

Human Resources: Strategies to Find and Keep the Best Employees



The hotel industry is notoriously rife with employee issues and human resource professionals are typically charged with the task of solving them. These issues can often seem daunting, given the myriad of problems HR departments encounter every day. Increasingly, issues such as workplace violence, workplace safety, workforce diversity, drug and alcohol abuse, labor shortages, inter-departmental conflicts, and compliance with all legal, employment and government regulations have become more prevalent in recent years. However, according to a recent survey, the biggest challenges human resource professionals face involves recruiting, training, retaining and rewarding employees. More than one-half (59%) of HR professionals believe that recruiting, training and rewarding their best employees, and developing the next generation of corporate leaders, will be their greatest challenges. About one-third (34%) predict the challenges will be creating a corporate culture that attracts the best employees, and finding people with the specialized skills the organization requires. Of course, all of these efforts are part of a strategy to reduce employee turnover - an issue that continues to plague the industry. An average hotel spends 33 percent of its revenues on labor costs, but employee turnover in the industry can be as high as 31 percent. A high rate of turnover dramatically disrupts operations and profitability, and it falls to HR professionals to address and resolve this area of concern. The March Hotel Business Review will document some of the biggest challenges HR professionals are currently facing, and will report on some of the best practices they are employing to achieve their goals.

is exclusively copyright to HotelExecutive.com and cannot be republished without prior written consent by HotelExecutive.com.

For 15 years, the Hotel Business Review journal has been a leading online resource for hotel executives, providing white papers on best practices in hotel management and operations. With a dedicated board of more than 300 contributing editors - some of the most recognizable names in hotels - the Hotel Business Review maintains a progressive flow of exclusive content every week, so that owners, operators, senior executives, investors and developers can stay informed on the constant changes in the hotel industry. k