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Mr. Welty

Insurance

Understanding the Financial Issues of a Business Interruption in the Aftermath of a Hurricane

By [John Welty](#), Practice Leader, SUITELIFE, Venture Insurance Programs

Hurricanes can be frightening experiences, particularly for those on the coast. For hotels, which occupy much of the country's coastal landscape, they can bring revenue to a halt. Business interruption coverage is key to help hotels get through these catastrophes without having to board up their businesses for good. To ensure they are properly protected, hotels should understand the financial issues that could arise as a result of a hurricane, and the myriad coverages that are available to assist with those costs. In this article, we explore the ins and outs of business interruption coverage to help hotel owners question their coverage and ensure they have the protection they need to come out on top after a major loss.

Hurricane Matthew - Business Interruption in the Aftermath

It brought winds of 105 miles an hour to Cape Canaveral, Fla., nearly 17.5 inches of rainfall to Savannah, Ga., and a storm surge of nearly 10 feet above normal to Fernandina Beach, Fla., according to Weather.com Insurance Journal" damage along the southeastern coastline reported by the insurance industry could reach \$10 billion'.

Hurricane Matthew brushed the coasts of Georgia and the Carolinas at a distance of 50 miles. But, despite its strength as a Category 2 and 3 storm, Hurricane Matthew didn't cause nearly the damage many had anticipated, or even close to the damage achieved by its predecessors - Super Storm Sandy, Hurricane Katrina, or Hurricane Andrew just to name a few. For coastal communities, major storms like this can present not only a danger to life itself, but a threat to livelihoods and businesses - and hotels are no exception. One way hotels can protect themselves from these major storms is by identifying the right insurance and understanding their coverage options. Business interruption coverage can be especially critical to hotels during and after a major catastrophe.

Making the Best of Business Interruption

Getting the most from business interruption coverage after a catastrophic loss requires - from the beginning - a thorough working relationship with the hotel owner, risk manager, a forensic accountant specializing in insurance claims, broker and insurance carrier. Hotels are a unique business within the insurance industry and must be treated as such.

Business interruption insurance exists to assist a business's return to its financial position prior to the event that triggered the loss. While it may seem simple in theory, business interruption losses have numerous variables that can influence claims. The hospitality industry experiences significant loss of revenue at various times due to hurricanes, earthquakes, fire, and other perils. There are various types of claims to consider including: direct physical damage, contingent business interruption, loss of attraction, ingress and egress, loss of power, political acts, and dependent properties.

Simply put, business interruption coverage in most policies is designed to compensate the hotel for lost revenue during the period of indemnity - less expenses that do not continue during that period, plus extra expenses incurred. The hospitality industry should be aware that there are numerous variables that influence and affect each claim, such as: policy limits,

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JANUARY: Mobile Technology: A Permanent Sense of Immediacy



Is the Implementation of Mobile Technology Commoditizing the Hotel Experience?

By [Mark Heymann](#), Chairman and CEO, Unifocus

Mobile technology by its nature limits face-to-face interaction between a hotel's service staff and their guests, thereby depersonalizing the guest experience. Yet service, especially in higher end brands, is a key differentiator in driving bookings and loyalty. So how will guest-facing automation impact service levels and pricing? And will any cost savings realized through technology benefit the guest or just the hotel? [READ MORE](#)



Getting Smarter About Personalization

By [Michael Arner](#), Chief Technology Officer, RoamingAround.com

Hospitality, traditionally slow to adopt new technology, is today everywhere threatened by it. There is physical competition in the form of a glut of new rooms provided, for example, by homestay networks like AirBnb. There is virtual competition in the form of difficult-to-manage online profile and review aggregators such as TripAdvisor—which can represent low-cost affronts to an expensively acquired and laboriously nurtured brand. At the same time, there is a new generation of customers that technology has trained to be fickle with their brand loyalty, impatient with waiting for services, impatient with wanting for access, impatient in general. [READ MORE](#)

sub-limits, actual terms of the policy, the nature of the loss, and specifics about the market the hotel serves.

The period of indemnity is the time it takes following a loss to return to normal business conditions. Many times, hotels recognize that they need additional time after repairs are completed to get back to normal operations. In this case, an extended period of indemnity needs to be considered as a coverage option to purchase. In today's banking industry, a hotel owner's bank or financial institution, which holds the mortgage, may require a specified period of indemnity. For example, many bank agreements require up to 24 months.

The period of indemnity can be difficult to determine in many situations for a hotel. Some hotel owners will want to rebuild the property with new structural changes; others may decide not to rebuild the hotel and exit the market completely. Current ordinances or laws may dictate how the hotel can be repaired or rebuilt. Consider Hurricane Katrina and Super Storm Sandy. As occurred in these catastrophes, the land upon which the hotel once stood may no longer be available for rebuilding. After Hurricane Katrina and Super Storm Sandy, the landscape changed in certain coastal areas completely.

A Look at Lost Revenue

Two main factors affect lost room revenue - (OR) occupancy rate and (ADR) average daily rate. However, other factors can also contribute to business interruption loss including:

- A change in market forces that impacted hotel projections.
- Any possible loss of market position due to an extended period of indemnity.
- The occupancy and ADR the hotel expected to realize during the period of indemnity had the loss not occurred.
- Any documented cancelled reservations, including events, conferences or other bookings.

A Possible Complete Loss of Market - Particularly for Owners of Island-Based Hotels

Consider a hotel with a loss in the city of Detroit, for example. Imagine the hotel had a fire loss, just prior to the city's recent depression, and it took two-and-one-half years to rebuild after the loss. That timetable would place the opening of the rebuilt hotel right in the height of the city's depression. With a slower local economy, the hotel could suffer lost revenue as a result. Hotel owners can look into policies that may carry coverage for a change in the local market or economy that could cover such a loss.

Consider a situation in a hotel where rooms are damaged along with the casino attached to the hotel. With its insurance payout, the hotel decides to rebuild the casino to twice its original size. The hotel should consider how the extended period required to rebuild the larger casino could impact hotel revenue, as well as if there were any extra expenses required during the period of indemnity. In this case, the hotel should have examined policy language to cover contingent business interruption that covers any additional expenses.

Thinking About the Unthinkable

Not even an expert can imagine all of the scenarios that lead to a hotel losing revenue, but a specialty hotel insurer can help hotels find the right policies for them before disaster strikes, and walk them through the claims process if a catastrophe does present itself. They will consider many factors when writing a policy, including:

- Measuring Cancellations - They will assist in identifying which losses were due to the loss at the hotel, as well as whether records show a trend of cancellations that could contribute to the business interruption loss calculation.
- Negative Publicity - They can help insureds find coverage to protect their brand from unwanted publicity related to a bed bug infestation at one of its premier hotels, for example.
- Hotel Branding and Messaging - They can advise whether something as small as an "under construction" statement on a hotel website causes customers to find another hotel.
- Fees for Hotel Management Firms - They can help determine whether or not, under their contracts, these firms are entitled to any business interruption proceeds.
- Lost Revenue Streams - from golf, spas, food and beverage, retail shops, and more. They can determine how or if these sources of revenue may be affected during a loss.
- Pay to Key Employees During a Business Interruption Loss - A hotel owner may want to retain key hourly employees during the period of indemnity. They can determine if their pay should be included in policy language.
- Extra Expense Coverage Within a Business Interruption Loss - They can determine if a grand opening after a catastrophic loss should be covered.
- A Partial Return to Operations - They can consider policy language that can limit the business interruption coverage in this scenario or not.



Three Steps to Securing and Monetizing Free Wi-Fi Networks

By *Doug Lodder*, Senior Vice President of Business Development, Boingo Wireless, Inc.

Managing mobile connectivity at hotels has become a cumbersome affair. From soaring mobile data trends to the growing number of devices guests bring on trips, winning over the hyper-connected consumer presents more challenges than ever before. By the numbers, mobile data traffic is forecasted to increase eightfold by 2020; 81 percent of the traffic will be done via a smartphone and 80 percent of data will be consumed on Wi-Fi. This analysis flags two key takeaways for the hospitality industry: the demand for seamless hotel connectivity will only continue to expand and Wi-Fi is a sure bet for powering digital experiences. [READ MORE](#)



Mobile Geo-Targeting Makes "Just in Time" a Reality for the Hotel Industry

By *Jared Simon*, Chief Operating Officer, HotelTonight

Mobile geo-targeting is enabling the hotel industry to experience its own "Just in Time" revolution. Its use helps craft more accurate consumer profiles through location and behavioral data, which can amplify the effectiveness of current marketing efforts and open up an avenue for new efforts. And if hotels can successfully use mobile geo-targeting and clever marketing, they might be able to drastically improve their ability to fill vacant rooms—even, in some cases, at the last minute. This article delves into mobile geo-targeting and puts it in perspective for the hotel industry. [READ MORE](#)



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- A Government Delay - that could be deemed excessive. They can consider whether a government-imposed ruling has impacted business.
- Electronic Data and Replacement of That Data = Key electronic data is vital to the business interruption calculations. They can consider the time to repair or recapture this key electronic data.

A well-thought-out risk strategy is necessary as business interruption claims are complex for many reasons. A specialty hotel insurer can help ensure a hotel has the coverage it needs for its unique risk exposures. Then, all parties relevant to the hotel owner insurance policy need to pay careful attention to the language and have in place the proper protocols to respond to a business income loss. In doing so, a hotel owner or other hospitality company can have a major impact on a portion of its risk by transferring the business interruption exposure to an insurance company.

John Welty is the practice leader for SUITELIFE, an all-lines insurance and risk program for upscale hotels and resort properties administered by Venture Insurance Programs. Venture is a national program administrator for select industries, including the hotel, hotel resort, hotel management and luxury boutiques industries. At Venture, Mr. Welty is responsible for managing SUITELIFE's underwriting team and maintaining the company's top-tier carrier relationships. He is responsible for pro-actively and strategically managing the retention and growth of the SUITELIFE through disciplined underwriting, managing program profitability, and program expansion and development. Mr. Welty can be contacted at 800-282-6247 ext. 276 or JWelty@ventureprograms.com. Please visit <http://ventureprograms.com> for more information. **Extended Bio...**

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Hotel Business Review
November 23, 2016

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Coming Up In The February Online Hotel Business Review



FEATURE FOCUS

Social Media: Interacting with the Hotel Customer

Consider these astonishing numbers: 1.49 billion active monthly Facebook users. 1.1 billion active monthly YouTube users. 320 million active monthly Twitter users and nearly 400 million registered users on LinkedIn. 400 million active monthly Instagram users and 200 million active Google+ users. The power and reach of social media is an awesome force and it has transformed how hotels interact with their customers. In the past year, social media advertising spending increased 33.5% to nearly \$24 billion dollars. Social networks are being utilized by hotels to reach more visitors, expand brand awareness, enhance brand reputation and to establish more direct and personal communication with their customers. Savvy hotel operators are adopting a comprehensive social media strategy, and there are several emerging trends to note. Video continues to be a powerful and influential element in social media marketing, with 70% of companies saying that it is their most effective marketing tool. Video generates a 62% higher engagement rate than photographs alone, and with new social sites like Meerkat and Periscope which offer live video streaming, those numbers will only increase. Sponsored content is another growing trend. Though advertorials have been around for decades, hotels are finding new ways to maximize the visibility of their content. Some are placing sponsored content on Facebook, or on influencer blogs. Another trend is the integration of a "Buy Now" button into social media websites. Customers will be able to make purchases without ever having to leave their favorite social sites. This development is a major convenience for customers and should also be an additional revenue source for hotels. The February Hotel Business Review will explore these

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issues and examine how some hotels are successfully integrating social media into their operations.

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