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# What's Driving Losses in Hotel/Motel Insurance?

**BY JACQUELYN CONNELLY**

Like most commercial lines, [hotel/motel insurance](#) (<http://www.iamagazine.com/markets/market/hotel-motels>) kicked off the New Year with predominantly flat rates, and 2017 will likely see much of the same.

Kurt Meister, senior vice president and national sales manager at Distinguished Specialty, expects “nothing major” for [hotel/motel insurance pricing](#) (<http://www.iamagazine.com/markets/read/2016/02/29/sharing-economy-puts-pressure-on-hotel-business>) this year. “We see the market as continuing to be relatively flat across most lines of coverage,” agrees Joseph Dolce, executive vice president of SUITELIFE by Venture Programs, Inc.

But there are a few important exceptions, beginning with commercial auto. “That is becoming increasingly difficult to insure,” Dolce explains. “The exposures seem to be getting more hazardous, the vans are getting larger, so we’re starting to see some claim activity in that shuttle area. That’s causing prices to go up.”

“In general, auto liability in terms of the entire insurance industry is under a little bit of stress,” agrees Steve Coombs, president of Risk Resources, a risk management and insurance consulting firm. “Hotels that have shuttles may carry 8-15 passengers, and you’re talking about drivers that are not professional drivers—underwriters are looking at that in terms of what loss prevention programs are in place.”

Throw in a spate of generous jury awards in recent years, and “even excess insurance or umbrella liability carriers are charging more across the board for those losses,” Meister says. “That’s a trend that’s making it more and more difficult to place a standalone commercial auto policy, as well as find aggressive pricing for excess liability over the auto.”

Terrorism insurance is another exception to flat pricing predictions, as is catastrophe property, “particularly in wind-exposed areas,” Dolce says. “Hurricane Matthew last year was the largest single expense from a property damage standpoint since Sandy, and it’s definitely having an impact on coastal pricing—anything from Texas across to Florida, all the way up to Maine.”

On the casualty side, Venture observes more abusive acts exposure for hotels and resorts that provide childcare facilities, from formal summer camps to daily daycare services. “Does the hotel or resort have a formal written abuse policy in place?” points out Tom McDonough, senior underwriter at Venture.

On the property side, ingress/egress coverage is in the spotlight as wildfires continue wreaking havoc on the West Coast and even unexpected locations like Gatlinburg, Tennessee.

“Ingress/egress will pay for business income loss that’s triggered by a physical loss to a third-party property that prevents access to your premises,” McDonough explains. “If I own a hotel in Gatlinburg and there’s a fire that overtakes the main road coming in and out of town, no one’s coming to my hotel. I better make sure I have that ingress/egress insurance, or else I’m not going to recoup any of the money from this lost booking.”

To address these myriad [coverage issues](http://www.iamagazine.com/markets/read/2016/03/07/3-potentially-disastrous-hotel-motel-coverage-issues-and-how-to-address-them)

[\(http://www.iamagazine.com/markets/read/2016/03/07/3-potentially-disastrous-hotel-motel-coverage-issues-and-how-to-address-them\)](http://www.iamagazine.com/markets/read/2016/03/07/3-potentially-disastrous-hotel-motel-coverage-issues-and-how-to-address-them), perform an annual review of all the values your hotel/motel clients insure: building, contents, potential lost revenues for business interruption and more, Meister recommends. And of course, “make sure they’re getting a policy specifically designed for a hotel, which would include things like innkeeper’s coverage, abuse and molestation coverage, catastrophe management and automatic additional insured status,” he says.

Always recommend high limits. "Make sure they're buying enough liability insurance—most do not," says Meister, who encourages agents to ask their clients what they think each individual room is worth.

For example, "if the building goes up in flames, smoke inhalation alone can affect many sleeping guests," Meister points out. "A good indication of how much limit you should be buying is \$1 million per room. I encourage anybody to get more limit than they think they need."

Moving forward, if you sell your hotel/motel clients just one extra coverage, make sure it's cyber. Between online corporate reservation systems that span across franchises and on-the-ground exposures like employee carelessness, "cyber liability is a huge and growing concern," Meister says. "Most people are just banking on the fact that there won't be a data breach, so they're ignoring it."

But whereas there are typically no legal or lender requirements for hotels to purchase cyber insurance, some hotel franchise agreements already require franchisees to secure it, Coombs says—and others "are starting to catch up," he notes. "Up until now, largely they didn't address cyber at all. Now, they're going to be force fed."

That's for the best for many reasons, one of which is that most hotels have guests visiting from other states and countries. After a breach, "notification requirements are based on where the person is from, not where the breach happened," Meister points out. "When there's a breach, those notification procedures vary from state to state, and they vary from country to country. You really need a policy that insures not only the risk for fines and fees, but also the costs associated with notifying people that there has been a breach."

For many clients, having a cyber policy actually provides "a significant benefit that doesn't have anything to do with what you and I think of as the insurance part of the equation," Coombs says. "Insurers have preferred vendors lined up for notifications, for legal assistance, for public relations assistance, for forensic accounting—part of the benefit of cyber insurance isn't the insurance itself, but rather the team that is compiled by the insurance company to help an insured address a breach situation."

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