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Insights for Your Industry®— **Hotels**



Disaster Preparedness — Why Hotels Need to be Ready

The events of the past years ought to be more than sufficient to remind hotel management of the need to have adequate property insurance and a solid program in place to evacuate guests at the time of an emergency. Several years ago in Nashville, Tennessee, unprecedented flooding necessitated the evacuation of approximately 1,500 guests from the Opryland Hotel while in New York City, a failed bomb attempt forced hotels in the crowded Times Square area to evacuate and move their guests to safer quarters.

While such incidents may be rare, hotels need to be prepared for the unexpected. In addition to a terrorist threat or flooding, hotels can be exposed to a variety of potential disasters. Chemical spills, riot and civil commotion, hostage situations, earthquakes, fires, even elevator failures all represent exposures to serious loss for which hotel management must be prepared. Two key ingredients of an effective plan to deal with these exposures include a commonsense risk management strategy and a comprehensive insurance program.

Although the Opryland hotel complex carried $50 million of flood insurance, including business interruption coverage, it was not nearly enough to cover the loss. According to Gaylord Entertainment Co., the owner of the Opryland complex, gross total remediation and rebuild costs will range from $215 to $225 million as a result of the flood damage.

Hotel management needs to take time periodically to evaluate its insurance program. Adequate and appropriate insurance to meet the hotel's exposures can serve to minimize the risk of loss by enabling management to restore or rebuild the complex and its contents and obtain reimbursement for lost revenue caused by the interruption of business.



Insurance is obviously an important means of handling risk, but clearly it is not the only factor to consider in creating an overall risk management strategy.

While space does not permit an extensive review of risk management techniques, the following basic considerations concerning disaster planning and preparedness should enable hotel management to assess whether their program is on the right track:

- Is the disaster response plan in writing?
- Who is responsible for keeping the plan current?
- Have employees been given clear instructions on what to do in the event of a disaster?
- Has training been provided to all appropriate parties, e.g., management, employees, etc.?
- How frequently are emergency drills conducted?
- Have public service authorities, e.g., police, fire, been informed of the emergency plan?

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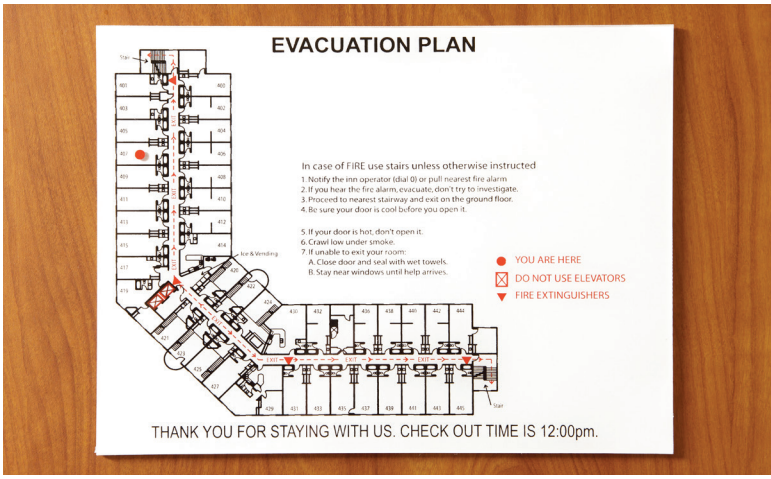
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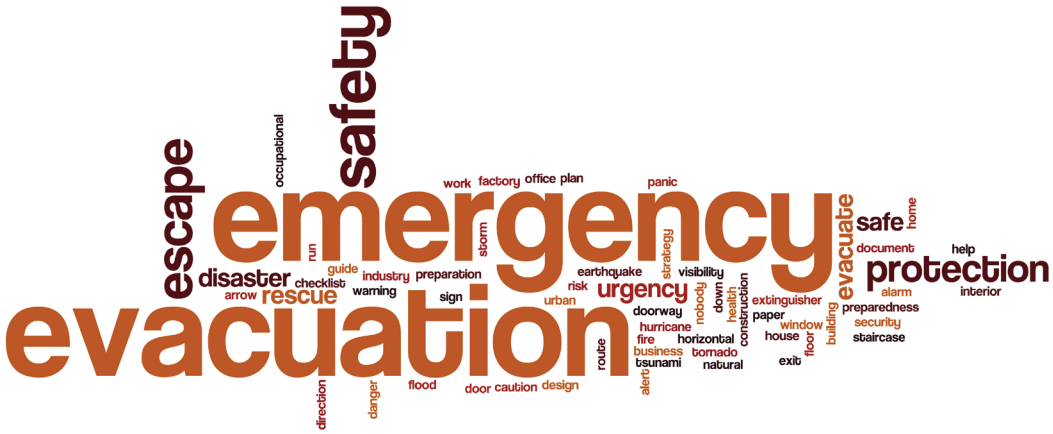
- Are guests provided with in room instructions concerning emergency situations and evacuation plans?
- Have steps been taken to identify guests with special needs who will need additional assistance in the evacuation process?
- Is there an effective means (public address system) to notify guests of emergency evacuation procedures?
- Has hotel desk staff been trained in telephone evacuation procedures?
- Have appropriate evacuation sites (hotels or other establishments in the vicinity) been identified, notified, and confirmed that they can provide assistance in the event of an emergency?



Conclusion

Although this is not a complete list of considerations for hotel management, it is a good gauge of whether the emergency disaster plan will have a chance of succeeding in the event of a disaster. The more planning and training, the better chance that the hotel operation will be able to weather the storm, whether it be a natural disaster such as flood or earthquake, one involving political or social unrest, or one involving a fire or other cause of loss.

In addition, periodically evaluating the hotels' insurance coverage to measure its effectiveness following a disaster is imperative.



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E07-1013