



Background

It's all too easy for a business owner to view risk management activity as nonproductive time that generates costs and negatively impacts their P&L. This is especially true for a hotel owner or operator engaged in an industry that's still trying to recover to pre-pandemic levels of activity.

As these business owners balance staffing issues and onsite service levels, they typically have little time to address anything but day-to-day business operations always with an eye on net margins that are still lagging 2018 and 2019 levels by more than 50%.¹

Risk management may not be a day-to-day priority for hotel owners and operators. They know, of course, that the presence of personnel, liability and property risks can lead to major incidents. They also know the costs associated with those incidents are minimal compared to the cost of the risk prevention and risk minimization activities that might have averted the event or mitigated its impact. Still, the unfortunate tendency is to postpone risk prevention steps, a strategy few would explicitly endorse but one that's all too easy to slip into.

In this report, we'll explore some of the primary risks hotel owners and operators face, and we'll identify strategies they can adopt to manage, reduce and recover from those risks in order to continue operating profitably as soon as possible.



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A Final Word



Categories of Hotel Industry Risks

Many of the risks related to hotel operations flow from general staffing issues. While most properties are nearly fully staffed at this time, “fully staffed” represents a lower, new normal, with smaller housekeeping teams and even more multitasking by all staff members than they did before.

Hotel risks can be analyzed within two admittedly subjective categories: **controllable** and **noncontrollable**. As we'll see, most of them are, in fact, controllable.

Controllable risks are those that lead to events that a hotel property owner can anticipate and try to prevent. The risk management strategy for controllable risks is a combination of **prevention** and **recovery** – trying to prevent the incident from happening, but if the worst occurs, taking reactive steps and employing claims management strategies to recover quickly from the impact.

In contrast, hotel property owners and operators might not be able to prevent an event stemming from a noncontrollable risk, but they can plan ahead to mitigate its impact and then to act quickly in the aftermath, taking reactive steps and employing localized claims management best practices. Thus, the risk management strategy for noncontrollable risks is characterized as **minimization** and **recovery**.

In both scenarios, ideal planning, response and claims management activity can protect the owner's bottom line by limiting costs and getting operations back online sooner.



RISK in Focus

Controllable Risks



RISK in Focus

Controllable Risks

Hazard 1: Worker Injuries

Controllable

Among the most common preventable injuries to hotel workers are musculoskeletal damage and injuries from slips, trips and falls. Proper training and oversight by onsite managers can minimize these incidents.

The financial impact of worker injuries includes direct costs – medical and indemnity expenses, for example. But total indirect costs can be 2-3 times higher than direct costs, accounting for production interruption, lost management time, OSHA fines, legal defense costs, damage to employee morale, new staff training and more.



Preventing Worker Injuries

Comprehensive employee training is a the most fundamental risk management strategy for preventing worker injuries. Many hotel properties offer onboarding training for new employees but fail to continue the process as their workers take on new responsibilities either officially or unofficially in busy rush periods when staff may be reassigned to help with guest and meeting room turnovers, for example, or manage light kitchen or happy hour duties.

Given the “all-hands-on-deck” work environment common in hotels, the ideal risk management strategy is **training staff members in each area of daily operations they might be asked to perform** during their shift. And just as important, managers should never direct a staff member to perform a function they haven’t been trained for.

This multi-tasking training should include personal safety practices related to **lifting and carrying, the use of personal protection equipment, handling hazardous chemicals, maintaining safe floor conditions** and other safety policies and procedures.

Managers should also look for opportunities to reinforce all areas of training to ensure the procedures are consistently followed. It’s easy for team members to take shortcuts, but managers shouldn’t accept or encourage this, even during the busiest times. Worker safety and efficient operations must go hand in hand when it comes to onsite manager priorities.

To minimize liability risk exposure related to employee injuries, onsite management teams must **document their training activity per OSHA**, including employee participation in the training.

Responding to Worker Injuries

Obviously, in the case of an injury, management teams should offer and **provide all possible emergency aid**. They should be trained to provide emergency first aid for triage cuts and burns and be prepared to contact emergency responders at their judgment or if requested by the employee.

Claims management strategies to limit costs related to employee injuries include **ensuring that designated healthcare providers are utilized** and maintaining a documented plan of action for when these providers are needed. Owners also need to **submit all necessary information** (including accident report forms and medical authorization forms) as quickly as possible to claims advocates on their brokerage team as well as their internal claims department (if they have one). Managers and owners should **maintain contact with the injured employee** and check in with them following each doctor visit, while working collaboratively with them to **get them back to work** as soon as possible.

IMA maintains a specialized division of Care Coordinators who help our clients stay in contact with injured employees and shepherd them through the rehabilitation process. Companies that have engaged these Care Coordinators have generally seen claims costs and return-to-work times decline significantly. These companies had the added assurance that they were thoroughly supporting their employees during a difficult time.

Hotel owners and operators that maintain robust training programs, along with a **culture of safety**, see a return on their investment in terms of worker productivity, less worker downtime, fewer accident claims and related expenses, and generally lower workers compensation premiums.



Hazard 2: Liability for Staff Recommendations

Controllable

An often-disregarded area of training for all employees relates to recommendations for offsite activities of guests. Guests may ask, for example, for advice about a good running route or a bike path. They may ask for offsite dining recommendations. Hotel employees, whether they're in maintenance or working the front desk, are understandably eager to be of service and share local knowledge, but they should be **trained to not provide singular recommendations** – i.e., one ideal running route through the city, one specific mountain biking trail or one specific restaurant.

If guests accept this kind of advice and the worst should happen – from assaults or food poisoning, for example – aggressive plaintiff attorneys may try to assign liability far and wide. That's why when employees are pressed for these recommendations, they should mention several options, without a recommendations or endorsement. Ideally the property should provide handouts or maps that identify multiple options for these and other activities.



Hazard 3: Increase in OSHA Inspections

Controllable

Strictly based on our observations, it seems more common in 2022 that a complaint to OSHA will initiate an onsite inspection, compared to pre-pandemic years. In the past, it seems that more of these matters were pursued and resolved with correspondence and document sharing.

While it's not possible to predict how OSHA will choose to respond to a given complaint, hotel owners and operators can **enhance their employee safety training and oversight** to minimize the number of incidents that may lead to employee complaints. The importance of maintaining safety programs, providing training, following through on internal response protocols and documenting each of these matters has never been more apparent.

Additionally, hotel owners and operators should maintain and **follow strict guidelines for when an OSHA compliance officer arrives onsite** – information we've compiled and are pleased to share with our clients.

In general, a designated person should represent the company onsite during these inspections. They should:

- + Ask for the OSHA compliance officer's credentials
- + Ask for copy of the complaint
- + Ensure the OSHA officer establishes:
 - An applicable standard
 - The specific hazard
 - An employee's exposure to the hazard
 - That the employer knew of the violation
- + Ask to accompany the officer during the inspection
- + Respond to pertinent questions but not volunteer information
- + Limit the scope of the inspection to the targeted area(s) and shut down operations there while the officer is present
- + Fix any violations that can be addressed completely before the officer leaves

This onsite person should also be aware of OSHA's own guidelines² regarding these inspections and document how these steps were or were not addressed.



Hazard 4: Exterior Property Security

Controllable

Hotel owners and operators should do all they can to limit opportunities for criminals to lurk in spaces outside the building. Dark or obscured spaces can be hiding areas from which criminals can emerge to follow a guest into the building, assault them in the parking lot, or break into vehicles.

Exterior lighting that leaves no major area in the dark is one of the most effective ways to do this. Hotel owners and operators should also **keep trees and shrubbery well-trimmed** so they can't serve as hiding places or prevent light from reaching all corners of the property around the building.

The International Crime Prevention Through Environmental Design Association (CPTED) has a number of common-sense solutions to inhibit crime and criminals through architectural design. We encourage hotel owners and operators **review CPTED resources** to identify solutions that can improve the exterior safety at their locations.

Hotel owners and operators shouldn't consider security cameras to be a deterrent, for the simple reason that criminals reportedly aren't deterred by them. Hotel owners and operators also shouldn't post warning signs that the property is under surveillance, if, in fact, the imagery isn't under active surveillance 24/7. The presence of cameras and these notices can provide a false sense of security for guests and present a liability issue for the hotel owner or operator.

Finally, hotel owners and operators should **develop positive relationships with local law enforcement** – possibly encouraging patrol officers to enjoy the hotel's coffee in the lobby during the day, or even stop by and enjoy the hot breakfast bar offerings in the morning. The presence of a police cruiser on the property in a non-emergency mode, or of one or two officers occasionally in the lobby can be a source of security for guests and a deterrent for criminal activity.



Hazard 5: Maintaining Fully Staffed Teams

Controllable

A recent study from the American Hotel & Lodging Association estimates that by the end of 2022 hotel employment will still be 7% below pre-pandemic levels.³

As noted earlier, staffing in some positions, including housekeeping, will likely always be lower than before for most hotels due to revised protocols for room cleaning frequency. The challenge, though, is that hotels are competing with retail, food service and other industry employers in a relatively tight labor market. And for maintenance positions and others requiring more extensive training, the staffing challenge is even greater.

Thus, hotel owners and operators should **focus on retaining existing work teams** as much as they do on filling vacant positions.



Keys to Retaining and Recruiting Staff

Hotel owners and operators should **craft compensation plans that stand out from their competitors** (and competing industries) and that appeal to both new and current employees. They should consider **offering above average wages, awarding signing bonuses, awarding longevity bonuses, accommodating schedules when possible, being more aggressive in addressing unruly guest behavior, providing clear promotion paths and maintaining a sense of team and brand pride** that's reinforced on every shift by managers.

Creative recruiting can give a hotel an employment edge as well. **On-premises recruiting promotions** should be more creative than simply posting a "Help Wanted" sign. **Referral bonuses** for current employees might make them ambassadors. Bonuses can be scaled based on the skill set required for the position – e.g., higher for managers and maintenance team members.

Possibly most important, though, is that hotel owners and operators **should avoid lowering their standards**. It's important to hire only qualified, trainable people who'll do their job correctly and safely. It's also important to **bring on personable workers** who won't poison the workplace and add to the turnover challenge.

Hazard 6: Guest Injuries

Controllable

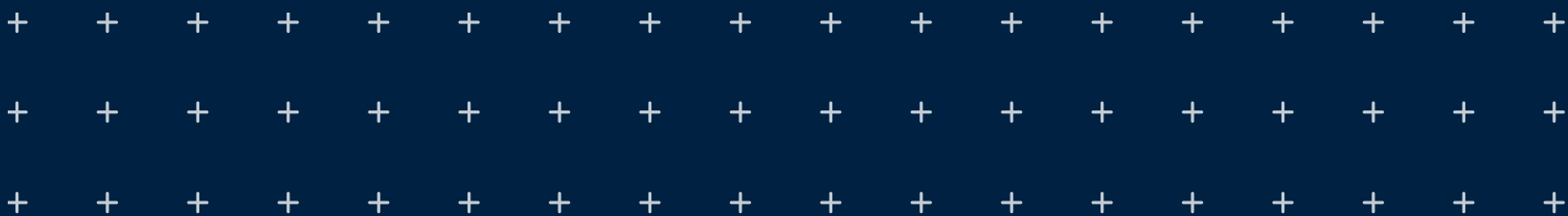
Guest injuries in hotel facilities are most often due to slips and falls in lobbies, pool areas and guestroom bathrooms.

Managers and front desk teams should **monitor entryway floors**, especially in wet weather. These areas also should be covered by mats, rugs or even carpeting as long as their edges aren't a tripping hazard. In wet weather, in addition to ongoing dry mopping, managers should place one or more signs advising caution and warning of possibly slippery floors.

During snowstorms, **outdoor areas should be cleared of snow** extending as far into the parking lot as possible. Managers and staff should monitor the condition of the outdoor entryway and frequently shovel the area while applying salt or sand to prevent patrons from slipping and tracking snow into the lobby. Best practices would also include documenting the amount of snow fall and times snow removal took place.

While it's not possible to monitor guest rooms for slippery bathroom floors, **appropriate signage should warn guests about the danger of wet floors in spots next to tubs and showers**. They should place **similar signage around pool decks** along with warnings not to run in those areas.

Guest injuries can occur the moment a person steps out of their car in the hotel's parking lot. Hotel owners and operators should **quickly repair potholes and sunken pavement** to minimize falls and turned ankles, as well as damage to cars. **Changes in elevation** in these outdoor areas, such as curbs and steps, should be **clearly highlighted with yellow paint** to minimize trips and falls in these spots.



Responding to a Customer Injury Incident

In the event of a guest's slip or fall, employees and managers should **provide them with all assistance** possible and act courteously and professionally.

Claims management activity at this point calls for the hotel owner or operator to **get to the scene immediately** to inspect the area closely, **perform a thorough accident investigation**, **obtain all essential details**, and **document the incident in writing**. No matter how minor the incident might appear, they should **report it to their brokerage claims advocate team** and supply any information requested. Make sure to only discuss the incident in question and don't accept liability before a thorough investigation has been performed.



Hazard 7: Fires

Controllable

According to the most recent data from the National Fire Protection Association (NFPA), roughly half of hotel fires are caused by kitchen activity.⁴

The most common sources of restaurant fires are cooking equipment⁵ and faulty or poorly maintained electrical and heating equipment. Strategies for preventing grease fires should reflect their primary causes: improperly cleaned hoods, flues, and filters as well as grease buildup on equipment, electrical cords and outlets.

Preventing Hotel Kitchen Fires

NFPA describes the key systems and safeguards restaurants, including hotel restaurants, should have in place: **wet-chemical extinguishing equipment** to extinguish cooking oil-based fires and **Class A fire extinguishers** to complement fixed fire extinguishing systems. Hotel owners and operators should bring in experts on a regular basis to **inspect, clean, and service** this equipment along with electrical systems, in accordance with manufacturer recommendations, to promote safety and maintain warranties.

Employee training regarding proper daily or end-of-shift cleaning protocols of cooking equipment is crucial. Managers should closely **monitor these activities**. As noted earlier, this training and oversight is especially important in hotel facilities with limited food service situations (e.g., hot breakfast bars), where the assigned staff may have other primary duties during the rest of their shift.

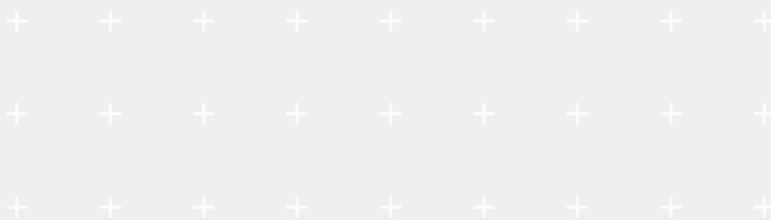
Detecting and Reacting to Fires

Local laws vary regarding requirements for **fire alarms** and **sprinkler systems**. But hotel owners and operators should remember that fire warning systems and evacuation procedures should include voice announcements and even physical signals to make sure all guests are warned.

Once a fire is extinguished and the premises is safe, owners should **arrange for a thorough survey** of the equipment and the facility and submit this information to their insurer as soon as possible. Adjustors will likely be on scene to review this information and make their own assessments.

Response to the Fire Event

Repairs and renovation should begin as soon as possible after any required inspections. Construction labor is difficult to obtain these days – especially in the context of a cold call. Ideally a hotel owner or operator should **establish working relationships with renovation contractors** and others in advance to shorten the repair and reopen timeframe.



A photograph of a modern, multi-story resort building with a swimming pool in the foreground. The building features light-colored stone or concrete walls, large windows, and balconies with glass railings. The pool is surrounded by wooden lounge chairs and closed patio umbrellas. The scene is set against a clear blue sky.

Noncontrollable Risks

RISK in Focus

Noncontrollable Risks**Hazard 8: Weather Emergencies****Noncontrollable**

Windstorms, hailstorms and wildfires represent significant threats to hotel properties. Hailstorms alone account for 70% of all weather-related structural damage property losses in the U.S.⁶ In some regions of the country, hailstones can measure 3 inches or more, but even smaller stones can break windows, dent siding, and most significantly, damage roofs and rooftop mounted HVAC equipment. Winds of less than tornado or hurricane force can do similar damage to roofs and siding.

Minimizing Damage from Hail and Windstorms

Whether during the construction phase, in the course of a remodel, after a damaging event, or at the recommended replacement time, hotel owners and operators should work with their property insurance carrier to discuss appropriate designs for roofs and exteriors that can limit potential damage from severe storms and make the property more insurable.

They should consider impact-resistant roofing, for example, made with a rubber membrane, polyurethane, or a new-era metal. Roof-mounted or ground-level HVAC equipment can be protected from all but the largest hailstones with mesh hail guards and shields. Owners should have their roofs and HVAC protective systems inspected periodically to make sure they'll be secure in windstorms.



Reducing Risks from Wildfires

Recent accounts confirm that wildfires pose a risk for suburban hotels, not just remote inns and resorts.⁷ The fire might be an inferno moving rapidly and methodically through an area or be triggered by a windblown ember blown from miles away.

In either case, damage to a structure might be minimized if hotel owners and operators have made proper preparations to minimize fuel for a fire. The National Fire Protection Association offers guidance for homeowners on how to prepare their structure and property, and many of those risk reduction steps are applicable to hotel properties and other commercial buildings.⁸

NFPA recommends property owners focus their attention on a 200-foot Home Ignition Zone. Beginning in the Immediate Zone, 0-5 feet from the structure, they should focus on removing debris and cleaning and securing vents. Within the Intermediate Zone from 5-30 feet, they should remove vegetation from around trees and propane tanks, keep native grasses mowed, limit the reach of tree canopies, and avoid having long rows of shrubbery. Inside the Extended Zone, from 30-200 feet, landscapers should expand space between trees and remove dead plants and tree material.

For more detail, we encourage you to review the very informative NFPA publication cited above. Additionally, IMA's loss prevention teams include NFPA-certified Wildfire Mitigation Specialists who can assess your hotel property and make recommendations.

Responding to Storm and Wildfire Damage

Following a significant wind or hailstorm or after a wildfire that has passed within a mile of the structure, **retain an expert to inspect your roof and vents**. cursory inspections aren't sufficient since a roof leak after the next rainstorm could be the owner's only indication that there was previous roof damage. They should document all damage for an insurance claim and arrange for repair services. It's important to get this assessment right the first time so additional problems aren't uncovered during the renovation process that would require subsequent claims.

In the days after a widespread weather event or a wildfire, credible contractors will be very busy ... as will the fly-by-night, non-credible ones. When at all possible, owners should **develop relationships with qualified, reputable contractors** – from roofing and windows to external HVAC equipment – so they might be first in line for expert services.



RISK in Focus

A Final Word



A Final Word

Systems and exteriors inspections. Employee training. Claims management. Contingency planning. Preventive maintenance.

Each of these of aspects of risk management can prevent or minimize the impact of a major insurable incident at a hotel property. These activities take time and resources, but they can be done in a cost-effective way. In the long run they inevitably prove their value.

We're eager to work with you to not only minimize your losses but limit the cost and burden of implementing these important risk management techniques. Please contact your brokerage team or a representative today to design a comprehensive risk management program and loss control service plan tailored to your individual needs.

Endnotes

- 1 <https://www.macrotrends.net/stocks/charts/HST/host-hotels-resorts/profit-margins>
2. <https://www.osha.gov/sites/default/files/publications/factsheet-inspections.pdf>
3. <https://www.ahla.com/sites/default/files/AHLA%20SOTI%20Report%202022%201.24.22.pdf>
4. <https://www.nfpa.org/-/media/Files/News-and-Research/Fire-statistics-and-reports/Building-and-life-safety/oshotelsmotels.ashx>
5. <https://www.nfpa.org/News-and-Research/Publications-and-media/Blogs-Landing-Page/NFPA-Today/Blog-Posts/2021/04/27/Restaurant-Fire-Protection-Basics>
6. <https://www.fmapprovals.com/product-alerts-and-news-events/approved-product-news/approved-product-news-recent-issues/2018/apn-volume-34-issue-2/very-severe-hail>
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8. <https://www.nfpa.org/Public-Education/Fire-causes-and-risks/Wildfire/Preparing-homes-for-wildfire>



More Than Just Insurance

IMA is an integrated financial services company specializing in risk management, insurance, employee benefits and wealth management. It is the third-largest privately-held and employee-owned insurance broker in the country and employs more than 1,700 associates.

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