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This Week's Feature

Hotel and Hospitality Risk Management

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The hotel and hospitality industry faces constant pressure from the evolving marketplace that impacts important issues in risk management and threatens profit margins. As issues that affect bottom line constantly change, so does the industry's need for proactive solutions for risk prevention and management. A comprehensive plan covering the broadest spectrum of potential issues will provide the most protection.

Industry properties often provide a variety of amenities for guests and clients, which in turn can generate different sources of risks. For example, the risk of physical injury can arise from almost any area, including accidents in pool areas, property grounds, sports and activity areas, guest rooms, bathrooms, or spa facilities. There are also risks associated with food preparation in restaurant or food vending facilities. Other potential risks exist, including property loss from transportation services and certain terrifying risks exist from fire or other catastrophic events.

As industry properties expand the number of guest services that are part of an active and robust hotel and hospitality business, there is the need for constant reevaluation of the risks associated with these services to maximize profit, as well as to provide protection from injury and property loss. Indeed, to a risk manager, these amenities represent vast potential exposure for injury or insurance-related loss. While injuries and losses cannot be avoided entirely, they can be minimized along with the number of financially damaging insurance-related claims affecting the hotel and hospitality industry.

Proper risk management in the hospitality industry starts with an industry specific insurance plan. Businesses must ensure they are working with a broker who understands the risks typically faced in the hospitality industry. Businesses must also understand where their broker or agent buys its insurance, and confirm their broker has other hotel and hospitality clients and experiences in handling industry-related claims.

Moreover, comprehensive risk management practices must be established and implemented. While proper insurance coverage can help shield a business from liability once a lawsuit arises, hotel and facility operators are also advised to mitigate the factors that can lead to injury or insurance-related loss. Discussed below are some recommended management solutions that were implemented by a successful and multifaceted resort facility, Woodloch Pines Inc., located in Hawley, Pennsylvania. During its peak summer season, Woodloch employs approximately 1,000 employees. The recommendations discussed below were implemented by Woodloch with good success in response to some common and potentially costly risks.

Keep Employees Healthy

One way in which hotel and hospitality facilities and their operators can protect their business from work related injuries and losses is by keeping their employees healthy. Health care and workers' compensation premiums/claims, and lengthy employee absences, often result from work related illness or injuries and are perhaps the most significant cost to any industry. However, these issues can have a significant impact on hotel and hospitality businesses that depend on seasoned, well trained staff to provide quality guest services, which, in turn, ensures continued growth and vitality of the business. Hotel and hospitality businesses should, therefore, consider implementing wellness incentives and job safety programs. Woodloch increased the number of these programs, with good result both in terms of employee health, decreased sick time and lowered insurance premium expense.

For example, Woodloch has implemented a "Wellness Rewards Program," which provides all employees with three assessments per year (on a voluntary and confidential basis) measuring each employee's weight, body mass index, blood pressure and waist size. If an employee reaches certain wellness goals, then he or she is rewarded with "Woodloch dollars" that can be used at any Woodloch restaurant, gift shop or vehicle maintenance service center. Additionally, Woodloch offers challenges to its employees, *i.e.*, "The Biggest Loser," which encourages groups of employees to compete against each other, to attain weight loss and wellness goals, and become healthier. Woodloch also has certified staff members who offer smoking cessation classes to employees. Woodloch has utilized these wellness programs with great success, resulting in happier and healthier employees, who, in turn, provide quality guest services and ensure continued growth and vitality of the business.

Furthermore, Woodloch distributes a monthly publication via email to all department managers with recent updates on wellness or safety programs. In turn, the department managers are expected to focus on the particular monthly topic and execute changes into the workplace, if necessary. Woodloch has also utilized consultant sessions during which qualified safety instructors demonstrate onsite proper safety technique to employees and educate the staff about the resort's safety policies and procedures. In addition, these safety consultants have assisted in the development of a comprehensive health and safety manual. Instruction from the most basic issues, *i.e.*, ergonomically correct posture while sitting for extended periods of time, proper use of tools, shoe gear, or other work equipment, to more complex safety procedures, can significantly limit the number of work related injuries or claims.

With the above mentioned recommendations, Woodloch has been able to successfully educate and empower their department managers, who are the onsite operational employees with the best ability to control risks and losses within their work areas on the property. This has translated into a tremendous cost savings in terms of limiting employee-related work place accidents, injuries and workers' compensation claims.

Reduce Auto Insurance Costs

Proper maintenance on all motor vehicles is critical to preventing automobile accidents and costly repairs. In addition, enforcing a driver policy is helpful to limiting risk and exposure. For example, Woodloch utilizes a driver training and fleet safety program. Risk management is required to run a motor vehicle report on each driver to ensure his or her safety record one time per year. The number of drivers at the resort is also controlled. Each department manager reports to the risk manager the name of the employee driving any given motor vehicle. Risk management then performs a safety matrix for each driver including: age, service, accidents/tickets, other reportable incidents or motor vehicle reports, and no DUIs in past three years. The safety matrix is used to determine which employees are given permission to operate the various motor vehicles used on or off property grounds. Each department manager is also responsible for giving his or her drivers both written exams and road tests to ensure safety. Defensive driving courses are also offered to help limit risk of accidents. These practices have resulted in a significant cost savings to Woodloch in terms of insurance premiums and auto related and workers' compensation claims expenses.

Remain Committed to Safety and Risk Prevention

Hotel and hospitality managers are encouraged to be visible and establish a personal rapport with their employees. They are also encouraged to participate in the training process of their line employees and asked to develop their own self inspection program with respect to safety in their work area. Managers should be involved in training their staff on loss control, and on incident and accident investigations. They should also be involved in the planning process for special events, functions and projects.

Utilize Existing Resources

Businesses are encouraged to review monthly loss runs with their broker. There should also be ongoing discussions about the business's policies and procedures, and their effectiveness in the workplace. Risk managers should complete a walkthrough of the property, and interview management, owners, and department heads to track progress on injury and loss prevention.

Often, a simple update using information gained by the above-mentioned efforts can be used to negotiate a lower premium with an insurance broker, bargain for additional incentives, or determine the need for a change in coverage for potential loss that no longer exists. Insurance brokers may perform an audit or comprehensive loss review based on industry standards. They may also recognize hazards previously undetected. Businesses should implement all cost-effective suggestions to reduce the risk of injury or loss to employees and guests. Management should also identify all training opportunities for their staff and prioritize actions that need to be enacted to better control risks.

Educate Department Heads and Line Staff

Safety starts at the top with upper management and a culture of safety. It should also be recognized, however, that a strong corporate commitment to safety can be fostered and grown organically with line staff. For example, Woodloch employees nominate their fellow co-workers who display safe work habits or are proactive in reducing risks in the workplace. The Woodloch Safety Committee then reviews the nominees on a periodic basis and selects a winner who receives a gift certificate and recognition in the employee newsletter praising the employee's behavior.

Managers should be a part of this process. Risk management can, and should, be made part of management performance reviews. Also, businesses should hold employees accountable and require all managers to ensure that all staff has the materials and tools they need to improve safety at the workplace. Management should track all training and its effectiveness and perform quarterly reviews to monitor and evaluate the effectiveness of all safety training. There should also be a means of repeating such training in the face of staff turnover, if necessary.

Managing Claims

Businesses should manage their claims on a daily and monthly basis. Moreover, establishment of a clear accident reporting policy must be undertaken, and employees must be trained on the policy. When accidents or incidents occur, negative conclusions against the facility should be avoided especially in written documentation. Photographs should be taken where they will later prove useful to the defense. Insurance agents and panel counsel should be involved in claims advocacy, and businesses are encouraged to establish relationships with panel physicians, attorneys, third-party administrators and employees throughout the entire claim administration process. Proactive measures, like selecting a local medical center, should be done to provide quality care for employees and guests, and to ensure each accident/incident is managed properly. Finally, every injured employee and guest should be made to feel they are important, and that their health, well being and recovery are essential.

Conclusion

The hotel and hospitality industry faces countless opportunities for injury and loss at their properties. The creation of a sound and comprehensive risk management policy that limits risk exposure is an effective

way to mitigate the potential for injury and loss. A comprehensive and regularly revisited risk management plan does have its associated initial start up and maintenance costs. However, one single claim can distract management from profitable business operations and likely result in increased payouts for losses and insurance premiums. Although it may be challenging for some businesses to make potentially substantial initial investments in risk management, the benefits are significant and well worth the investment. Indeed, even a small investment in sound risk management procedures can yield significant benefits in terms of loss prevention, claim administration savings, indemnity payouts and continued goodwill among employees and guests alike.

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