

# INSURING HOSPITALITY

*Canadian broker HKMB has creative solutions  
to hotel risk management challenges*



**INTERNATIONAL  
INSURANCE  
BROKERS**

*Assistant Vice President Lou Fisch (pictured) and  
Anita Kwan lead HKMB's hospitality practice.*

By Elisabeth Boone, CPCU

**W**hether you're traveling for business or pleasure, you're going to need a place to spend the night. In considering where to lay your head, you have a myriad choices, from budget-priced motel chains all the way up to exclusive luxury resorts where you'll be pampered like royalty.

Although no one would mistake a Super 8 motel for the Waldorf-Astoria, what these and all other hotels have in common are exposures to loss. Some exposures seem simple and obvious, whereas others are highly complex and would be unfamiliar to all but the most experienced hotelier.

For example, hospitality companies face such critical exposures as closure of the facility by a civil authority after a murder or suicide occurs on the premises; food contamination; outbreaks of infectious disease; pest infestation; professional liability arising from spa services; and builders risk when a facility undertakes renovation or construction of expanded facilities.

The more sophisticated and luxurious a hotel property, the greater its liability exposure. In addition to a spa with steam room, sauna, whirlpool or hot tub, and massage therapy, many high-end resorts also have one or more restaurants, bars, shops, golf courses, and swimming pools, as well as a hair styling studio, a workout facility, and a game room. Liquor liability can be a significant exposure for a high-end hotel, whereas it doesn't affect smaller or budget facilities where liquor is neither sold nor served.

The threat of pandemics arising from diseases like SARS, which has been responsible for a number of deaths primarily in Asian countries, and avian flu, which some experts fear might spread to humans, are causing significant concern to the owners of hotels and other hospitality facilities.

### Meet the experts

HKMB International Insurance Brokers, based in Toronto, Ontario, Canada, has significant expertise in identifying and managing these exposures for hotel owners and operators. The broker, one of the largest in Canada, has spent the last 10 years building a hospitality practice that is able to provide customized insurance and risk management solutions for a wide range of hotel and leisure-related risks.

Anita Kwan, an HKMB partner, and Lou Fisch, an assistant vice president, together lead the hospitality practice. Lou Fisch joined HKMB in 2003, bringing a strong background in marketing insurance programs to associations and affinity groups.

Kwan began her career in 1975 with Sedgwick Chartered Insurance Brokers in Hong Kong and became a marketing manager in 1982. She joined Lombard General Insurance in Hong Kong in 1986 as assistant to the assistant general manager and then became marketing manager. After emigrating to Toronto in 1990, she worked for Lombard Canada, where she specialized in broker management, and later served as chief coordinator for the Tokio Marine Insurance Management Facility. Kwan joined HKMB as an account manager in 1996.

Canada, especially Ontario's capital city of Toronto, is home to a large number of Chinese immigrants. When Kwan joined HKMB in 1996, she established an Asian practice to

help bridge the cultural, language, and business gaps that often confront Asian business people in Canada, China, Hong Kong, and other places around the world. More recently, Kwan says, HKMB's Asian practice has expanded to offer insurance and risk management services to Canadian clients who have business interests in China and other parts of Asia.

Active in Toronto's Chinese business community, in 2005-2006 Kwan served as president of the Toronto section of the Hong Kong Canada Business Association, which has connections to 30 similar groups in 23 countries.

### A growing practice

HKMB's hospitality practice has grown in both expertise and reputation over the past 10 years. The firm works with a number of prestigious hotel properties in Toronto and the surrounding area. HKMB also offers specialized programs for Best Western Hotels, Days Inns, and Motel 6 properties.

HKMB gained entrée to the Days Inn business partly as a result of Fisch's involvement in property management and real estate risks. "Many of my larger clients in the property management and real estate field have hotel or hospitality-type operations that are affiliated with them," Fisch explains. "One of my clients is the master franchise holder for the Days Inn and Motel 6 brands in Canada."

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— Anita Kwan, Partner  
HKMB International  
Insurance Brokers



Helping Lou with a risk assessment are (seated from left) Michael Godbold and Pierre Fan.

The Days Inn program is an example of how Kwan and Fisch use their knowledge of hospitality exposures, coverages, and markets to create a customized program for a specific franchise.

“We were approached at the top of the last hard market to put together an insurance program specifically for Days Inn franchisees,” Fisch explains. “Our challenge was to persuade the insurance market to view the Days Inn brand differently from other hotel brands. We were able to create a program where the results and premiums are derived strictly from the experience of Days Inn, so it’s an exclusive product rather than a generic solution. Understandably, Fisch observes, “most franchise owners prefer to work with brokers who can bring added value to their franchisees.”

Another way in which HKMB adds value to its relationship is by sponsoring Days Inn events. “We sponsored their Employee of the Year award, and we believe that our effort to go above and beyond has enhanced awareness of our brand,” Fisch says.

### Best Western program

Last year HKMB became the endorsed vendor for Best Western International, Inc., for Best

Western-branded properties located in Canada. “After discussions that went on for about a year, we launched our Best Western program about six months ago,” Kwan says. “We received a referral to the account through one of our Assurex Global partners in the U.S. They already had a program for Best Western in the U.S., and they were looking for a partner in Canada that could offer the same quality of service to the owners of Best Western Canada hotels.”

Unlike Days Inn, “Best Western Canada does not operate on a franchise basis,” Kwan explains. “Instead, each Best Western property is owned by an individual who becomes a member of Best Western Members Canada.”

To promote HKMB’s program to Best Western owners, Kwan says, she and Fisch attend industry conferences to get their name in front of prospects. “We’re gradually increasing awareness of our brand,” she says. “We’re quoting on many hotels, so we have an optimistic outlook on this program and see many opportunities for HKMB.”

The Best Western program is underwritten by ING Insurance Company of Canada, rated A by A.M. Best. It offers hotel owners a

comprehensive menu of coverages, starting with broad form property coverage for building, contents, loss of rents, computer equipment, accounts receivable and valuable papers, bailee’s customers rider, consequential loss assumption, property in transit, professional fees, fine arts, outdoor signs, and sewer backup.

Business interruption coverage includes extra expense, consequential loss assumption, off-premises utilities failure, civil authorities, and a special clause that applies to outbreak of infectious disease, infestation or presence of vermin and/or pests, and murder or suicide that occurs on the premises.

Liability insurance is available for products and completed operations, personal injury and advertising injury, tenants legal liability, non-owned auto, hired and non-owned auto physical damage, innkeepers liability, employee benefits liability, and umbrella and excess liability.

Also available are coverages for boiler and machinery, and crime.

### Suite of services

As with any specialized class of business, hospitality risks require a high level of expertise with respect to risk management and loss control. HKMB offers, on an as-needed basis, a full range of risk management and loss control consulting, including inspection and risk assessment; building and contents valuation; loss prevention program development; risk improvement solutions; employee training programs; renewal support and insurer risk control liaison; review of contracts and contractual obligations; and pandemic planning.

In response to the threat of SARS and avian flu, HKMB offers coverage for facilities that are forced to close as the result of a pandemic exposure.

“We don’t just offer our prospects a quote on their insurance program,” Kwan says. “We also offer advice, support, and assistance in anticipating and planning for many different potential exposures.” ■