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Please respond to

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SESSION NR 20

INDUSTRY SESSION - HOTELS

BRIAN O'HARA



Omer Leroy
UNILEVER
Conference Co-Chairman



John Loader
Extra Pak
Co-Chairman

Donación de AGERS al Centro de Documentación de FUNDACIÓN MAPFRE

HOTEL INDUSTRY SESSION

AN UNDERWRITER'S PERSPECTIVE

Specialization - A world of increasing complexity, exacting demands, and growing global competition requires it.

I believe in it. I believe it is the reason why we are all together today.

The increasing rate of change in our society is bewildering. Even if you subscribe to the axiom, "the more things change, the more they stay the same" - that perhaps cycles give us the illusion of change, then we must admit that at least the cycles are moving through at a faster rate.

In any event, to reduce the blur caused by this faster carousel, one must be more focussed on a specific target, whether it be an industry, a company or an individual. One must acquire a specialization and continue to refine it, in order to have a good chance at grabbing that elusive brass ring.

In my career, through a mixture of conscious effort and a little bit of fate, I have developed wide experience, and hope by now, expertise in the underwriting of large casualty risk exposures. Since 1986 I have been directing the underwriting philosophy and activity of X.L., a highly specialized underwriter of large casualty exposures, providing mid-level catastrophe coverage. That is, generally supplying limits of \$75 Mil excess of \$25 Mil, \$50 Mil or \$75 Mil in third party liability coverage.

The hotel/leisure service industry has been no stranger to me, from having been a major reinsurer of the 1st Mil in excess of primary on the Hyatt Regency skybridge collapse, to the insurer of more than a dozen parties to the DuPont Plaza disaster. On the pleasurable side, the American Hotel Association's Risk Management Group has had me as their guest at their meeting several years ago. And I have found that whether it is in the U.S. or Monte Carlo, an Underwriter could not find a more accommodating Risk Management Group. In return, I hope some of my observations of your industry might enhance your expertise in protecting both your customers and your corporate assets. As well, in knowing what pleases this Underwriter from a risk control aspect, may be of help to you in preparing for your next renewal negotiation with your Underwriters.

In the end, a program built by specialists, based on facts, with full recognition of what risks exist in the worst case, with every effort expended to provide for a best case scenario; is a program that will perform throughout cycles and survive a worst case experience.

So.... what keeps an Underwriter awake at night? Let me address first the general nightmare of the legal and socio/political environment, and then, the specifics of the Hotel Industry exposures and controls, and finally, my views on how you can best present your risk to the Underwriting Community.

A) LEGAL/POLITICAL ENVIRONMENT

1. U.S./CANADA - Absolute, Joint and Several Liability
 - Activists Bench/Punitive Damages
 - ATLA/Nader/Proposition 103 - Tort Reform
 - Expanding Theories of Causation

2. EUROPE
 - E.E.C. Product Liability Directive
 - U.K. Changes Toward Contingency System
 - U.K. Bar Considering The Formation Of
A Sister Association To ATLA
 - 1992 - E.E.C. Legal Evolution

3. DEVELOPING COUNTRIES
 - Extortion/Terrorism
 - Sabotage/Riot

B) EXPOSURES AND CONTROLS IN THE HOTEL/LEISURE INDUSTRY

1. HUMAN ELEMENT
 - Management Attitude Toward Risk Management
 - Employee Relations and Training
 - Unions
 - Third Party Contractors
 - Contractual Relationships and Controls
 - Your Customer

2. PHYSICAL ELEMENT
 - Construction: Dimensions, Age, Maintenance

 - Protective Equipment:
 - State of the Art:-
 - Automatic Sprinkling
 - Smoke Protection
 - conversion rate to State of the Art

 - Geography:
 - Exposure to Earthquake
 - Landslides
 - Windstorm
 - Tidal Wave
 - Subsidence, etc.

 - Pollution

C) MARKET EXPERIENCE AND EXPOSURE TO MARKET

1. HISTORICAL - 80's Loss Record - Property and Liability
VOLATILITY
 - Pricing Swings.
 - Capacity - You Don't Miss the Water 'Til
The Well Runs Dry.

2. SHORT-TAIL EQUALS QUICK REACTIONS
 - Will Cancellation Be Sent After The Evening
News Report?
 - Stability (vs) Desire For Ever Improving
Terms and Conditions.

3. EXPOSURE TO GENERAL MARKET DISASTERS
 - California or Tokyo Earthquake
 - Force 5 Hurricane in S.E. U.S.A.
 - Financial Panics

D) UNDERWRITING PRESENTATION

1. IF YOU HAVE IT ... FLAUNT IT!

◦Audio/Visual - video tapes, slides, etc.

◦Past Expenses incurred and/or current budget for safety and loss control.

◦Research and Development into new methods of:

- a) Prevention - not just keeping abreast of requirements. Are you on the leading edge vis-a-vis your competition?
- b) Mitigation - have you thought about new methods of life preserving within each room? Automatic elevator shut-down? Are false alarms prevalent?
- c) Cure - evacuation plans; availability of blueprints with police and fire services; helicopter pads; internal corporate SWAT Team in the event of a disaster.

D) UNDERWRITING PRESENTATION (cont'd)

2. ATTITUDE - THE GOOD AND LASTING IMPRESSION

- Recognize that a good loss history does not prevent losses.
- Do not allow market conditions to affect the diligence with which you approach the market.
- Quality of service and ability to perform takes precedence over price when choosing brokers, underwriters and claims service.
- A poor reputation, once established, is very difficult to change.

You are a specialist, not just in risk management, but in Hotel Risk Management. Accentuate your training and experience in this field of endeavour, and the training that is ongoing for your staff. An Underwriter, who is a specialist in evaluating the hotel risk, will appreciate all of these efforts. If not, then you are dealing with the wrong Underwriter.