

SAFEGUARDING HOTEL INVESTMENTS

Behind the Scenes with BFL CANADA

BY STACEY NEWMAN

Chris Stefura, an account executive at BFL CANADA, has developed a deep understanding of the insurance needs and challenges faced by hoteliers across Canada. With nearly 12 years of experience in the insurance industry, including two years at BFL, Stefura is known for his approach of engaging in frank, comprehensive consultations to ensure clients are fully aware of their coverage options and potential risks.

In our *STAY Magazine* interview with Stefura, he shares his perspective on the evolving landscape of insurance in the Canadian hotel industry in 2024. BFL CANADA, a national brokerage firm known for its client-centric approach, is an established leader in providing insurance solutions aimed at securing future success for hoteliers across the country. BFL takes each hospitality business through a thorough risk assessment to pinpoint specific vulnerabilities and exposures, including property, liability, and cyber threats to develop highly customized solutions for hoteliers.

"The biggest question I always ask is, *What is your catastrophic recovery plan?*" says Stefura. He explains that this question helps tailor insurance policies to align with a client's individual needs, whether that's safeguarding an asset for future generations or ensuring quick financial recovery in the event of a disaster.

The insurance needs of the Canadian hotel industry vary widely across regions, given the diverse range of natural and man-made risks. Understanding these distinctions is essential for hoteliers to choose the right insurance coverage for



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their specific location. For example, British Columbia is highly susceptible to wildfires and earthquakes. In 2023, wildfires in the Okanagan and Shuswap regions resulted in over \$720 million in insured losses, highlighting the importance of inclusive wildfire coverage and earthquake endorsements as add-ons to standard property insurance policies for hoteliers in this province.

In contrast, Ontario hoteliers need to be more concerned with flooding and severe thunderstorms, which caused \$340 million in damages in 2023. This highlights the necessity of overland water coverage in the province.

One real-world example of a hotel that has successfully navigated crises is the Wickaninnish Inn in Tofino, British Columbia. After severe storm damage in 2021, the inn used its comprehensive insurance coverage, including business interruption insurance, to cover repairs and manage operational downtime, ensuring a swift recovery.

Similarly, the Fairmont Chateau Laurier in Ottawa successfully mitigated a cyberattack in 2022 by having strong cyber risk insurance and a dedicated incident response team, demonstrating the importance of proactive cyber risk management in the hospitality sector.

The urgency of having a well-structured recovery plan is clear given the escalating frequency of natural disasters affecting Canadian businesses. According to the Insurance Bureau of Canada (IBC), insured damage from severe weather events reached over \$3.1 billion in 2023, marking the fourth-worst year for insured losses in Canadian history (Insurance Bureau of Canada, 2023).

"In 2024, the insurance landscape for Canadian hotels is characterized by increasing claims due to weather-related incidents," Stefura adds.

Industry statistics from 2024 indicate a steady rise in the frequency and severity of such claims, driven by more extreme weather events. This trend speaks to the importance of an insurance strategy that includes not just property and casualty insurance, but also specialized coverages tailored to the unique risks faced by hoteliers.

Beyond Natural Disasters & Cyber Risks

The pandemic has reshaped liability insurance needs for the hospitality industry. Increased sanitation standards, vaccination policies, and evolving guest expectations have all influenced new types of liabilities. According to the Canadian Federation of Independent Business (CFIB), nearly 65 per cent of businesses, including hotels, have had to implement more stringent cleaning protocols and vaccination requirements for staff and guests to minimize the risk of disease transmission. These changes necessitate adjustments in liability coverage to protect against potential health-related lawsuits or claims. Hoteliers now consider additional endorsements for communicable disease liability coverage, which can cover legal fees and settlements in case of outbreaks or health-related incidents.

Key Insurance Coverages for the Hospitality Sector

Stefura highlights several key insurance coverages that are vital for the hospitality sector:

COMMERCIAL GENERAL LIABILITY (CGL) INSURANCE

This coverage is crucial for protecting hotel owners against claims of bodily injury, property damage, and personal injury. According to IBC data, water damage, frozen pipes, and slip-and-fall incidents remain the most common claims in the hotel industry, leading to substantial financial losses for hotel operators.

PROPERTY AND BUSINESS INTERRUPTION INSURANCE

Property insurance covers the cost of repairing or replacing damaged buildings, furniture, fixtures, and equipment. Business interruption insurance is vital for hotels to recover from operational disruptions caused by natural disasters. Zurich Canada points out that approximately 40 per cent of small businesses, including hotels, do not reopen after a disaster due to inadequate business interruption coverage.

CYBER RISK INSURANCE

As hotels increasingly rely on technology for operations, cyber insurance has become essential. This coverage protects against data breaches, cyberattacks, and the associated costs of managing such incidents. The Canadian Centre for Cyber Security reported that the hospitality industry is among the top five sectors targeted by cybercriminals.

SPECIALIZED COVERAGES

Host Liquor Liability and Special Events Coverage protects against claims arising from serving alcohol at events. Employment Practices Liability (EPL) insurance is also crucial for hotels, offering coverage for legal expenses and settlements related to employee claims.

EQUIPMENT BREAKDOWN INSURANCE (EBI)

EBI covers the financial loss resulting from the sudden and accidental breakdown of essential equipment, such as HVAC systems, boilers, and elevators, which are critical to hotel operations.

Using Data for Risk Prediction & Better Negotiation with Insurers

Canadian hoteliers can leverage data analytics to predict potential risks and negotiate better terms with insurers. Advanced data analytics tools can analyze patterns in weather events, guest behaviour, and operational vulnerabilities, providing hoteliers with predictive insights into potential future risks. For example, by using historical weather data and predictive modelling, a hotel in Alberta could better understand its exposure to hailstorms and negotiate more favourable terms for hail damage coverage. Similarly, analyzing guest data for behaviour that could indicate potential security risks can help hotels assess their cybersecurity needs more accurately and negotiate comprehensive cyber risk insurance policies at competitive rates.

Embracing Innovation & Sustainability in Hospitality Insurance

Trends in hospitality insurance are moving towards greater specialization, innovation, and responsiveness to emerging risks. Hoteliers are increasingly seeking insurance coverage options that support sustainability goals, such as green building insurance and policies that cover energy-efficient upgrades.

Canadian insurers are increasingly incentivizing green building practices by offering discounts and specialized coverage for hotels that invest in sustainable infrastructure. For instance, Intact Insurance offers a Green Building Rebuild endorsement, which allows policyholders to rebuild with environmentally friendly materials and technologies after a loss. Hotels that achieve LEED certification or meet other sustainability criteria can receive premium reductions of up to 10 per cent. One example is Delta Hotels by Marriott Toronto, which has approached its aggressive sustainability goals through insurance incentives to invest in energy-efficient systems and sustainable practices, reducing both operational costs and insurance premiums.

SOURCES

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Collaborating with Local Governments & Industry Associations

Hoteliers can also benefit by collaborating with local governments and industry associations to better understand and mitigate emerging risks. Partnerships with municipal governments can provide access to resources for disaster preparedness and response planning.

- **The Hotel Association of Canada (HAC) offers resources and training sessions in collaboration with local governments to help hoteliers prepare for natural disasters, cyber threats, and liability risks at hotelassociation.ca.**
- **Similarly, in Quebec, hoteliers can collaborate with Tourisme Québec to participate in regional climate adaptation programs, which offer insights and resources to better manage weather-related risks and reduce insurance premiums at bonjourquebec.com.**
- **In 2024 Travel Alberta released emergency management guides in the Industry Hub section of its website at industry.travelalberta.com.**
- **The British Columbia Hotel Association (BCHA) released its Emergency Management Booking Portal to address the need for rapid and effective evacuation procedures in response to climate crises in British Columbia at bcha.com.**

Evolving expectations of guests are influencing the types of insurance coverage that hotels prioritize. Modern guests demand higher safety standards, sustainability practices, and technological conveniences. According to a 2023 J.D. Power North America Hotel Guest Satisfaction Index Study, there is a rising demand for hotels to implement enhanced security measures, such as contactless check-ins and robust cybersecurity protocols. As a result, hoteliers are increasingly prioritizing cyber risk insurance to protect sensitive guest data.

Guest demand for eco-friendly accommodations is driving a need for green building insurance and coverage that supports sustainable practices. The shift towards these types of coverages reflects a broader trend in the hospitality industry towards meeting new guest expectations while mitigating emerging risks.

As the Canadian hotel industry navigates the challenges posed by an increasingly volatile climate and evolving technology that also creates cyber vulnerabilities, the role of insurance is intrinsic to successful hotel operations. By leveraging tailored risk management strategies, hoteliers can safeguard their investments and ensure resilience in an uncertain future. ■