



CARIBBEAN  
HOTEL & TOURISM  
ASSOCIATION

# Hotel Property Insurance After the Storms

November 1, 2017





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HOTEL & TOURISM  
ASSOCIATION

# Presenters

**Scott Stollmeyer**

Managing Director

Barbados & Eastern Caribbean

CGM Gallagher

**Magnus Alnebeck**

General Manager

Pelican Bay Hotel Grand

Bahamas Island

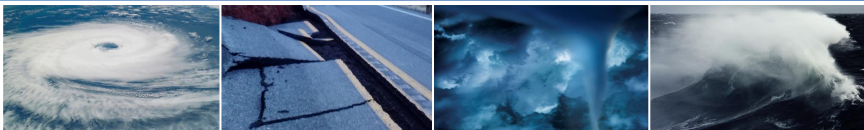
**Stanley W. Smith**

Smith Orloff & Associates



# HURRICANE IMPACT - 2017

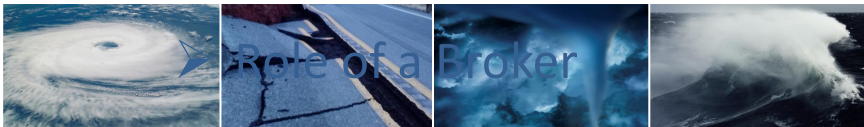
Caribbean Hotel and Tourism Association  
November 1, 2017



# Agenda

- The effects of HIM:
  - Harvey
  - Irma
  - Maria
- Rates – where are they going?
- The “Hard Market”
- Claims Process
- About CGM Gallagher

➤ Role of a Broker



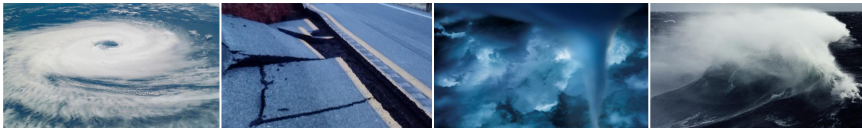
# Hurricane Harvey

- Hurricane Harvey was a Category 4 storm that hit Texas on August 25, 2017
- It caused \$150 billion in damage (est.)
- Minor damage to Caribbean islands – Barbados, St. Vincent, St. Lucia as a tropical storm
- Major damage to Texas and neighbouring states as a result of heavy rains and flooding



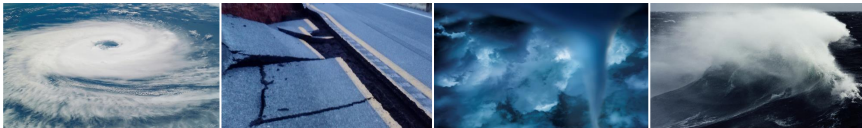
# Hurricane Irma

- Irma developed into a tropical storm on August 30, 2017
- The storm caused catastrophic damage in Barbuda, Saint Barthélemy, Saint Maarten, Anguilla, and the Virgin Islands as a Category 5 hurricane
- In Barbuda, over 90 percent of buildings and vehicles were destroyed
- It caused \$64 billion in damage (est.)
- 134 people died from Irma in the Caribbean and the U.S



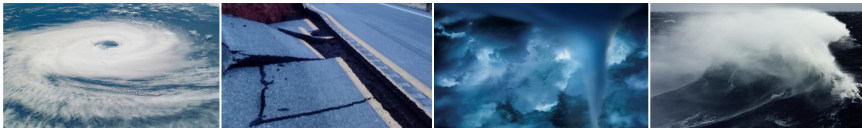
# Hurricane Maria

- Maria developed into a named storm on September 16, 2017
- Quickly formed into a category 5 hurricane on September 18, 2017
- It caused \$52 billion in damage, mostly in Dominica and Puerto Rico (est.)
- 94 people died from Irma in the Caribbean and the U.S



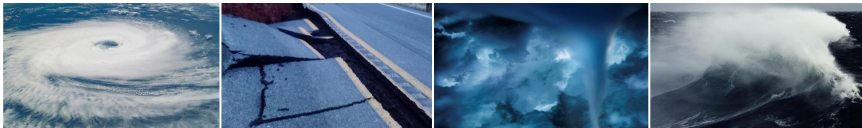
# Rates

- In Barbados and the Eastern Caribbean we have seen a steady decline in property insurance rates over the past 8 years
- Falling rates due to the increased competition by insurance companies operating in the same space and the lack of game changing catastrophic events
- As a result of the heightened 2017 hurricane and named storm activity reinsurance / UK markets have already put regional and domestic insurance companies on notice to be prepared for rate increases on their coverage
- Insurers have advised us of “material” rate increases coming

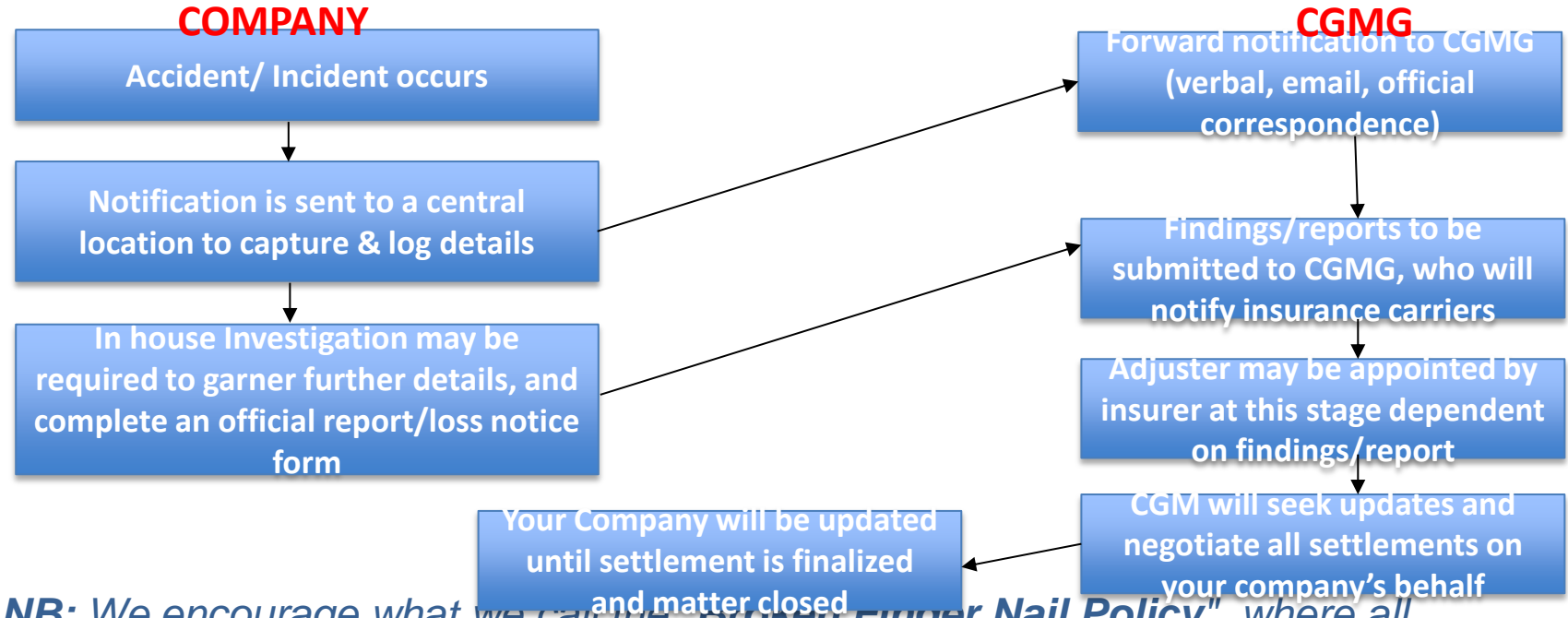


# The “Hard Market”

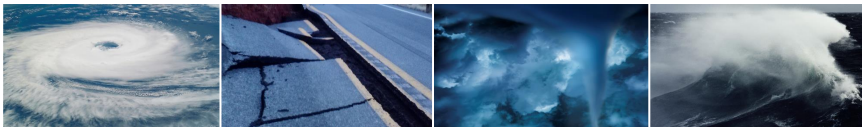
- Hard Market – the upswing in a market cycle, when premiums increase and capacity for most types of insurance decreases. Can be caused by a number of factors, including falling investment returns for insurers, increases in frequency or severity of losses, and regulatory intervention deemed to be against the interests of insurers.
- The insurance market will be hardening. What are solutions and options available to you in the proverbial “hard market”:
  - Captives – a form of self insurance
  - Multi-year coverages – negotiate with the insurer to lock in a specific rate over 2 or 3 years to protect against the volatility of price fluctuations.
  - Understand insurance products available to you to protect your business – e.g. business interruption insurance
  - Prudent housekeeping



# CLAIMS PROCESS

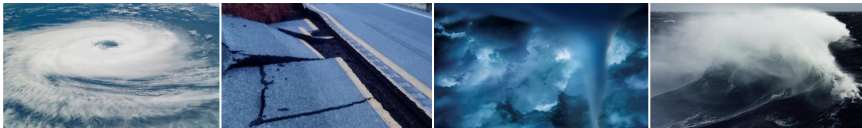


**NB:** We encourage what we call the **"Broken Finger Nail Policy"** where all incidents should be notified to CGMG regardless of severity.



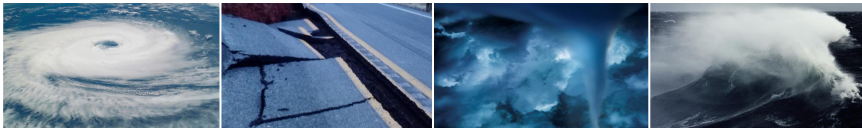
# About CGM Gallagher

- We are the largest Insurance Broker in the English speaking Caribbean
- We are majority owned by Arthur J Gallagher (4<sup>th</sup> largest Broker in the World)
- We carry E&O coverage for US\$20M
- We have branches in 8 Caribbean countries with correspondents in other Caribbean markets
- We have a dedicated Claims teams
- We are a full service broker providing advice for both Property and Casualty and Employee Benefits Insurance



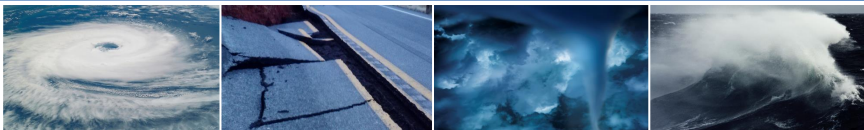
# Role of CGM Gallagher

- Represents & advises the Client
- Does not represent the Insurance Companies
- Professionally Responsible to the Client
- Negotiates Insurance and Reinsurance Coverage & Costs subject to the Client's approval
- Negotiates Insurance Claims on behalf of the Client with the Loss Adjusters representing the Insurance Companies
- Advises on risk management approaches



# CGM GALLAGHER INSURANCE BROKERS (BARBADOS) LIMITED

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# **Pelican Bay Hotel Grand Bahama**

## **DEALING WITH HURRICANES AND INSURANCE**

## Before the storm

- ❖ Check lists, check lists, check lists
- ❖ Special attention to your most valuable asset.  
YOUR STAFF(where will they be, what instruction do you give them, “hurricane bonus”)
- ❖ Photos, photos, photos
- ❖ Prepare important documents, (upload in cloud)
- ❖ Prepare for working “off site, off island”
- ❖ Stock up, Do you want to operate in a aftermath?



## During the storm

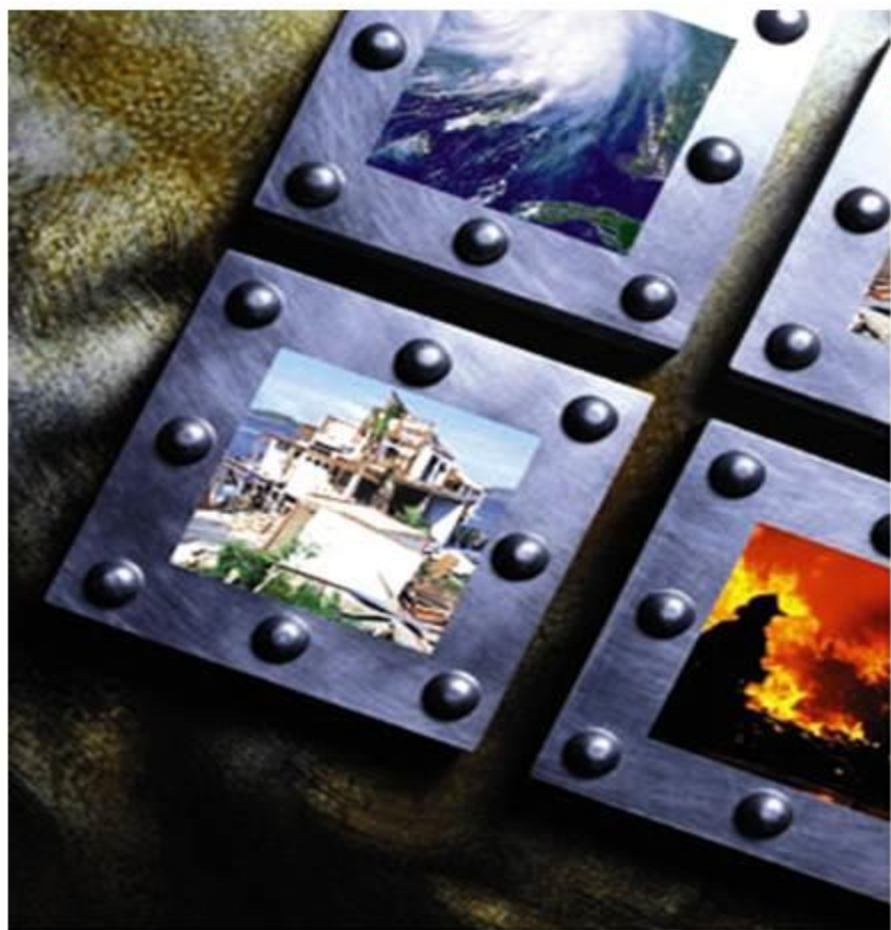
- ❖ Stay safe
- ❖ REST (you will need it)
- ❖ Don't do anything stupid



## After the storm

- ❖ Situation?
- ❖ Photos, photos, photos
- ❖ Priorities
- ❖ Look after your most valuable asset  
YOUR STAFF
- ❖ Try to create a sense of normality. (or  
the new normal) CLEAN UP
- ❖ Be crystal clear in your communication
- ❖ Start immediate work, in order to avoid  
more damage. Do not wait. Your  
Insurance Company, and your  
community will be impressed.
- ❖ Get someone to deal with your  
Insurance Claim. You will not have  
time for it.





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**Smith Orloff & Associates**

# SMITH ORLOFF & ASSOCIATES

Advisor to Property Owners

Present An Executive Briefing

Successfully Surviving A Catastrophic Loss  
From An Insurance Standpoint

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Presented By  
Stanley W. Smith, CPA

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**Smith Orloff & Associates**

# **Overview**

## **Understanding and Making Sure That Insurance Coverage Is Appropriate & Avoid Pitfalls Before The Loss Occurs**

- Covered Property
- Limits of Coverage
- Covered Perils
- Policy Conditions / Coverages

## **The Claim Settlement Process / Maximizing the Settlement**

## **Business Interruption Loss & Extra Expense**

- Establishing the Limit of Insurance before the Loss
- Preparing and Presenting the Claim

# **Understanding and Making Sure That Insurance Coverage Is Appropriate and Avoiding Pitfalls Before The Loss Occurs**

## **Covered Property**

- Building
- Contents / Equipment
- Stock / Inventory
- Business Interruption and Extra Expense

## **Limits of Coverage**

### **Covered Perils**

- All Risk vs. Named Peril
- Windstorm and Flood
- Wind Driven Rain
- Earthquake
- Collapse

### **Policy Conditions / Coverages**

- Replacement Cost vs. Actual Cash Value
- Holdbacks / Buyouts
- Coinsurance
- Agreed Value Endorsement
- Ordinance / Code Upgrade
- Loss of Off-Premises Power & Water
- Costs of Architects & Engineers in Reconstruction
- Foundations, Walkways, Roads & Landscaping
- Blanket Coverage
- Consequential Business Interruption
- Deductibles For Windstorm & Earthquake
- Appraisal Clause

## Maximizing The Claim Settlement / Being Proactive

- Must Be Proactive
- Understand The Policy & How It Applies to the Loss
- Use of Experts
- Schedule Meetings With Company Adjusters
  - Scope of Loss
  - Evaluate Alternatives to Reconstruction
    - Seize the Opportunity for Enhancing Capacity / Efficiency
  - Participate in Establishment of Reserve
  - Request Advances
- Responsibility to Mitigate Further Damages
- Precision in Uncovering Critical Detail
- Be Aware of Diminution of Useful Lives

## Maximizing The Claim Settlement / Being Proactive (continued)

- Document the Loss
  - Photographs
  - Get Your Own Restoration Estimates
  - Keep Accurate Cost Records
  - Preserve Damaged Articles for Adjuster's Review
  - Preparation of Your Own In-Depth Loss Estimates
  - Losses Can Be Settled on an Estimated Basis
- Mitigation of Business Interruption Loss Used As a Leverage
  - Efficient Handling of Continuing Expenses
- Use of Extra Expense Coverage
- Negotiating Skills / Negotiating On An Informed Basis

## **Business Interruption Loss & Extra Expense**

- Establishing the Limit of Insurance
  - Net Income Plus Continuing Expenses
  - Ordinary Payroll Expense Exclusion
  - Address Costs to Stay In Business & Mitigate- Extra Expense
    - Have a Plan
- Preparing and Presenting the Claim
- Restoration Period



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# QUESTIONS?

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