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Uncertain Future: Hospitality

Employment Outlook The U.S. Bureau of Labor Statistics (BLS) – Occupational Outlook Handbook for 2019-2029, predicts positive job changes (increases) for certain jobs in the Hospitality category: for waiters and waitresses (4%), chefs and head cooks (6%), cooks (10%) and supervisors of food preparation and serving workers (6%) for the period. The forecast for the lodging/hotel sector is not favorable, with negative job growth predicted for lodging managers (-12%), and hotel desk clerks, registration clerks and reservationists (-3%). The BLS pages were last modified in September, 2020. This information reflects a positive outlook (and a recovery from COVID-19 shutdowns and restrictions) for food service and preparation employment going forward; not so much for the lodging/hotel industry in the two categories cited. Projected job growth for all U.S. occupations is 4% for the period.

The December 2020 unemployment rate for the Leisure and Hospitality industry is 16.7%, down from its April 2020 high of 39.3%. The December rate is 1.7% higher than November and the first upwards tick since a steady seven-month decline. The largest decline was in food services and drinking establishments.

Business Outlook The Hospitality field has been severely impacted by the COVID-19 pandemic. Government-mandated restrictions, stay-at-home orders, lockdowns and capacity limitations and reluctance on the part of the public to congregate in close quarters, stay at a hotel or travel on planes and ships has led to severe declines in revenues. Last year, the National Restaurant Association reported a shortfall in restaurant and foodservice sales in excess of \$120 billion. The hotel industry is also experiencing a drop in room bookings. Hotel Management reported a 40-point decrease in occupancy in New York City when comparing 2020 to 2019.

Injuries Leisure, entertainment, and hospitality workers have a recordable case injury rate of 3.3, slightly above the rate for all industries of 3.0. Hotel workers had a higher rate of 4.5; accommodation and food services are close to the all-industry average of 3.0. (Bureau of Labor Statistics, 2019). Slip and fall accidents, material handling, burns, cuts, repetitive stress, and assaults are common injuries.



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Workers Compensation Absent a resumption to pre-COVID-19 business levels, hospitality employers will continue to see lower-than-normal workers compensation premiums due to lower payroll and claims activity. The compensability of COVID-19 illness claims is inconsistently being decided, with some states enacting legislation and issuing executive orders that expand coverage to specific workers (such as first responders) while others have not. The 2021 Insurance Marketplace Realities Report published by Willis Towers Watson predicts a flattening of Workers Compensation decreases with a slight increase due to COVID-19 activity.

Casualty Expect hospitality risks to see primary general liability rate increases from 7% to 15% in 2021. The outlook for umbrella and excess liability is even poorer, with increases to 40% or higher based on the hazard classification of a risk (low/moderate to high). Premium returns are possible if a policy is subject to audit and there is a decrease in business.

Property The 2021 Insurance Marketplace Realities Report predicts rate increases of +15% to 25% for non-challenged occupancies and +30% or more for challenged occupancies.

Looking Ahead For many, dining out, going on a vacation, visiting a casino or traveling is a more of a luxury than a basic essential. Businesses have learned that remote meetings can be productive. As such, the hospitality sector may be among the last to return Pre-COVID-19 levels. However, the pent-up desire for many to return to normal habits – dining out, taking vacations, conducting in-person meetings – may bring this sector back with a vengeance once restrictions are lifted.

- Carriers are including COVID-19 or communicable disease exclusions in policies and forms, and strengthening civil unrest exclusions in property policies.
- According to NOAA, 2020 turned out to be the most active hurricane season on record, with 30 named storms. Nineteen of the 20 warmest years on record have occurred since 2001, with 1998 the lone exception. Climate change is real (whatever the reason) and it is impacting property losses. Many resorts, hotels and restaurants are near coastlines or in flood-prone areas.
- Some carriers are leaving the hospitality market or are requiring restrictive terms and reduced limit capacity. Social inflation (the increase in the cost of claims and litigation from changing societal trends and opinions that negatively impact jury



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verdicts) is a factor when dealing with emotionally-charged claims, such as assaults, or liquor-related accidents that are loss drivers for hotels and resorts. Large corporate risks (national hotel or restaurant chains) are often targets because of their perceived affluence and size. The increase in weather events continues to put pressure on the property market. Willis Towers Watson points out in their report that the 2020 third quarter natural catastrophe losses for U.S. property/casualty insurance were the largest since the third quarter of 2017 when the industry experienced hurricanes Harvey, Irma and Maria.

- Reduced capacity negatively affects shared jumbo risk placements where multiple carrier participation is needed.

As consultants and advisors, we can help with your insurance program! Gramercy Risk finds solutions for the hospitality industry. To see how we can improve your risk profile and insurance program, contact Dave Mocklow at 312 961-2325.