

Coast still not clear for hospitality risks needing cover

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Last summer InsuranceTimes reported on the insurance difficulties facing the hospitality industry in coastal areas. Checking in with some of these same people, we find that it's still no day at the beach for these insureds.

Kerry Adams, president of Fireside Insurance in Provincetown, Mass., discussed the unavailability of markets, saying that companies that were available were forced to charge higher premiums because of the additional cost of reinsurance. The reinsurance industry was still reeling from the effects of Sept. 11, 2001.

Today Adams says premiums in his area are 50 to 100 percent higher than last year.

"There are very few markets that are out there aggressively looking, and the same holds true for the restaurant market," he said. "I can honestly say that in 19 years of doing business, this is the first year I have found it difficult to access markets for restaurant properties that are near the water. I'm not saying that I can't do it, I'm just finding it difficult."

He is pessimistic about the future.

"I don't think we're going to see a huge change in the marketplace for at least a year or two," he said.

He laughed slightly as he said that change is unlikely because insurance companies weren't getting money before and now they are, so why would they want to change that?

"At this point it's bad, but it could always get worse," he said. "If we see a significant hurricane or something."

Hurricane and wind damage is another bane for coastal hospitality businesses.

Stephen Genatt, president of Genatt Associates in the Great Neck area of Long Island, said the most difficult time of the year has passed, but the market in general is worse than the last time he spoke with *InsuranceTimes*.

"Any coastal property across the U.S. is difficult to write, specifically of course in hurricane season, which is mid-September to November, and it has been brutally difficult," he said. "The market is congealing and getting smaller and smaller as insurance companies are becoming fewer and fewer."

Barry Fitelson, a partner with the Connecticut Restaurant Insurance Program in Stratford, Conn., rolls his eyes about the wind issue.

"We've been writing restaurants for over 20 years, and I could count on one hand the amount of claims that occurred

that were because of wind damage," he said. "A masonry building by the water would not be able to find a market, but you couldn't blow that building away with 300 mile per hour wind."

One of the things that has made it even more difficult for establishments within the hospitality sector to find insurance was the nightclub fire at the Station in Warwick, R.I. last February. (See page 12.)

"The Rhode Island fire really woke a lot of people up," said Adams. "The insurance companies take a much harder look at business now."

Fitelson said framed buildings in particular are getting hit hard by this.

"Anything that's framed they're just running away from," he said of insurers, "and if they are writing them they're getting a lot more money for them. In the past six months this has picked up a lot."

Since most of the framed buildings are older, they don't have sprinkler systems, and this doesn't just make it difficult from the property standpoint.

"This is tough from a liability standpoint as well," said Adams. "It actually drives the market harder than property and casualty."

A sprinkler will make accessibility to the market a little easier, he said, but framed buildings in general are still difficult to place.

Genatt said framed buildings that are part of a chain like Howard Johnson's are easier to write.

"If it's a cookie cutter thing then it's easier because once you write a few of them you know what you're dealing with," he said. "They're mostly all the same."

Adams said he could possibly see things getting better in the hospitality market if sprinkler systems were mandated.

"In the long run, rates will drop," he said.

But as far as coastal properties, he is still cynical about the industry where he is.

"Where I'm a coastal agent, it's a little tricky if you're dealing with an account that's 1,000 feet or closer to the coast," he said.

"You can't throw a stone in Provincetown without hitting the water." □