

Transforming Challenging Times *into* **Beacons of Opportunity**

State of the Market Mid-Year Report

2023

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State of the Market Mid-Year Report

Hospitality, Golf, and Country Clubs

Overview

Due to labor shortages, supply chain issues, and changing consumer demands, the hospitality industry is making a significant transformation in a highly disrupted market.

Private golf and country clubs are experiencing a new kind of buyer. As new wealth emerges and societal dynamics evolve, so do the expectations of these clients. In addition to the traditional offerings, prospective members now want health and wellness, pickleball, and café culture. Golf and country clubs are also shifting to appeal to various generations within the family unit by meeting the needs of the members' children and grandchildren.

This customer evolution means clubs must reinvent themselves, acquire additional capital, and adapt to the current labor climate. The labor crisis has significantly impacted this industry. Not only is the skyrocketing cost of labor a primary variable, but the escalating occurrence of natural disasters has greatly increased the need for labor in the construction industry, highly disrupting the hospitality industry's pool of workers. These obstacles contribute to the need for reinvention and a strong pulse on today's consumer demands and desires.

For restaurants, there is a convergence of influences affecting the industry. Just as the entirety of the hospitality industry's labor market is struggling, so too are all areas of restaurant operations, including fast food, quick service, family, and fine dining. Individuals already employed in restaurants are forced to perform more job responsibilities than ever before, leading to fatigue, burnout, and increased risk for on-the-job injury.

In the era of post-government financial assistance for restaurants, establishments are looking for ways to cut costs. Many restaurants are pivoting to lower-cost ingredients by changing from local food suppliers to Sysco or other mass food service providers. Increasing menu prices are a result of rising food and labor costs, as well. Fine dining establishments are not seeing a profound effect on their customer base with these price increases, but patrons of fast food, quick service, and family restaurants are finding it challenging to pass through these price increases, particularly in such a volatile economic climate.



Benefits Considerations

Another variable affecting the hospitality industry is crafting the right benefits solutions to appeal to a varied workforce. In areas such as fine dining and clubs, employees expect benefits and ancillary perks, a byproduct of the employees these establishments attract. Younger employees are interested in buying medical insurance; however, with cost as an inhibitor, employers are having to get creative with non-traditional insurance. To thrive considering evolving demands, employers need to be flexible. Consider offering benefits for part-time or seasonal employees that are lower cost and match the needs of the employee populace. Telemedicine, dental, and vision are more affordable benefits and more geared toward less seasoned workers.

Key Coverage Lines

With a hardened economic climate, an influx of natural disasters, and evolving regulatory requirements, rates across coverage lines in the hospitality space are increasing. As of mid-year 2023, rate increases are trending as follows:

Directors & Officers (D&O)

For a company with no claims, D&O insurance premiums have increased by 7-10%. Regardless of a clean claim history, the surge of companies going public, as well as costly payouts becoming more commonplace in lawsuits, makes D&O more expensive than in previous years.

Liability

In 2023, companies without any claims can expect an increase of 6-7% primarily due to slips and falls and alcohol-related incidents. Across the country, auto liability policies are increasing by an average of 15%. This is because the market has shrunk and is now restricted to only certain vehicles for commercial purposes. As the marketplace becomes more restrictive and underwriting scrutiny increases, both umbrella and excess liability premiums have increased by 15-20%.

Workers' Compensation

Although rates vary nationwide, workers' compensation is currently the one bastion of relief for commercial insurance with some of the lowest rates in years. In California, premiums are at their lowest since the 1970s with an average around \$3.50 for \$100 of payroll.

Cyber

Since the end of 2022, cyber premiums have increased by an average of 15%. Retention rates are also increasing dramatically in tandem with premiums. These increases are primarily due to the escalating frequency and severity of cyber incidents as more companies become dependent on technology for daily operations.

Property

There are many reasons property insurance rates are increasing in the hospitality industry. The main reasons are aging properties, natural disasters, and supply chain issues, which are all contributing to the spike in the frequency and severity of property claims. These and other factors contribute to rates seeing a rise in the national average by roughly 12%.



Your Beacon of Opportunity

Hospitality, Golf, and Country Clubs

Although rates are increasing across all coverage lines in the hospitality marketplace, efficacious transformation during harsh market conditions is absolutely within reach. Businesses should focus on leveraging technology for myriad benefits. Incorporating technology into daily functions can cut down on labor costs, reduce the likelihood of injuries, and increase efficiency and communication between the back and front of house. Examples of this are kiosk ordering tablets, robust POS systems, like Toast, Aloha, or Clover, and AI reservation and ordering systems.

Prioritizing culture is crucial. Businesses with vibrant and healthy cultures have fewer workers' compensation claims and spend less on healthcare. Staying in tune with the cultural temperature allows you to build yours from the ground up, creating an environment where employees look forward to going to work. Nurturing genuine relationships between employees, managers, and owners solidifies lines of communication for expressing issues and concerns. With human interaction at the center of hospitality's success, implementing strong HR practices is also a critical component of a healthy and thriving culture where employees of all ages and backgrounds can feel safe and valued.

To transform your business in a pivoting landscape, partnering with a team of advisors who can adapt to an evolving insurance industry is paramount. Our team will help you overcome your challenges by thinking outside the box — allowing you to disrupt the status quo of the hospitality industry and see your business thrive regardless of the economic climate.