

# ASIA INSURANCE REVIEW

DEDICATED TO ASIA'S INSURANCE INDUSTRY

## Showing hospitality

Source: Asia Insurance Review | Jun 2020



Mr Seth Peller



Ms Joan Collar



Mr Peter Johnson

The COVID-19 pandemic makes it clear that hospitality and gaming businesses that rely on local business and tourism must adapt to find new ways to operate profitably in today's environment, which is one of volatility, uncertainty, complexity and ambiguity. **Marsh** experts lay out the risk factors involved for the hospitality industry in the coming months.

By Ahmad Zaki

The Straits Times reported that hotel occupancy across China in the month of March was approximately 15%. Hotels and casinos, even when not directed by governments, were forced to decide to stay open or close temporarily, either partially or fully. "On average, it can cost the hotel or casino in Asia \$1.5m to \$4m a day to stay open, with precipitously dropping revenues. Government stimulus packages have also not yet been directed to the hospitality and gaming industry, unlike the airlines," said Marsh Hospitality & Gaming Industry Leader, Asia Seth Peller.

By now, there are some positive signs with mainland China starting to recover, he said, with hotels already having seen an uptick in occupancy, primarily in the midscale segment.

The immediate considerations with hospitality (which includes food and beverage businesses) and gaming companies are preserving liquidity and cash flow, as well as keeping their employees and guests safe and protected.

### Protecting the workers

"The safety and welfare of employees in the food industry is critical. Employees will have to comply with local safety

measures and the use of relevant personal protection equipment to minimise the risk of infection at the workplace. Employers would also need to look at providing accommodations and necessities for their foreign workers during this period,” said Mercer Marsh benefits leader Asia Joan Collar.

Insurers have released several medical insurance plans centred on COVID-19, mainly for hospitalisation and treatment. However, some insurance companies are extending exclusions for workers they deem ‘essential services’, said Ms Collar. “Therefore, if you are considering offering these benefits to your employees, you may have to self-fund. At the same time, unfortunately, workers compensation, insurance and solutions are a little concerning. Generally, the policies tend to focus on workplace injuries at the workplace and therefore reduced hours and work from home may have impact on these policies.”

Another factor that has been on the forefront of many businesses is the importance of mental health, especially that caused by stress and overwork. In the hospitality industry, it is exacerbated, as demand for deliveries and food security has gone up, causing many employees to extend working hours.

“For mental resilience it is important to realise that no two people are the same, and the company is dependent on how ready it is to adopt some of these practices as well as affordability,” she said. “While for some companies it means jumping immediately into employee assistance programs (EAP), we need to stress that this is one part of a larger mental health programme which includes EAPs, but also things like 24/7 hotline access during this period.”

Employers all over the world have also seen domestic stress increase. A safe outlet for people to talk is vital to support employees and contractors, such as counselling groups done virtually, and financial planning workshops to help employees balance their finances, especially if they had been asked to take pay cuts.

### **The future of benefits**

“We also expect to see furloughs and layoffs in the near term as a sector struggle to get on a firm financial footing. We would encourage companies in this situation, to review the possibility of continuation options through voluntary benefits, but either partially sponsored, possibly contributed by employees, with higher adoption of flexible benefits, as well as for the financial planning or assistance to help manage employees and contractors,” she said.

Marsh also expects to see more personal accident extensions offered to employees and contractors, but it is important to check and clarify with insurers that these extensions can be offered to employees in the hospitality industry, especially contractors. Some of the additional benefits may have to be self-funded, given the concern that the insurers may have in covering what they call essential service providers.

The ‘new normal’ will see more companies change the way they view occupational health and safety policies, to include additional testing for COVID-19 as part of the standard frequency of testing plans. “When the tourism sector does recover and rebound, we will start to see more contractors within the staff, although concerns around safety and security might still be prevalent. Companies in this sector will still need to pay particular attention to their onboarding policies.”

The rise of flexible benefits and individual voluntary benefit plans will even more important, including the availability of a robust digital administration and communication platforms. The continuation of telehealth and telemedicine operators will continue to be prevalent, as well as more holistic benefits offering covering mental health and a broader definition of ‘the workspace’.

### **Business continuity plans**

Business continuity plans for the F&B industry should be focused on strengthening the following elements:

Operational resilience, manpower, resilience, raw materials, supply-chain resilience and enhancing food security in terms of alternative sources.

“Countries like Singapore, which imports about 70% of its fresh food, are actively focusing on mitigating supply chain risks by diversifying sources across regions, while others like South Korea and Hong Kong are now relaxing from their lockdown restrictions,” said Marsh client advisory services leader Asia Peter Johnson.

In the short- and medium-term, the focus should be on health and safety and planning for the recovery. “Safe distancing and temperature scanning, getting adequate personal protective equipment, active sanitation equipment and protocols, and supporting relevant government contracting tracing measures will be the bare minimum,” he said.

Further, business must adapt to new business operations. Companies will need to address change in the distribution channels, implementing resilient and secure online or other tech solutions to meet demand volumes. Companies will need to identify and acquire alternative suppliers and adapt productivity levels by leveraging technology, he said.

“They will also need to have a long look at their potential inventories and how long it will last. The industry needs to plan for the recovery by building strategies around scenarios taking into consideration travel restrictions and the return of tourist volumes over a long time, planning out different scenarios of 30 to 50 to 100% recovery and what that would look like,” he said. <sup>Δ</sup>

**<https://www.asiainsurancereview.com/Magazine/ReadMagazineArticle/aid/43507/Showing-hospitality>**