

Hidden Valley Inn, LLC.



RMIN 5950

Corporate Risk Management Case Project

12/8/2020

Dr. Hoyt

Group #13

Tina Ni, Amy Sahoo and Melissa Sullivan

TABLE OF CONTENTS

I. EXECUTIVE SUMMARY.....	4
II. INTRODUCTION.....	4
III. RISK IDENTIFICATION AND VALUATION.....	4
A. Direct Property.....	4
1. Buildings.....	4
2. Improvements and Betterments.....	6
3. Personal Property.....	6
a. Contents	6
b. Autos.....	7
B. Indirect Property.....	7
1. Business Interruption.....	7
2. Contingent Business Interruption.....	8
a. Recipient.....	8
b. Contributing.....	8
3. Extra Expense.....	8
4. Building Ordinance.....	8
5. Leasehold Interest.....	8
C. Liability.....	9
1. Premises and Operations.....	9
2. Automobiles.....	10
3. Advertising.....	10
4. Employment Practices.....	11
5. Information Security.....	11
6. Professional.....	12
7. Contractual Liability.....	12
a. Leases.....	12
b. Other contracts.....	13
D. Personal.....	13
1. Workers' Compensation.....	13
2. Business Continuation.....	13
3. Employee Benefits.....	13
E. Crime.....	13
F. Other Business or Operational Risks	13
IV. RISK TREATMENT	14
A. Retention	15
1. Retention capability.....	15

- 2. Retention options
- B. Insurance and Risk Financing
 - 1. Property Insurance
 - 2. Liability Insurance
 - 3. Workers' Compensation
 - 4. Alternative Risk Financing Options
- C. Loss Control
 - 1. Direct Property
 - 2. Indirect Property
 - 3. Theft
 - 4. Liability
 - a. Premises and operations
 - b. Auto
 - c. Employment practices
 - d. Professional
 - e. Information Securities
 - 5. Crime
 - 6. Personal

V. RISK ADMINISTRATION

- A. Policy Statement
- B. Program Organization

APPENDIX

I. EXECUTIVE SUMMARY (a high-level summary of the report)

Hidden Valley Inn is a nationwide family-owned hotel limited liability company (LLC) and a member of the American hotel and lodging Association. After graduating from the University of Georgia in 1992 Jim Jones moved back to his hometown of Savannah to manage his parent's business. He soon after took over majority in the company and started his dream of building on his parent's legacy. We are conducting a risk analysis of Hidden Valley Inn, LLC. so they can better understand the risks they could incur, learn how to control their future losses, and conclusively maximize their profits. Through the analysis, we have found multiple improvements that must be made and created risk treatment plans that can help them accomplish their goals of expanding. The risk treatment plan includes suggestions for insurance and loss control techniques and retention capabilities.

II. INTRODUCTION

Hidden Valley Inn, LLC is a family-owned hotel business that got its start when it opened the first Hidden Valley hotel in Savannah, Georgia in 1980. Jim is the eldest son of the family and took over the management position after graduating from UGA in 1992. Jim eventually bought out the majority of his parents' ownership in the company and became majority shareholder with 70% of the company in 2004. The next largest owner is Jim's sister, Kate Jones, the CMO of Hidden Valley Inn and holds 15% of the company. Of the five executive officers, Kate is the only one that is family and the only one who has any ownership in the company. The rest of the ownership structure is his parents (5% each) and two brothers, who own 2.5% each and are not directly involved in the company. Hidden Valley Inn has three locations: Savannah, GA, Nashville, TN and Seattle, WA. Each location operates under SIC code 7011, which means they are commercial establishments, known as hotels, primarily engaged in providing lodging for the general public.

III. RISK IDENTIFICATION AND VALUATION

Direct Property

Buildings

Hidden Valley Inn has three different hotel locations; Savannah, GA, Nashville, TN and Seattle, WA. Each location is different, but have most of the same designs and amenities. Hidden Valley Inn contracts a design company out of Atlanta to decorate and furnish each location. Each Hotel is monitored with internal security systems to help protect guests and their employees. They own the Savannah and Seattle locations, and they lease the Nashville location.

Locations:

Savannah, GA

Savannah, Georgia is where Jim's parents originally entered the hotel business in 1980. After Jim took over the company, he bought a 26,965 sq. ft. hotel that he could create into a boutique-style hotel in 2006. This hotel is the smallest of all the Hidden Valley hotels with 55 rooms, 40 of which are designed for regular guests and 15 are designed to be luxury suites that overlook the savannah river. Along with the guest's rooms, it has a leisure room, restaurant, and a trendy bar inside. Outside the hotel, there is a riverfront shopping plaza that runs from one side of the property to the other. Savannah is also where the corporate office is located in part of the facility, and because the executive team has grown larger over the years, some of the guest rooms were converted into additional office space in 2014.

Nashville, TN

The Nashville location opened in 2008 and was the first major decision Jim made since becoming the CEO in 2004. He leased this location from a third party real estate investor when he decided he wanted to expand out of Georgia so he found a beautiful 36,400 sq. ft. building. In 2014, Jim renegotiated and signed a 15-year lease agreement where he would only have to pay \$36,000/month instead of \$40,000. This hotel consists of 80 guest rooms; 60 of which are regular rooms, and 20 luxury suites. The building also includes an outdoor pool, fitness room, a leisure room, a restaurant, an outdoor courtyard and a walking path. One issue this location is having to keep customers happy is their very high hotel room tax. The total hotel room tax adds up to 14.25%. 9.45% coming from the current state sales tax rate in Tennessee and the 5% coming from the Nashville hotel room tax.

Seattle, WA

The Seattle location is a 43,000 sq. ft. building that was half converted into a hotel before it went into foreclosure about 10 miles outside of downtown Seattle, Washington in 2010. The building was only half converted when he found the opportunity, so it was easy

for him to negotiate the price and start finishing the renovations. Soon after the renovations began the project became over budget and behind schedule, due to weather delays and other unforeseen issues, so Jim hired a cheap general contractor to do a modified simple renovation plan. It was completed in eight months and has not been updated since. During the renovation, they overlooked installing an overhead sprinkler system in about 4,500 sq. ft. or 10% of the entire facility. Installing sprinklers is such an important precautionary severity reduction measure that needs to be taken because this could become an extremely serious and fatal situation very quickly if it is not fixed. Installing the overhead sprinklers would cost \$3,400 for the water main construction and the installation charge would add up quickly at \$0.92 per square foot, but it would decrease their property insurance rate by \$0.44 /\$100 for the building, and \$0.27 for everything on the premises.

The GM at this location is Hugh Lawrence, who worked at the Savannah location for 15 years, before moving to the Seattle location when it opened in 2011. This location has 100 regular guest rooms, along with a restaurant, a small cafe, an indoor and outdoor recreation area, and a swimming pool. The swimming pool is the most popular location in the hotel, which has a lifeguard on duty during normal business hours. In order to get into the pool area, they give you an access code. This access code has never been changed and therefore is common knowledge to the locals in the community. This has led to local high school kids sneaking into the pool area at night. Hugh is concerned someone could get hurt but does not want to change the code because it is easy to remember for employees. In order to ensure something does not happen on premises after hours, a new plan must be created to change the pool access code, while making it easy for guests and their employees. They could look into getting key cards specifically made to enter the pool area or look into getting extra locks or deadbolts for after hours. There is not a department solely responsible for security at each Hidden Valley Inn location, but it seems that the Savannah location is the worst off. Each hotel exclusively gives its employees keycards to access non-guest areas of the hotel, and they have been known to give their keycards to vendors and report them as lost to get new ones. Since this has been happening for such a long time, no one is sure how many access cards have been given out, but predicted over 200 keycards have been made for the Savannah location.

Improvements and Betterments

The Hidden Valley Inn located in Nashville is the only hotel that is subject to Improvements and Betterments because they are the only location leased by the company. Improvements and Betterments are typically fixtures, alterations, etc. permanently added to

the building, and paid for by the tenant that cannot be removed. In their Nashville lease, it states they cannot make any structural or interior alterations without the written consent of the landlord. They did not state whether or not they have made any permanent structural changes, but with 9 years left in the lease, they could still need to make changes in the future.

Personal Property

Contents

Business personal property is the building, fixtures, and furniture owned by the insured in the line of business. Each location functions as its own individual business units and are organized into different departments: Community relations, Administrative, Food Services, Maintenance, and Hospitality. Each department is given an office and a working space within each facility. Each Hidden Valley Inn location is laid out differently but has most of the same features; including sitting lounges, a game room, a business center, and a high-end fitness center. Each facility has a 10x10 foot sign encased in glass and lighted, valued at \$13,000 located at the entrance to the facility. They also have extensive landscaping done worth \$26,000 and a metal fence surrounding each location worth \$24,000. Each location has a certain amount of Property & equipment, and average inventories are listed below. They are each exposed to different loss exposures, so it is very smart of them to distribute and separate their inventories and equipment accordingly across all the locations.

Building location	Property and Equipment	Average Inventory
Savannah, GA	\$160,850	\$90,000
Nashville, TN	\$170,850	\$110,000
Seattle, WA	\$198,790	\$140,000

Autos

Hidden Valley Inn owns several vehicles for their business operations and personal use. The GM at each location is given a 2020 BMW 540i sedan leased by Hidden Valley Inn they can use for their business and personal use. Jim and his sister Kate drive vehicles also

leased to Hidden Valley Inn, a 2019 Mercedes CLA 250 and a 2018 Range Rover, respectively. Kate has also been known to let employees take road trips on weekends or when she travels.

Indirect Property

Business Interruption

It is evident that Hidden Valley Inn does not have a solid plan for business interruption contingency and continuity of operations if business interruption does occur. This is because Jim is unsure of what his future plans are and wants to possibly sell the Inn. He wants to spend more time away from work because he is not as passionate about it, however, he still wants to maintain some sort of ownership and have a say in the future of Hidden Valley Inn. Jim's goal is to cash out 51% of the business and then maintain a consultant- like role. Jim has not discussed the plan with anyone besides his wife, so he is unsure how the family will react.

Hidden Valley Inn faces a huge threat regarding business interruption. They have a location in Savannah, Ga which is near the coast. Thus, meaning higher chances of hurricanes destroying the Inn and causing an interruption of operations. Not only can weather related issues cause a business interruption but so can construction near the Inn, government restrictions in place (for example COVID restrictions), bacterial or fungal contaminants within the bathrooms if upkeep isn't maintained, and pests can occur at any time.

The inability to continue operations may impact employee pay, which could in turn cause employees to find work elsewhere. It could result in the inability to pay mandatory expenses, which would cause the business to shut down.

Contingent Business Interruption

Contributing

It is clear that Hidden Valley Inn desperately needs a much better business contingency plan in regards to their risk profile. Factors they need to keep in mind while creating a plan include: general liability, business income, and insurance. A contingent business interruption can occur because of the various key suppliers Hidden Valley Inn

depends on, such as other vendors and contractual employees. If CPS operations shut down temporarily because the employees have contracted a disease, Hidden Valley Inn will no longer have housekeeping employees. The damages done at CPS could easily shut down operations at Hidden Valley Inn, therefore the company faces several contingent business interruption exposures. There is a strong incentive for the company to hire their contractual employees from elsewhere or to hire their own housekeeping staff. These measures shall help prevent disruption of business.

Recipient

The company also faces a significant business interruption exposure involving their day to day customers. Guests account for the majority of the Inn's revenue and their satisfaction must be maintained in order to keep business running. Guest interruption could occur if inclement weather persists in locations such as Savannah. Business Income Coverage would be a sufficient way to cover this kind of interruption. It could also be used to cover incidences such as interruption from a neighboring fire, construction, etc. This way the company is insured for various causes.

Building Ordinance

Building Ordinance is coverage for any loss caused by laws or ordinances regulating the construction and repair of damaged buildings. The Savannah, GA and Seattle, WA locations are 14 and 12 years old, respectively. This is good for Hidden Valley Inn because if a building is over 15 years old and suffers damage of 40% or more, it has to be torn down and rebuilt conforming to the current codes. However, the Nashville, TN building is already 16 years old. In the lease provided, condition 8 states that *"Tenant shall comply with all applicable laws, ordinances and regulations affecting the Premises, including general rules for Tenants as may be developed from time to time by Landlord and delivered to Tenant or posted on the premises, and shall hold Landlord harmless from loss, cost, or expense resulting from or occasioned by Tenant's use of the Premises."* This means Hidden Valley Inn is responsible for all costs incurred regarding the construction and repair for this location. The building ordinance must increase their insurance by 15%, and use the 80% coinsurance rates.

Leasehold Interest

Leasehold Interest coverage helps to protect businesses or tenants from the financial burden of the loss of a favorable lease in the event the property is destroyed or harmed.

Hidden Valley Inn renegotiated the terms of the lease in 2014, before signing a 15-year lease agreement. In the contract, Hidden Valley Inn negotiated their contract so that they would have to pay \$4,000 /month less than market rent for the location. Because they are paying below the market rate, there is some risk for Hidden Valley Inn if they encounter the premature termination of their lease. This risk would include the money lost for the time they were shut down and finding a comparable rent and location for the one they currently have. Hidden Valley Inn needs to obtain leasehold interest coverage to ensure they are covered for changes between a new and their old lease for the remainder of the old lease. The leasehold interest for each of these buildings is an 80% coinsurance building rate per \$100.

Liability

Premises and Operations

Because of the nature of this business, Hidden Valley Inn will have many guests on-site at all times throughout the day. This creates a high exposure to premises liability. This includes any bodily injuries or properties damaged at the premises of Hidden Valley Inn. The inn should take active action to keep the building properly maintained, make sure it is well-constructed, anti-slipping, and safe to enter at all times during business hours to avoid potential risks that could occur. One example from last month in the Savannah location, a local electrician was called in and, while working on wiring, he asked two non-maintenance employees to hold his ladder. A fuse shorted out and all three workers were electrocuted. The electrician is an invitee and as a person who is asked to visit the property for the benefit of the firm, Hidden Valley owes the highest standard of care and has obligations to inspect the premises to eliminate any dangerous conditions. The same goes for the decorations the inn puts up.

Every year Hidden Valley Inn sets up Christmas trees in light of the holiday spirit but there have been several fires as a result. Fortunately, the past fires have only resulted in minor damage but the inn shouldn't take this lightly. Property damage and bodily injury as a result will end up in a huge claim if the fire gets out of control. Fire is a peril that is covered in the basic cause of loss form. Premium is calculated using the rates $0.9 - 0.44 = 0.46$ for areas already sprinkled and 0.9 for the northwest wing of the Nashville location. The premium for the building would equal \$2,973.52 after installing the sprinklers. Hidden Valley should make sure their fire extinguisher tags are being inspected regularly and that they are in working condition. Additionally, the Tennessee Department of Health and Mental Hygiene discovered Legionella bacteria in water collected from the Nashville Location. Six people fell

sick because of the disease, and one of them died. The Nashville location was later sued for \$6 million by those who contracted the disease. The firm should actively take action to make sure their business meets health department regulations. Hidden Valley Inn should inspect their potable water for any contamination.

Lastly, it was mentioned that Hidden Valley's pool has an access code that is known throughout the community, even non-guests. Oftentimes there are high schoolers who enter the pool at night without permission. This is an attractive nuisance that could be dangerous for the group of high schoolers and for any injuries resulted, Hidden Valley would still be liable even though they are technically trespassers. Thus, the inn should change the passcode and make the pool only accessible for those who have the authorization to use the pool. The area around the pool should have warning signs set up too to warn the guests of the slippery floor from the pool water.

Automobiles

Hidden Valley Inn offers a shuttle service at each location. Each location has a 15 passenger Ameritrans 245 E450 bus that is used to drive guests to pre-selected locations such as offsite receptions or sporting events. Along with the shuttle, each general manager at the three locations has a 2020 BMW 540i sedan that is leased by Hidden Valley Inn and provided to each GM for his/her business and personal use. Jim and Kate drive vehicles leased to Hidden Valley Inn – a 2019 Mercedes CLA 250 and a 2018 Range Rover, respectively. Each of these presents an automobile liability exposure that would be borne by Hidden Valley Inn if an accident were to occur during the use, maintenance, or operation of any of the vehicles. First, there are no copies of driving records or automobile insurance. The only records on file are black and white photocopies of employees' drivers' licenses.

There have been reports that some employees have used the buses for non-work-related trips. This is a huge concern because the potential consequences of individuals other than employees or guests were to be injured would be troublesome. The buses are involved in an average of five combined accidents per year, in part because there is not a designated bus driver in any location. Kate is also known for loaning out her Range Rover to employees to drive when she travels as a bonus. Hidden Valley Inn must purchase insurance for their vehicles immediately. Additionally, if Hidden Valley chooses to purchase umbrella insurance, the underlying limits for Automobile Liability (Commercial and Personal) is \$500,000 combined single limit. However, a lot of exposures can be avoided if Hidden Valley enforces stricter guidelines. Start by checking the driving records of the employees and designate specific drivers rather than allowing just anyone to drive. Plan out schedules regularly so there are no mistakes in who is driving. Additionally, Hidden Valley should stop allowing employees to drive company vehicles for personal use. This creates significant

liability exposures for the firm because any accidents resulted will be held liable by Hidden Valley.

Advertising

At Hidden Valley Inn, the Community Relations Department is also responsible for keeping each location's social media accounts updated. One issue that arose at the Savannah location was when an employee posted disparaging comments from the Hidden Valley Inn Facebook and Twitter accounts about the presidential election. To prevent this in the future, any posts should be inspected by a supervisor before going public online. Other issues that have occurred include the advertising campaign in the Seattle area that promoted Hidden Valley Inn as the only location in the area that is "bed bug free". Other local hotels took offense and even threatened to pursue a defamation lawsuit. If those other hotels actually went forward with the defamation lawsuits, Hidden Valley would have to look into their CGL for coverage.

Employment Practice

Employment Practices Liability Insurance is designed to help employers minimize the risk and potential cost of claims taken against them by former employees, current employees, or potential employees. EPL is related to such things as alleged discrimination, unfair dismissal, and sexual or workplace harassment, amongst many others that deal with civil rights. Recently, the corporate HR has received complaints from qualified minority applicants that they were passed over in hiring decisions. Another criticism of Hidden Valley Inn's employment practice is that female employees are often passed over for certain promotions. Hidden Valley should know that when engaging in hiring, firing, and promoting practices, they cannot discriminate against current or potential employees based on race, sex, religion, national origin, or disability. Discrimination based on any of these categories will likely result in liability on the behalf of the employer if he or she chooses to file a suit. Under the CGL for Employment Related Practices Liability, the premium for this coverage is calculated by $5,000,000/1,000,000=5$, and then $5*2500=\$12,500$. Additionally, Hidden Valley Inn is showing signs of wrongful termination. This happened when a full-time server tried to put out a tree fire and suffered severe burns to his hands and face. That employee hasn't been back to work since, and doctors have advised the employee to refrain from working for at least six more months. Even though this particular employee was full-time, his absence hasn't had a significant impact on operations. In fact, management has expressed hope that he will not return, in part because they were unimpressed by his work ethic prior to the

incident. When this employee does return to the workplace, if Hidden Valley decides to let go of him, he could file suit for wrongful termination. Thus, Hidden Valley managers should take into consideration to understand what constitutes as wrongful termination, discrimination, harassment, etc., in the workplace.

Information security

Hidden Valley Inn has a contract with another local family-owned company called Georgia Secure Storage (GSS). GSS is in charge of the electronic storage of all proprietary and confidential information, including credit card and other personal records for guests. In the contract, it is stated that Hidden Valley will take on any financial burden associated with responsibilities for security incidents where proprietary or confidential information is disclosed and will hold GSS harmless for any liabilities for services they provide. Last year, GSS incurred a breach to their servers, which allowed the online publication of over one-million customers of local retailers' personal identifying information (PII). Hidden Valley Inn has been using GSS since the 90s before Jim acquired the majority share in the company, but due to their long-standing close relationship to the family, he feels impelled to keep using them. If Jim decides to stay with GSS to store their guest's information, they need to renegotiate the contract to ensure they are not going to retain all losses associated.

Professional

This liability can arise out of any errors of Hidden Valley employees who acted negligently. Insurance for this is designed to cover a business for errors and omissions associated with the advice and services provided to clients, and in this situation, services provided for Hidden Valley guests. For example, last year in Seattle, the Head Chef accidentally undercooked one of the turkeys. Several guests had already eaten the undercooked meat and suffered from food poisoning as a result. One guest hasn't even recovered yet and spent December in the intensive care unit at the local hospital. Additionally, recently the Nashville location opened a restaurant that is attached to the hotel and has started offering a catering service. To accommodate this business, Hidden Valley Inn has had trouble maintaining the safety and quality of its products, communication between parties, and has had to deal with rising supply chain costs, and has found it difficult to track and control inventory. If this ends up causing issues for their guests, Hidden Valley might find themselves in more lawsuits. Lastly, Hidden Valley uses Cambridge Professional Services, a third-party staffing agency for hiring housekeeping employees. Recently, concerns have been raised over the quality of staffing provided by CPS. Hidden Valley is

highly dependent on CPS and has no say in hiring and business practices. However, the service provided by these employees is taking a huge toll on Hidden Valley's reputation. Thus, Hidden Valley would have to resort to insurance if these employees don't do their job properly and customers file against them. Errors and Omissions coverage under CGL is \$4.10 per \$1,000 in sales. This is calculated by $(13,231,200/1000)*4.1 = \$13,231.20$ for premium costs.

Contractual Liability

Leases

The Nashville location faces a significant contractual liability related to the lease on its building. According to lease terms, *"Lessee shall be liable for and shall hold Lessor harmless in respect of: damage or injury to Lessor, premises, and property or persons of Lessor's other tenants, or anyone else, if due to act or neglect of Lessee, or anyone in his control or employment."* Additionally, *"All risks of any such injury being assumed by the Tenant, who shall hold the landlord harmless and indemnified therefrom."* Both of these terms hold harmless the landlord for any bodily injury or property damage that occurs on the premise. When signing the lease, Hidden Valley Inn Nashville location agrees to take responsibility for all liability that could be placed on the landlord. It is a factor that must be considered when selecting a limit of insurance. Therefore, Hidden Valley should take measures to determine what limits are adequate for this location. One other contractual liability that should be considered is automobiles that are leased to Jim and Kate. Although auto-insurance would cover for this, when returning the vehicles, Jim and Kate should take a careful look to make sure they've fixed everything they were liable for.

Other contracts

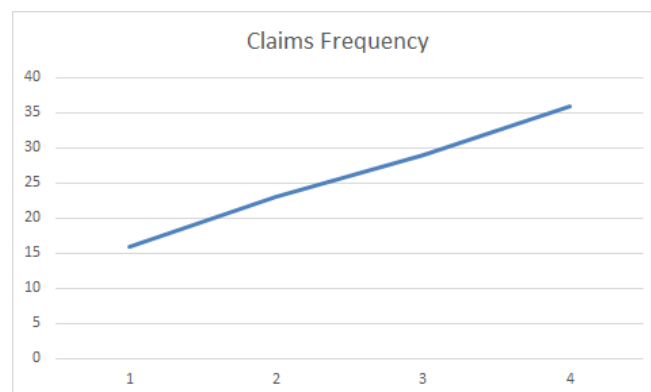
Hidden Valley Inn has a contract with Georgia Secure Storage and contract terms claim Hidden Inn will "hold GSS harmless" for "any and all" liability from the services provided. This hold harmless contract is critical because GSS's reputation has suffered in recent years. A huge data breach of GSS servers led to the online publication of personal identifying information (PII) for over one-million customers of a local retailer. Other events include a data breach at a hotel in Florida that led to the disclosure of credit card information for over 5,000 guests. If this unfortunate event were to happen on Hidden Valley, the hotel will likely be forced to shut down as a result of the breach. It could take up to nine months for Hidden Valley to resume normal operations. To prevent this, Jim must take measures and precautions to either switch companies or re-negotiate terms with GSS so Hidden Valley won't be put in this detrimental situation having to bear the financial

burden associated with the responsibility for any security incident involving the disclosure of proprietary or confidential information. Another concern to take into consideration is the third-party vendor that operates a small café at the Seattle location. Due to recent data breach laws, Hidden Valley may be held liable for data breach that results from the café. Thus, it will be helpful for Hidden Valley to have adequate coverage for this. Hidden Valley should also audit and monitor the performance to prevent any harm conducted by the vendor.

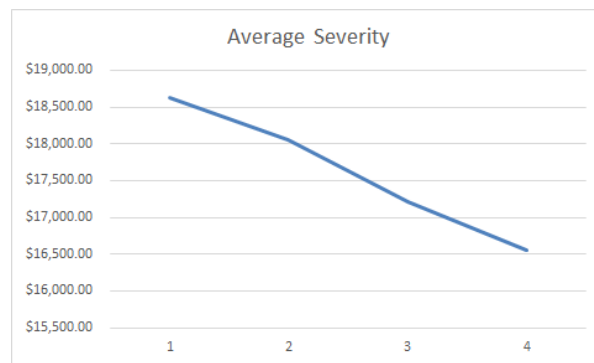
Personal

Workers' Compensation-

Hidden Valley Inn is not directly responsible for the worker's compensation coverage and costs for some employees, since these employees are contracted through Cambridge Professional Services (CPS). However, the high workplace loss results in CPS charging Hidden Valley Inn more money. Cambridge Professional Services also does not meet the statutory Worker's Compensation requirements in many states. The rest of the employees have tedious tasks such as heavy lifting, cleaning, and kitchen work which all involve hours of work moving around. This results in minor injuries such as back pain, or leg pain, and possibly an injury in the kitchen. These incidents tend to be high frequency with the numerous employees required for these tasks, and low severity because the injuries are not too severe. Based on our calculations, Hidden Valley Inn had sixteen claims incurring \$298,100 in 2017, twenty-three claims incurring \$415,200 in 2018, and twenty-nine claims incurring \$499,300 in 2019. We predict that in 2020, based on the regression model analysis, their costs incurred will reach up to \$590,386.05 and their total claims will be about 36.



While it appears average severity should be going up, through our regression model it shows that it has actually gone down. The total losses and claims are still going up but the severity of each claim has gone down over each year.



After reviewing injury data provided by Hidden Valley Inn, we have found the most frequent injury type was involving back pain, which accounted for 35% of injuries, and the highest severity injury types included Cut/Hurt body parts (25%), Back pain (24%) and Broken body parts (18%). The most frequent cause of injuries comes from employees transporting supplies and slicing ingredients, which accounts for 24% and 12% of workplace injuries respectively. The most severe claim of injury comes from the employee's doing lawn mower work, which accounts for over \$152,000 of their costs incurred. After looking at the incurred losses we conducted a sensitivity analysis between CHUBB, CNA, and STONETRUST in order to help us determine what kind of coverage to purchase and from where. After the analysis we decided that CHUBB has the best rating and insurance for Hidden Valley Inn, given their increase in frequency of claims.

Business Continuation-

Hidden Valley Inn is a family-owned business and is structured as such. With Jim owning 70% of the company and Kate owning 15%, it is clear the ownership lies within the family. This creates a problem going forwards because Jim wants other plans for the business that his family may disagree with. Ultimately our solution is to recommend Jim to discuss with his family what they want to do. If they decide to keep the company the Jim can sell more ownership of the company to Kate and if the family is okay with having outside ownership then Jim can cash out part of his business. In the event of Jim's death, we recommend letting Kate take primary ownership of the business since she has the second most amount of ownership. The rest of the family may obtain some ownership as well, however, Kate would maintain primary ownership.

Employee Benefits

In order to seem more competitive in the labor market, Hidden Valley Inn should create various employee benefits packages to help them recruit and retain more qualified and harder working employees. A great way to do this is to offer full-time employees health insurance. Chubb offers a Group Personal Accident insurance which covers: Accidental health and disablement, 24-hour global coverage, Flexible capital benefits, Weekly indemnity benefits due to accident and sickness up to 104 weeks, Emergency medical evacuations. They also have a voluntary Employee Benefit program with 24-hour global coverage and weekly indemnity benefits due to accidents up to 104 weeks. If Hidden Valley Inn was able to allow full-time employees to purchase this insurance and possibly a family plan as well, they would attract employees that are more careful about their job. Jim wanted to start a retirement plan for his employees. Since he has 112 total employees a defined contribution plan to a 401k would be the best option. The company can add 20 dollars a month to an employee's defined benefit plan, as long as they have remained with the company for 3 years. In order to do this efficiently, Hidden Valley Inn should start keeping documentation of all employees with a copy of their driver's license or other legal documents with the same value. This will also reduce the confusion regarding copies of driver's licenses and auto insurance. Overall, Hidden Valley Inn still needs to make sure it improves its employee benefits so they can appear competitive.

Crime

Crime exposure typically arises due to employee incidents. For example, at the Nashville location, a part-time maintenance employee (who happened to be the boyfriend of another high-performing employee) stole jewelry from a guest's room while working on the HVAC system. Something like this should have never happened in the first place. Employees are required to undergo pre-employment background checks, but the policy is not always followed. This is why more thorough background checks must be conducted. There have also been sexual harassment complaints from customers, which can also be reduced by a simple background check of the employees. The general managers do the hiring process, we recommend requiring them to keep documentation as proof they conducted a background check. Employee dishonesty is a lot harder to detect, so the best way to prevent this is simply to be insured against it. Same with incidents of robbery and/or burglary. Security breaches are also a cause of concern and personal data can easily be obtained. In order to ensure fewer breaches, data and security must be monitored more often.

Other Business or Operational Risks

There are various other risks that are unique to the hospitality industry, most of these which do not fit in previously discussed categories. Many of these risks can be

mitigated by insurance and non-insurance techniques. Ultimately it is up to Hidden Valley Inn as to how they choose to deal with the risks.

Uncertainty in travel- A main risk in the hospitality industry is the uncertainty of travel, especially regarding times where global pandemics or government restrictions have regulated travel. One way to combat this is to offer promotions on room specials or to expect more vacancies and expect to bear those costs. Another way to combat this is to offer discounts on activities near the area by working with other companies.

Competition- Another risk is the rise of popularity for Airbnb's. Specifically ones in the Seattle location. With the rise of college students coming to tour Seattle due to the legalization of Marijuana, prices for the Inn need to be on par with prices for Airbnb's. This is because college students typically pick the cheapest option for stay, which happens to be Airbnb's, therefore creating more business for the area if the prices are set accordingly.

IV. RISK TREATMENT

Retention

Retention capability -

Hidden Valley Inn could save money if they used retention techniques. They would be able to have funds for the company if necessary without using money from within the company. Active retention should be used for expected high frequency and low severity losses, while passive retention should be used to protect against low frequency and low severity losses. Active retention is typically where one purchases insurance in order to better protect against a loss. Hidden Valley Inn can use both kinds of retention to better protect against risks that may arise in the future.

Retention options

After comparing the key financial ratios calculated we determined that Hidden Valley Inn in comparison to ratios provided by Dun and Bradstreet, was in the lower range of the hospitality industry averages. This means that the company has unfavorable retention indicators regarding solvency and liquidity. Solvency ratios tend to measure the company's financial wellbeing and show if the company can satisfy long and short-term obligations. Hidden Valley Inn's unfavorable results include: Current liabilities to inventory ratio, total liabilities to net worth ratio, and fixed assets to net worth ratio. The company's current liabilities to net worth ratio was 22.21% which was a little lower than the median and indicates that the company does not rely too heavily on equity for payment of debt which

also indicates that most of the financial pressure is on future cash flows. The company also has a total liability to net worth ratio of 86.26% that is similar to the industry median of 110.5 which we can infer means that Hidden Valley Inn does not owe a large sum of short-term or long-term obligation relative to the owners' net worth. The fixed assets to net worth ratio, 153.7%, is rather large compared to the industry median, 99.1, indicating that Hidden Valley Inn has a higher percentage of funds that are currently frozen and cannot be used for current financial operations. The quick ratio of the company is 1.02, which is very similar to the industry median of .9. This means the company can usually obtain its short-term obligations with its most liquid assets. The current ratio of 1.48 is also very similar to the industry median of 1.3 which means the company is on par with the rest of the industry to pay their short-term obligations (any amount that is due within a year). The current liabilities to inventory ratio is 865.6% versus the industry median of 999.9%, which means the company does not have a reliance for their readily available inventory to be used as debt payment.

All the efficiency ratios were determined unfavorable for Hidden Valley Inn. this means that Hidden Valley Inn has weak sales and it takes them longer to generate sales. This could be a marketing problem, if they are not promoting the Inn enough they could be losing sales. This is determined from the Sales to inventory ratio which is 38.92, which is located on the industry lower end. The sales to net working capital ratio were 9.44 compared to the 11.9 industry median. This shows that the company does not efficiently use its working capital to finance its operations. The other ratios such as the collection period ratio for the company indicate that the company does not receive payments owed by customers in a timely fashion. The assets to sales ratio determines the Inn is not efficient in using its assets to generate sales, because the company ratio of 186.55 is higher than the median ratio. Lastly, the accounts payable to sales ratio was used to show the company has liquidity problems. Overall efficiency ratios are used to measure how well the company can control its assets to generate income.

Regarding the profitability ratios, all three of them were determined to be unfavorable. These ratios were used to determine the companies ability to use its own previously existing assets in order to create a profit, since they were determined unfavorable, the company has issues generating a profit given their prior assets. The return on sales ratio was determined to be 2.47 which is lower than the industry median of 6.8 yet higher than the lower end of .8. This meant that the company had a difficult time turning its sales into profit. The return on assets ratio was also determined to be lower than the industry median but also higher than the low end. This indicates that Hidden Valley Inn is inefficient at using its assets. Lastly, the return on net worth ratio was also unfavorable, meaning that the company is not good at using shareholder's capital to generate profit, which makes sense because it is predominantly a family owned business.

Overall, the majority of results determined were unfavorable regarding the ratios and how they compare within the industry standards. This means that Hidden Valley Inn needs to dedicate more time and effort towards retention techniques and strategies to improve their company. To determine the appropriate level of retention, we conducted three analyses: Total Assets, Working Capital, And the company's Earnings Before Taxes and Retained Earnings/ Surplus.

Insurance and Risk Financing

In order to determine the best coverages for the best price, we completed a series of workbooks that calculated coverage needs and assessed the risk correlated in our business to these factors. We noticed premiums tend to rise a little more because more losses have been incurred. This indicates that risk has increased, and just because Hidden Valley Inn has insurance does not mean they do not need to worry about losses. Any transfer of risk is necessary in order to mitigate the risk to Hidden Valley Inn, even if it is not purchasing insurance.

Property Insurance

We believe that Hidden Valley Inn has various property loss exposures that can best be insured with property insurance. First we will discuss direct property exposures, then indirect exposures, then business personal property, and additional coverages.

Direct Property: Buildings and Business Personal Property

The Business Personal Property coverage form is the best option for this company to use to insure against any property losses. In addition to this we believe it was best to attach a broad covered cause of loss form as well to better insure against any weather damages such as hurricanes at the Savannah location. We also believed it best to attach a peak season endorsement in order to ensure against losses from the summer such as families vacationing in Savannah. The Seattle and Nashville locations do not need the peak season endorsement as much(still beneficial), so it is entirely up to Hidden Valley Inn if they decide to add this. The premiums for all the buildings are based on a blanket coverage for all three locations. We recommend an endorsement to cover the increased cost of construction that is associated with building ordinances/ laws. The business personal property coverage of contents was calculated to be \$0.46 per \$100 of coverage. The contents coverage was also written under a blanket policy. The premium we determined for other property rather than the building and its contents was \$5623.39.

Liability Insurance

Liability insurance suggestions we made include a combined single limit of \$42,208 for a CGL policy. This is used in order to cover liability arising from any accidents or personal injuries. The automobile and physical damage premium was determined to be \$14,017.66. We saw a need for employer's liability, which typically comes standard with a worker's compensation insurance policy. We suggested an EL limit of \$500,000 in order to help prevent any possible uninsured losses for employee's bodily injuries that occurred from work. Then we suggested an automobile liability since the company owns 8 vehicles. It is not a lot but most are driven by employees, therefore holding the company liable. We suggested a low deductible yet higher premium because of the smaller number of company vehicles. The premium for all the automobiles is \$14,017.66. We suggest Hidden Valley Inn to get an Umbrella Liability policy to cover losses that have high severity and high frequency. The company has various losses so we determined a combined limit of 1 million would sufficiently cover these losses. Overall, liability coverage is crucial to the company and premiums are necessary to protect against the risk of accidental losses. After the implementation of our suggestions, we aim to better protect Hidden Valley Inn and minimize the frequency and severity of losses.

Workers' Compensation -

Hidden Valley Inn has not had the best workers' compensation insurance in recent years, especially regarding the number of claims. After analyzing the data we realized that premiums will be higher for this aspect of the company, however, the premium is worth paying for the company we chose. CHUBB has the best price and best rating in regards to Hidden Valley's needs. CHUBB's has been rated as an A++ insurer in terms of solvency and claims handling by A.M. Best. It may seem as if CHUBB has a high yearly premium but the Net Present Value of the payments makes it the best option. We determined the three-year average incurred losses and based on that the NPV of the periodic premium payments for worker's compensation coverage would be \$610,323.24. We also have an option of purchasing an alternate employer endorsement under our worker's compensation policy, since CPS is not meeting their worker's compensation statutory requirements.

Alternative Risk Financing Options

We believe Hidden Valley Inn is well insured against various risks with traditional insurance and reinsurance methods. However, alternative risk financing options would be extremely beneficial to Hidden Valley Inn for their increased frequency of workers compensation claims. If the company chooses to purchase excess insurance for worker's compensation, we believe the premium will be greatly reduced over the years, which will in turn allow the company to invest the money elsewhere rather than paying premiums on workers

compensation coverage. We also think that since Hidden Valley Inn is not a large company that they should most likely not try to self-insure for their exposures. Planning retention for the company is a tedious process, so we recommend also hiring a risk manager in order to better inform the company of the various methods to insure.

Loss Control

Hidden Valley Inn must understand how to identify and evaluate risk exposures. An effective loss control program can help the hotel reduce claims. The following loss control suggestions will try to reduce both loss frequency and severity.

Building/Direct Property

For any property, fires are one of the most common peril and can cause the quickest damage. We recommend Hidden Valley to property install the sprinkler system in the Seattle location. It is missing an overhead sprinkler system in the northwest wing. A fully installed sprinkler system throughout the whole facility will save Hidden Valley a lot of trouble in the case of a fire. This means installing the system is just a severity reduction measure. For frequency reduction regarding fires, Hidden Valley should install smoke alarms and detectors in all three locations. This way, the smoke detectors may be able to detect potential fires before they become destructive enough to activate the sprinkler systems. When smoke is detected, Hidden Valley employees should take precautions to prevent any potential fire from spreading further. They can do so with fire extinguishers. The National Fire Protection Association recommends having one 2-A extinguisher for every 3,000 square feet. They enable employees to be able to put out any small fires that are created before they become destructive enough to activate the sprinkler system. This could save the firm a significant amount of money since water discharge from a sprinkler system could sometimes cause more property damages than what the fire itself would cause. These fire protection devices should be regularly maintained following the state guidelines. Employees should also make sure to maintain all cords and other combustible objects such as ovens/stoves, and dryers are properly turned off when not in use. Other loss control techniques for Hidden Valley Inn includes making sure their building is made of noncombustible material. If the hotel were to go under renovation, Hidden Valley should make sure they use fire-resistant material such as concrete masonry. Next, other property Hidden Valley holds include the automobiles the hotel has. These vehicles are exposed to traffic accidents which could cause direct losses. For frequency reduction measures, Hidden Valley should limit the

chances possible for employees to drive the shuttle buses for personal use. For severity, Hidden Valley should keep all vehicle property maintained up to date. Make sure all components such as the airbags, brakes, and seatbelts, etc. in the automobiles are in adequate condition. Although part of this risk is transferred to an insurance company, making sure these properties are in good condition can help Hidden Valley reduce insurance premium costs as well.

Indirect Property

If Hidden Valley were to have to shut down due to any reasons, indirect property losses include the cost of business interruptions, extra expenses, building ordinance, and leasehold interest. To prevent this, Hidden Valley should make an effort by following safety precautions and the other suggestions listed in the direct property loss control section. By implementing these various measures, it can prevent the frequency of a business interruption which saves time and money for Hidden Valley. The premium for business interruption is calculated to be a total of \$62,492.10. Regarding severity, aside from purchasing contingent business interruption insurance to transfer this risk, Hidden Valley should have plans for what to do in the case of this emergency. Rather than purchasing materials from one sole supplier, the hotel can look into other companies for inventory. This way, Hidden Valley can continue business and operations if their original supplier falls short. Other actions Hidden Valley should pursue include making sure their building and property are in cohesion with the state and country ordinances or laws regulating construction and repair of damaged buildings. The hotel should be up to date with these ordinances or laws to prevent further damage that could result. The premium for the increased cost of construction is calculated to be \$1,125.05 which includes a 15% increase in premium already. It was also mentioned that in the Seattle location that oftentimes there is loss of income due to the time it takes for them to fix the rooms that have been damaged from the rowdy students' marijuana usage. Hidden Valley should take an effort to prevent this from happening by either restricting these customers or have an effective severity reduction program to withstand this. We recommend adequate coverage for business income insurance. In our calculations, the amount of business income insurance needed is \$6,554,765. This is determined with an 80% coinsurance and includes a 10% annual growth rate Hidden Valley Inn has projected. Additionally, Hidden Valley should make sure they have adequate leasehold interest coverage for the loss suffered due to termination of the favorable terms in the Nashville location. If they were to relocate due to damage at that location, the new lease may not be as preferable as the below market price lease.

Theft

Hidden Valley Inn has already been exposed to theft issues in the past. This was from the employee who stole jewelry from a guest's room. This included a payout of \$1,300 out of the incurred \$5,000. In dealing with this, Hidden Valley should implement a stronger hiring procedure. The hotel has a preexisting guideline where applicants are supposed to undergo a pre-employment background check, but that policy isn't always followed, especially when employees are hired because they are friends or family members of other employees. The worker who stole jewelry was later discovered to have a criminal record for breaking and entering and was the boyfriend of another high-performance employee at the hotel. Because Hidden Valley Inn did not conduct a background check, it was not known that this employee had a criminal record. Therefore, a background check is essential in loss control for theft. Another issue of concern is the lock system the hotels use. There is an infinite number of key cards that are in the hands of people that may or may not be employees. If someone really were to try to access Hidden Valley without authorization, it wouldn't be hard at all. Criminal activities such as robbery or burglary wouldn't even be surprising. Thus, one safety measure to reduce the possibility of this happening is replacing their security system. The benefits of this would be far more than the possible vulnerabilities that could occur as a result. Loss of company property would be bad, but what's worse would be the possible bodily injury and property damage to the guests that are currently residing at the hotel.

Liability

Premises and Operations

The liability loss exposures arising from the premises and operations of Hidden Valley Inn could be substantially reduced through an effective loss control program. This includes a proper training system for employees to make sure all employees are fit for the job and know what to do in the case of any contingent event. The hotel should designate a housekeeping team or member at all times for keeping the hotel in a safe condition during business hours. This includes maintaining the floor in a dry condition so there are no slips or falls. There was a past claim where a guest died after falling down a flight of stairs and which caused a payout of \$160,000. This is a huge claim and Hidden Valley should take all measures to prevent it from happening again. Moreover, the hotel can hire more employees or promote one more competent employee into the manager title. One extra manager at

the location can help take pressure off and split the workload so everyone can be more precise when completing their job. One other thing to take into consideration is the available pool. Hidden Valley should change the passcode so it is only accessible for their guests and employees who are maintaining the pool. this eliminates non-guests from entering which avoids any unnecessary trouble. Additionally, it was mentioned that some employees are drug users at the Seattle location. Recreational marijuana usage has also affected some employees. Although the location is a non-smoking facility, there are still employees who use marijuana. This is a huge concern because there are many dangerous pieces of equipment in the kitchen and some of these staff even drive the company vehicles. To reduce the frequency of the risks that come with this exposure, Hidden Valley can start by promoting company-wide conferences that advocate for a drug-free cause and punish employees whose performance is affected by drug use. This can include a couple of warnings to termination. Not only can these workers affect their coworkers, if it gets out of control and someone accidentally causes bodily injury to a guest, but this would also result in a huge claim for Hidden Valley. Damage to their reputation would result too.

Auto

Auto liability exposures for Hidden Valley could be prevented through a loss control program. Any accident on the road could result in heavy bodily injuries or property damage liability. First, the company should eliminate employees' ability to use company vehicles for personal use. This will reduce the frequency as they won't have access at all. When the shuttle is on the road, liability for any accidents falls on the employer due to the Respondeat Superior doctrine. We recommend creating a schedule designating specific employees to be drivers every week. Additionally, when hiring drivers, the hotel should implement a stricter hiring process by processing a background check or looking over their driving history on the potential employee. Once hired, the drivers can go through a training process as well to make sure they know how to properly drive a shuttle and the steps to follow in case an accident does occur to prevent further damage.

Employment Practices

Since Hidden Valley has gotten several complaints already regarding unethical employment practices, we recommend the firm to have adequate coverage in this area. In the first place, Hidden Valley should prevent further claims in this area. Hidden Valley should have managers, directors, and other employees that are in the position to hire workers to attend a seminar that can educate them on labor laws. Being well educated in this matter

will be the best loss control since they will know what constitutes workplace discrimination and harassment. Discrimination in the workplace will likely result in liability on the behalf of the employer. If an employee is fired for discriminating reasons, the employee can claim wrongful termination as well. Thus, Hidden Valley should prevent this by informing their employees of what is not allowed and have proper coverage. The premium for this coverage is calculated by: $5,000,000/1,000,000=5$ and then $5*2500=\$12,500$.

Professional Liabilities

Hidden Valley provides meals prepared by their chefs in their kitchen. This results in professional liability exposure. In the past, there was a claim incurred for \$89,000 with the final payout being \$80,100 for the guest that was food poisoned by the Head Chef preparing a Thanksgiving dinner. To prevent this, or reduce the chances of this happening in the future, Hidden Valley should only hire qualified chefs. Make sure the chefs are following guidelines and take measures to check the quality of food before serving. All meat should be checked by thermometers before being plated and served to the guests. Additionally, many housekeeping staff members of Hidden Valley are provided by Cambridge Professional Services (CPS). The quality of the staffing provided by CPS has been concerning recently. If these workers end up causing damage to the guests' items or providing poor quality service and the guest ends up filing a claim, it will most likely be incurred by Hidden Valley. Even though they are contracted employees, costs are incurred by Hidden Valley Inn because the hotel is vicariously liable. Therefore, Hidden Valley should have adequate coverage for errors and omissions insurance. The premium for this coverage is calculated by $(13,231,200/1000)*4.1= \$13,231.20$.

Information Securities Liabilities

Hidden Valley contracts the electronic storage of all proprietary and confidential information (including the credit card and other personal records of guests) to a local company, Georgia Secure Storage (GSS). In the contract, the hotel bears all financial burdens associated with the responsibility for any security incident involving the disclosure of proprietary or confidential information. The contract states that Hidden Valley Inn "holds GSS harmless" for "any and all" liability from the services provided. First, because GSS is now not as competitive in this field, we recommend Jim to switch companies, disregarding the personal feelings he has for them. If a leakage were to occur, Jim would be regretting it

much more because the damage done far outweighs the consequences. This is a measure to reduce the possibility or frequency of this exposure. The amount of information leaked will be detrimental, and many experts agree that affected hotels will likely need to shut down. Severity reduction measures involve transferring the liability of information leakage to the hosting company in the contract.

Crime

Being such a big facility, Hidden Valley Inn must have valuable papers and documents stored up somewhere. Although this has not been a problem in the past, Hidden Valley should continue keeping this up. We recommend valuable papers, records and intangible business information to be stored in various insured locations with safety measures. Hidden Valley should restrict access for employees to these premises during non-business hours. This will minimize any chance of information leakage by employees. Also, when hiring, background checks are necessary to find any employees who have a record of criminal acts like this. One other issue of concern is the way the hotel split up important activities. Setting up guest accounts, resolving billing issues, purchasing supplies, and most of the accounting and bookkeeping functions, like accounts payable and accounts receivable, are all handled by the Administrative Department. The corporate HR, on the other hand, handles all employment-related issues like benefits, payroll, and 401(k) plans for full-time, salaried employees. For the safety of this valuable information, we recommend the hotel to split the financial responsibilities to other subordinates for a better check and balance system. This ensures no one person has control over all parts of a financial transaction.

Personal

Over the past three years, Hidden Valley Inn has experienced an increase in losses due to workers' compensation claims. For example, in 2018, the experience modifier for workers' compensation experience was 1.58 before jumping to 2.03 in 2019. An experience modifier is the adjustment of an employer's premium for workers' comp. based on the losses the insurer has experienced. In order to stop this continuing growth, they need to put loss controls into place so we can mitigate this increasing trend. Through completing our analysis of the workers' compensation loss records for 2017-2019, we found the largest number of costs incurred came from transporting supplies and doing work with a lawnmower, \$233,800 and \$152,200 respectively over all three years. Transporting supplies also has the largest frequency with being the cause of 16 out of 68 total losses. We

recommend some sort of safety training or just basic training on the right and wrong way to lift and transport supplies. Safety training can save a lot of pain and money in the long run by hopefully decreasing the chance of losses occurring.

V. RISK ADMINISTRATION

Policy Statement

1. It shall be the policy of Hidden Valley Inn, LLC., to avoid, reduce, or transfer the risk of loss arising out of property damage, legal liability, and dishonesty in all cases in which the exposure could result in loss that would bankrupt or seriously impair the operating efficiency of the firm.
2. It shall be the policy of Hidden Valley Inn, LLC. to provide safe working conditions for its employees. Under no circumstances will the risk of serious injury or death of employees be considered an acceptable risk.
3. It shall be the policy of Hidden Valley Inn, LLC. to assume the risk of loss arising out of property damage, legal liability, and dishonesty in all cases in which the exposure is so small or dispersed that a loss would not significantly affect the operations or the financial position of the firm.
4. Insurance will be purchased against all major loss exposures which might result in loss in excess of \$50,000 or 10 percent of the projected annual working capital through the purchase of appropriate forms of property and liability insurance against the widest range of perils and hazards available.
5. Insurance will not be purchased to cover loss exposures below the amount of \$10,000 unless such insurance is required by law or by contract, or in those instances in which it is desirable to obtain special services such as inspection or claim adjustment in connection with the insurance.
6. The administration of the risk management program will be under the direction of the Risk Manager, such responsibility to include placement of insurance coverages, maintenance of property appraisals and inventory valuations, processing of claims and maintenance of loss records, and supervision of loss prevention activities.
7. Safety and loss prevention recommendations by OSHA officials and insurance company loss prevention personnel will be given serious consideration and implemented whenever feasible. In those instances, in which such recommendations are not implemented, a written justification for non-implementation will be filed with the owners by the company officer making the decision.

8. Insurance will be placed only in insurance companies rated A+ or A++ in *Best's Policyholders Ratings*. Insurance placed in any other companies will require a written report of the particulars, such report to be filed with the Board of Directors by the Insurance Administrator.

Source: *Risk Management*, by Emmett J. Vaughan, Wiley, 1997.

Program Organization

If Hidden Valley Inn chooses to use our recommendations, they will be able to maximize their revenues and reduce their expenses in the future. The risk management solutions we have offered above should be favorable in identifying, valuating, and administering risks. By following the suggestions stated above, Hidden Valley will be able to practice loss control technology to prevent loss frequency and reduce loss severity. Aside from transferring certain risks exposures by purchasing insurance, Hidden Valley can also retain some losses that are of low frequency and low severity. In addition, they need to make sure they will continue to evaluate existing and future risk exposures and also keep advancing their employees' knowledge throughout the company through safety training. Hidden Valley managers should make an effort to manage the hotel successfully by being organized and leading the employees through changes that arise and solidifying the Hidden Valley Inn brand.

VI.

VII. APPENDIX

(include .pdf versions of the workbooks here)