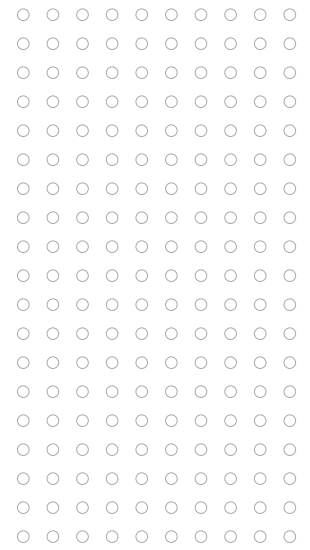


Weathering the Storm: How the Hospitality Industry Can Leverage CAT Modeling, RMIS and Parametric Insurance to Build Resilience

Catastrophic weather events like hurricanes, droughts, wildfires and floods are increasing across the country, putting hospitality businesses at more risk than ever. At the same time, traditional insurance coverage can be harder to access and/or less comprehensive in more challenging catastrophe (CAT)-prone areas, requiring hospitality industry leaders to change the way they protect their businesses.

By leveraging CAT modeling, Risk Management Information Systems (RMIS) and exploring alternative coverage solutions such as parametric insurance, hospitality businesses can weather the storm more effectively. Together, these solutions create a robust, data-driven strategy that helps leaders protect their operations, minimize disruptions and strengthen financial resilience.



Understanding the Risk Landscape in Hospitality

There were 27 catastrophic weather events that each exceeded \$1 billion in losses in the US¹ in 2024 — totaling more than two each month. These weren't just one type of event such as a fire or flood; it was a variety of weather disasters, from severe storms and tornadoes to hurricanes and droughts, that had a devastating and costly effect on communities and businesses.

The location-driven business model of hospitality establishments, particularly hotels, resorts, golf courses and restaurants, makes them especially vulnerable to natural catastrophes. To attract guests, these properties are often positioned in scenic yet high-risk areas such as coastlines, forests and floodplains, increasing their exposure to events like hurricanes, wildfires and floods.

A single significant disaster can make or break many hospitality businesses, which may not be adequately protected or prepared for such catastrophic weather.



27

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¹National Centers for Environmental Information, "Billion-Dollar Weather and Climate Disasters," 2025.

In coastal areas like Florida, securing traditional wind and flood insurance often requires separate policies that are either prohibitively expensive or difficult to obtain due to a limited number of carriers. Even when coverage is available, these policies typically exclude critical ongoing expenses like rent, utilities and loan payments that business owners are still responsible for during a temporary closure. Business interruption coverage, which is meant to address these costs, can be limited, subject to exclusions or entirely unavailable for certain disaster scenarios.

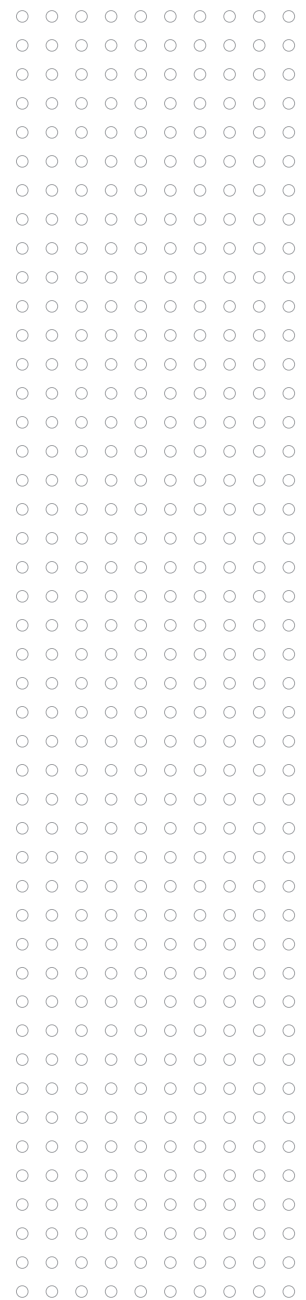
In recent years, rising deductibles, increased exclusions and more restricted business income protection have only added to the uncertainty, leaving many hospitality operators exposed and grappling with how to effectively mitigate these growing risks.

Insurance Tools to Help Manage Risk

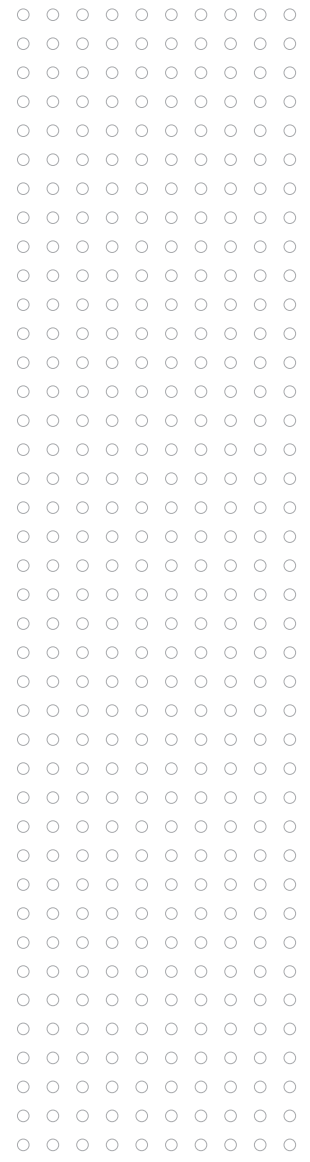
As climate risks intensify, hospitality businesses can proactively address their unique vulnerabilities and improve resilience through a combination of alternative risk solutions and catastrophe modeling.

Catastrophe Modeling - Gaining Insight into Exposure

When it comes to strategic insurance planning, CAT modeling is a critical starting point. Catastrophe modeling relies on computer modeling tools to estimate losses that could stem from a future catastrophic event, either natural or man-made. Using historical data and predictive analytics, catastrophe modeling enables business owners to look ahead and see potential risks they may face in the future, as well as the possible financial impact of these risks.



Catastrophe modeling highlights several important considerations for property owners, including:



- Outdated or incomplete information, such as underreported property sizes or outdated valuations, can distort risk assessments and limit the effectiveness of coverage. Ensuring accurate data helps improve modeling outcomes and informs policy design.
- Business growth and expansion, such as adding a beachfront resort or restaurant, introduces new exposures that must be accounted for in insurance planning.
- Changing insurance policies and terms can lead to unintentional coverage gaps, making it essential to continuously review and align insurance programs with evolving risk profiles.

RMIS — Organizing Risk for Greater Oversight

A RMIS organizes the disorganized by assisting with claims tracking, incident logging and property data centralization, making it easier than ever to streamline claims management and improve business oversight. RMIS uses this data to evaluate risks quickly and generate on-demand reports based on the data.

For hospitality businesses, RMIS gives stakeholders a bird’s eye view of organizational risk. When everything is recorded in one place, you can better access and rely on the data, leading to greater awareness of risks and even potential cost savings. Claims are easier to prepare, and there is better visibility across properties. And tell-tale trends, such as repeated incidents at a specific site on a certain shift, can be spotted, analyzed and addressed.

Parametric Insurance — Fast, Predictable Protection

Being impacted by a weather event is one thing; rebuilding is another issue entirely. It can be a cumbersome and long process to get back to business, as insurance claims often take time to resolve. Business owners may be left without resources to recover in the interim.

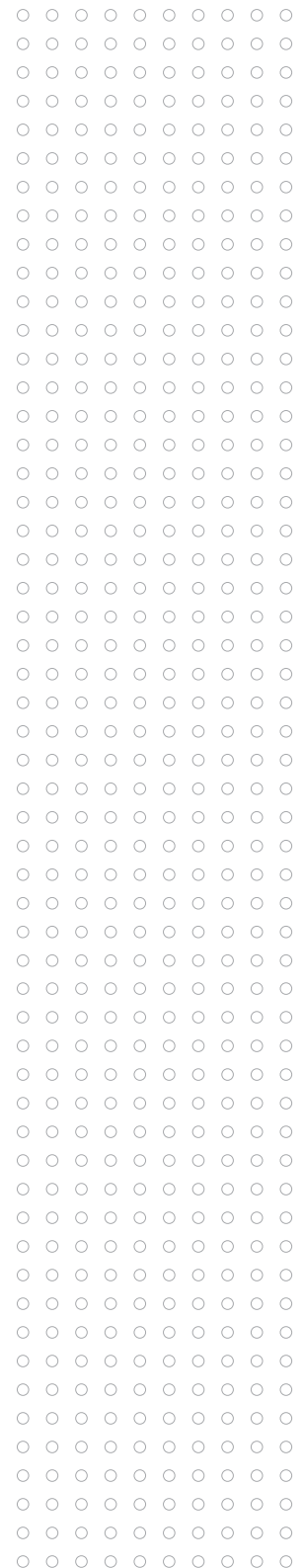
That's where parametric insurance can help. Parametric coverage offers a prespecified payout based on the magnitude of a local weather event — whether the site was hit directly or not. Policies are tailored for a specific peril, such as wind speed or flood depth, and are paid once the benchmark has been met. Not only does this lead to faster, undisputed payouts, but the coverage terms are completely customizable.

These policies offer critical business income protection when severe weather, such as an approaching hurricane, keeps travelers away. Coverage can also extend to disruptions in third-party infrastructure, such as airport closures, that impact guest access. Additionally, parametric solutions can support deductible buy-downs, helping hospitality businesses manage out-of-pocket costs and maintain financial stability during uncertain times.

Bridging the Tools — A Holistic Resilience Strategy

CAT modeling, RMIS and parametric solutions all work together, holistically, to shift hospitality leaders from reactive to proactive risk management planning:

- **Catastrophe models** provide a guide. While the data is constantly changing, regularly updating the information ensures the model continues to provide valuable insights into emerging risks and potential future events.
- **RMIS** aggregates all the data. It's a powerful tool to help you create a strategy around risk management. And no matter how many times you add to your portfolio, it will continue to tailor the best ways to manage those risks.
- **Parametric coverage** offers an alternative vehicle to minimize gaps. With good data from the RMIS, you can secure a customized parametric policy that gets you back on your feet more quickly.



Hospitality businesses may be hesitant to adopt data-driven tools and technology because they are concerned about complexity, cost or disruption to existing operations. However, waiting until after a crisis strikes often leaves businesses with limited options and higher costs. By proactively exploring solutions like catastrophe modeling and parametric insurance, hospitality leaders can make informed decisions that enhance resilience and financial protection.

Your insurance broker is a key partner in guiding this process and should offer a tailored, phased approach that aligns with your business's specific risk profile, budget and long-term goals. There is no one-size-fits-all solution — developing effective coverage strategies requires close collaboration between the client, insurance broker and carrier.

Checklist: Key Questions to Ask Your Broker

Hospitality leaders should work with their broker or advisor to build a strategic plan based on the organization's needs and data.

To get started, here are some important questions to ask:

- Have we conducted CAT modeling to assess true exposure across all properties?
- Are there business income gaps or deductibles that could be addressed with parametrics?
- How do you collaborate with parametric providers to tailor a solution that aligns with our specific needs?
- Do we have insight into near misses and incident trends across locations?
- What RMIS platforms are available to us, and what support is provided?
- Can we explore coverage for third-party dependent risks (e.g., airports, major events)?
- How could our insurance strategy evolve over a 3- to 5-year horizon using these tools?

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