The Biggest Loss After a Hotel Fire Isn’t the Building

*Why **Consequential Loss Insurance** Is Essential for Every Hotel?*

A hotel fire can cause far more than physical damage. While fire insurance helps repair or rebuild the property, the greatest financial impact often comes from the loss of business during the recovery period. This is why comprehensive fire insurance and consequential loss protection are essential.

The Hidden Cost: Consequential Loss (Business Interruption)

Consequential Loss (also known as Business Interruption Insurance) protects the hotel’s income when it cannot operate after a fire.

Without this cover, the hotel may still have to pay:

- Staff salaries
- Bank loan repayments
- Utility minimum charges
- Property taxes and assessments
- Insurance premiums
- Security services
- Equipment leases
- Marketing commitments

Meanwhile, revenue may fall to zero.

Example

Hotel with 150 rooms; Av. Occupancy: 70%; Av. Room Rate: RM350/night

Normal monthly room revenue:

150 × 70% × RM350 × 30 days = **RM1.10 million**

If a major fire forces closure for 10 months:

- Lost room revenue: RM11 million
- Restaurant and banquet income lost
- Spa and event income lost
- Reputation damage
- Additional marketing costs to regain guests

Even if rebuilding costs RM8 million, the business interruption losses could exceed RM12–15 million.

Recommended Insurance Programme for Hotels

A comprehensive hotel insurance programme should include:

Coverage	Purpose
Fire Insurance	Physical damage to property
Consequential Loss (Business Interruption)	Loss of income during closure
Public Liability	Guest injury or third-party property damage
Machinery Breakdown	Boilers, lifts, HVAC, generators
Electronic Equipment	Hotel management systems, servers, POS
Fidelity Guarantee	Employee dishonesty
Money Insurance	Cash losses
Glass Insurance	Decorative and façade glass
Workmen's Compensation / Employers' Liability	Employee protection
Cyber Insurance	Reservation systems and guest data

Choosing the Right Indemnity Period

One common mistake is selecting an indemnity period that is too short.

For hotels, consider:

- Minor fire: 3–6 months
- Moderate fire: 9–12 months
- Major structural fire: 18–24 months

Luxury hotels or resorts may require 24–36 months to fully recover occupancy and reputation after reopening.

Key Takeaway

A comprehensive hotel insurance programme should therefore include both **Fire Insurance** and **Business Interruption Insurance.** Together, they protect not only the hotel's physical assets but also its income, helping the business recover and reopen with

confidence.

Rebuilding a hotel is possible. Rebuilding a business without adequate insurance can be much more difficult.

Contact us now for a free consultation:
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