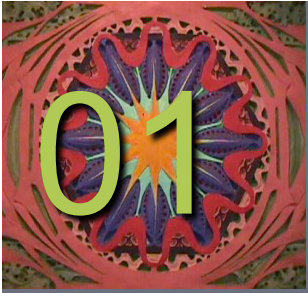




coverUPSTM

**the building component that
pays for itself**

protection, value
and
long-term performance



initial room base cost

various room models by hotel type

Finishes, Furniture & Equipment

- Budget : \$ 6,000 *average*
- Middle : \$ 10,000 *average*
- Luxury : \$ 22,000 *average*

Averages account for the fact that rooms may be variably configured as a double bed, single king bed, or a suite.



anatomy of a loss

what happens ?

- Guest enters room, unpacks and at some point during stay sees the sprinkler head and hangs clothing on it
- Fusible link damaged
- Flow valve opens, water discharged
- Physical damage sustained in one room (minimum)
- Fire Alarm system triggered
- Hotel evacuated, Guest population disturbed
- Insurance Carrier notified, initiating claim process
- Hotel staff occupied by coordination of restoration
- Physical Restoration process begins
- Room(s) revenue loss begins
- Room(s) restored to operation (2 week minimum)

A loss really begins when the Guest sees the sprinkler head



business interruption

loss of revenue / income

Assume 14 day downtime (1 room):

Budget : \$1,680 - \$2,030

- double: \$120 / night

- king: \$145 / night

Middle: \$2,100 - \$2,450

- double: \$150 / night

- king: \$175 / night

Luxury: \$ 2,800 - \$5,600

- double: \$200 / night

- king: \$250 / night

- suite: \$400 / night

“Every time the sun goes down, you’re losing money...”



reconstruction cost

individual room on per-incident basis

Budget: \$ 16,000 *average*

Middle: \$ 20,000 *average*

Luxury: \$ 24,000 *average*

- Emergency water extraction
- Removal of damaged furniture and lighting
- Removal of soft goods and artwork
- Removal of wall finishes
- Initiate ordering of replacement materials
- Installation of new finishes and soft goods

“Every time the sun comes up, you’re spending money...”



total restoration cost

tangibles and intangibles

Business Interruption + Restoration:

- Budget : \$ 18,780 *average*
- Middle: \$ 23,240 *average*
- Luxury: \$ 28,725 *average*

Intangible Effects

- Negative Guest experience
- Staff time for clean up and recovery
- Impact to reputation & future reservations
- Unsightly temporary protective measures
- Loss of or damage to Guests personal effects



policy deductible

per incident basis

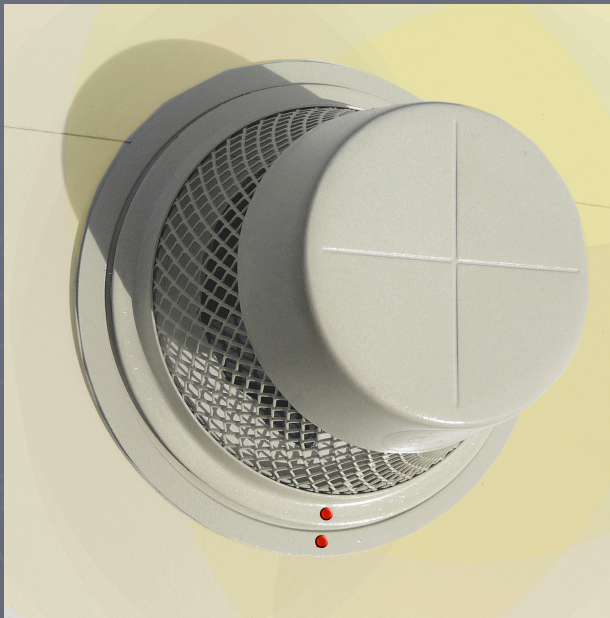
- Typically the deductible is variable by policy type.
Generally it is a percentage of the stated property value (2 - 5%)
- The Policy deductible is generally not exceeded by a single room loss.
- Insurance reimbursement is minimal after deductible.
- Claim processing and follow up costs for hotel staff typically not included in loss calculation.
- End Result is a net financial loss to Owner / Operator



what is a coverUP?

the product

A simple, sturdy, attractive device to keep sprinkler heads out of sight and out of mind.
Adhere trim ring to wall, magnetically attach **coverUPS™**



coverUPS do not touch the sprinkler head assembly at all.
coverUPS have no impact on the performance of the fire suppression system.



retrofit cost

comparative analysis

Average heads per room: 3

Cost of coverUPS (base model): \$21.50 each

Number of rooms: 200

Number of covers: 600

Cost of purchase: \$12,900

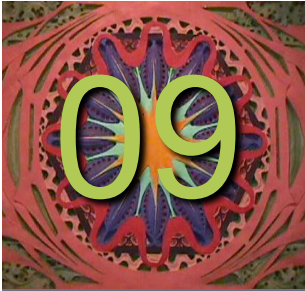
Cost of installation: \$0

(hotel maintenance staff wage part of operating cost)

Incident Restoration Cost (Budget quality): \$17,680

For a single room loss

Net cost of coverUPS is \$5,680 less than the first loss they prevent



new construction cost

incremental addition

Average heads per room: 3

Cost per head + coverUPS: $\$150 + 21.50 = \171.50

Number of rooms: 200

Number of covers: 600

Cost of purchase: \$12,900

Cost of installation: \$0

(hotel maintenance staff wage part of operating cost)

Average Sprinkler System Cost = 1.5% of construction cost or
\$2 - \$3 per square foot

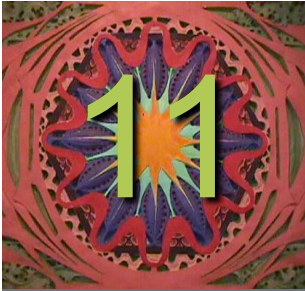
coverUPS are less than 1/10 of 1% of the cost of construction



cost of insurance

frequency of occurrence and its impact

- Average Frequency of accidental discharge in U.S. hotels exceeds 4,000 events annually. These may involve multiple rooms
- As frequency of occurrence increases, Carrier risk increases and therefore long-term premium cost to Owner / Operator increases
- Frequency of loss negatively influences policy renewal terms and insured's negotiating position



cost of insurance

premium reduction and ancillary benefits

How would a 1/2 to 1 % reduction in overall premium cost affect the operation of a hotel property?

- Overall operating cost decrease
- Long term revenue increase
- Positive negotiating position due to reduction in claim frequency
- Reduction in capital outlay for deductions associated with restoration costs = increased profit

Average insurance premium cost per room = \$120

Total Insured Room Count: 7,500

Total Annual Premium: \$900,000

Annual Savings based on 1% premium reduction: \$9,000

Savings are every year ...coverUPS installation is a one time expense



cost recovery

tax savings and loss limitation

coverUPS treated as furnishing:
depreciation occurs over 5 years

coverUPS treated as equipment:
immediate recovery of full cost through
expensing in single tax year

Therefore, initial cost recovery is immediately realizable...

EXAMPLE:

Average annual number of sprinkler related losses = 120

Total Restoration Costs (budget line): \$2,121,600

Savings based on 95% incident reduction: \$2,015,520



on-going maintenance

in-service advantages and effect

- Installation by hotel maintenance personnel
- Easily removable for system servicing
- Full access to sprinkler head assembly
- No retrofit to finishes required
- Easily re-installable

The effect of coverUPS "in-place" is that sprinklers remain
"out of sight, and out of mind"
Thus an attractive nuisance is eliminated and accidental
loss incidents decrease



who wins ?

Owners, Operators, Vendors, Manufacturers, Insurers
end game analysis

Owner - Operator / Corporate:

- Reduction of Incident Rate and Retrofit Costs
- Reduction of Business Interruption cost
- Reduction of Incident-related Staff Time
- Enhanced positive Guest experience

Insurer:

- Reduction of Claim Incidence & cost outlay
- Reduction of Incident-related Staff Time
- Reduction of Policy Renewal Risk

Sprinkler Vendors and Manufacturers:

- Reduction in unpopular, low profit emergency calls- Vendor
- Enhanced reputation for trouble free products - Manufacturers

“out of sight, out of mind”

coverUPSTM

coverUPS.com

Daniel A. Neeb,
RA, NCARB
Founding PRINCIPAL

Thomas P. MontAlto
RA, AIA, NCARB
Founding PRINCIPAL