

CLIENT SUCCESS STORY:

Builder's Risk Delay Claim Analysis: Evaluating Seasonal Revenue Loss in a Hotel Development

Client: Insurance Carrier | Hospitality / Commercial Real Estate Development

BACKGROUND:

During construction of a hotel development project, a delay event disrupted the planned project timeline and impacted the anticipated opening schedule.

The claim event impacted the critical path of the construction and pushed the hotel's completion into a later operating period than originally projected. Because hospitality developments often rely on strong seasonal performance, the revised opening date raised questions about potential lost revenue associated with missing peak travel demand.

The insured submitted a claim that included alleged soft costs and business income losses tied to delayed operations and reduced revenue expectations. Given the complexity of the project schedule, financial projections, and market-driven seasonal demand patterns, stakeholders required an independent forensic accounting evaluation to assess the financial impact of the delay.

AT A GLANCE

Challenges:

- Construction delay postponed hotel opening
- Alleged business income losses
- Revenue assumptions required evaluation
- Potential stakeholder disagreement

Benefits:

- Early financial clarity
- Independent loss evaluation
- Transparent communication
- Support for resolution

OBJECTIVE:

Meaden & Moore was engaged to independently evaluate the financial aspects of the builder's risk claim related to the delayed hotel opening.

The engagement focused on assessing projected operating performance, evaluating claimed delay related soft costs, and determining whether the claimed financial losses were supported by available documentation and reasonable assumptions.

The goal was to provide stakeholders with a clear and objective financial analysis to help guide decision-making and support resolution efforts.

THE CHALLENGE:

Evaluating business income losses in hospitality developments requires understanding both project timing and expected operating performance once a property opens.

In this case, the delay extended the period during which the hotel was unable to generate revenue. The claim included assumptions regarding expected occupancy levels, average daily rates, and overall operating ramp-up.

A key challenge involved distinguishing between financial impacts directly related to the construction delay and performance assumptions that may have been influenced by typical start-up variability or broader market conditions.

Addressing these considerations early in the process was important to help reduce uncertainty and avoid potential conflict among stakeholders.

OUR APPROACH:

1. Project Timeline and Seasonal Impacts

Reviewed forecasted financial information in relation to the identified delay in construction. Analyzed and researched third-party data to establish seasonal impacts to ramp-up in operations.

2. Business Income Analysis

Applied forensic accounting methodologies to evaluate projected occupancy, rate assumptions, and expected operating performance during the delayed period. Quantified the business income losses which could reasonably be attributed to the delay event.

3. Proactive Communication

Worked collaboratively with stakeholders to clarify findings early and help address potential areas of disagreement.

THE OUTCOME:

Meaden & Moore's analysis helped clarify how the extended construction timeline affected the hotel's opportunity to generate revenue.

By evaluating financial assumptions alongside project scheduling factors, the team provided stakeholders with a structured framework for understanding the claimed losses.

Early and transparent communication helped build trust among the parties and supported more productive discussions regarding the claim.



RESULTS:

- Delivered an independent forensic accounting evaluation of alleged business income losses
- Clarified the financial impact of delayed hotel operations
- Identified assumptions requiring further consideration
- Reduced uncertainty through proactive stakeholder engagement
- Supported informed discussions toward resolution

KEY TAKEAWAYS:

Builder's risk claims involving hospitality projects often focus on how construction delays influence the timing of revenue generation.

By analyzing operating assumptions and financial data in context with the claimed delay, Meaden & Moore helped stakeholders better understand the drivers behind the claim and evaluate potential losses more effectively.

EXPERT PERSPECTIVE:

In builder's risk matters, the key question is often how a delay affects a business's ability to operate and generate income.

Our role is to evaluate those impacts objectively and communicate our findings clearly so stakeholders can move forward with confidence.



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“Part of our role is being a strategic partner with our clients to help think through solutions. By working collaboratively and communicating clearly, we can address areas of uncertainty early and support better outcomes for everyone involved.”

— Eric T. Rapp, CPA, CFE