Tee Time

An over-supply of golf courses means operators are looking for savings wherever they can find them, including insurance premiums

Thinkstock

>> **BY SUZANNE SHARMA**

Four years ago, Bob Kilgour, managing director at Newmarket, Ont.-based Cardinal Golf Club, was faced with a slip-and-fall claim when a guest was injured on the club's 18-hole mini-putt carpet, and was awarded $110,000. Looking back, Kilgour says he understands why the club was held responsible.

"Some of the trees that were hanging above [the area] made the carpet more slick than it should've been," he recalls. "We weren't proactive enough. Since then, we've pared back some trees and have learned to watch more carefully."

Another incident involved a golf cart, says Kilgour. A guest drove the cart down a hill and the golf cart flipped, injuring the guest. In this case, the club had a clearly marked sign warning people about the steepness of the hill. However, the driver, who had been attending a work event, was still awarded through workers' compensation.

"People drive golf carts like they're driving a toy, and in my opinion they don't take enough responsibility," says Kilgour.

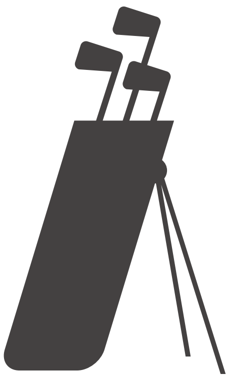
He adds that even though the Club wasn't held liable, the golf cart incident still taught them a lesson, and they have since levelled the golf cart path to protect themselves from similar claims.

When asked about what he looks for when purchasing insurance, Kilgour candidly says "good coverage for the least amount of money." He adds the average insurance buyer doesn't know what they're covered for until they have a claim.

"How many of us read all the fine print? This is why your broker is very important. I want a package specifically designed for golf, and I wouldn't purchase a package otherwise."

Kilgour's slip-and-fall and golf cart-related claims are typical for this segment. Experts state these are the two most common types of incidents to occur on golf courses. Other claims are property-related or due to errant golf balls.

As a property example, Viviane Dinel, client service manager at BFL Canada recalls a case where a welder was working at a Montreal-based clubhouse during off-season.



"There was a phase where the industry built like crazy because demographers were telling us to get ready for the baby boomers. But the leading edge is now 67 and they're not playing golf. They're still working."

An accidental explosion caused glass to shatter and fall into the clubhouse, damaging carpet, furniture and the noise-reduction ceiling. Total cost of the claim was almost half a million dollars.

Meanwhile, Steve Lacoste, vice president, national practice leader sports and leisure at BFL Canada says one of his clients hadn't installed netting that was high enough to protect vehicles in the parking lot. This caused several claims due to wayward golf balls. The damage to customer cars was minimal, at a few thousand dollars, he says. However, the club had to reposition its driving range and the height of the netting, resulting in hefty costs.

Fore!

Business has been tough for golf club owners and managers because of the economic environment—people can't afford to golf as much as they used to.

And according to James Grant, president and CEO of Signature Risk Partners Inc., there is an overcapacity of golf clubs and courses, and an undercapacity of golfers.

"There was a phase where the industry built like crazy because demographers were telling us to get ready for the baby boomers—when they turn 65 they will all retire and play golf," explains Grant. "But the leading edge is now 67 and they're not playing golf. They're still working."

John Barclay, president of Simmlands Insurance Services, agrees that rounds are down, so the golf industry is looking at ways to make the sport more attractive to a broader range of people.

"The PGA [Professional Golfers' Association] is trying to attract a younger, more diverse demographic with initiatives to make the game more appealing, for example, hosting special events and playing 12 holes instead of 18," says Barclay.

However, until business picks up the reduction in golf revenues is causing owners and managers to take a closer look at operating and overhead costs, including insurance.

Facility owners are asking tougher questions around price, says Barclay, and some want to drop certain coverages. The problem is the coverages they typically want to drop or reduce (e.g. forced course closure) do not result in significant premium reductions because it's not where the majority of large losses occur.

As with other specialty coverages, clients simply want the broadest coverage for the best price, says Dinel.

"Some carriers offer discounts on premiums up to 10% if you have three years claims-free," she advises. "There are also special replacement costs on equipment for up to 10 years, whereas some carriers only offer three-to-five years."

Driving Losses

The main areas that drive losses include fire or weather-related damage to the property.

"Weather-related exposures include weight of ice and snow on buildings and netting, which can cause substantial losses, as well as frozen pipes and the resulting water damage losses," says Barclay. "Courses must have the right protocols in place, and pipes must be maintained at the appropriate temperature so we mitigate the risk of burst pipes."

Additionally, it's important to ensure clubhouses and other buildings, many of which are in rural areas, are properly insured to value.

One fact that seems obvious is actually overlooked by many brokers and golf course owners, according to Grant, and this is that the most important asset of a golf course is the golf course.

"Many people think about their hard goods, rolling stock machinery and golf carts," he says. "Those things can be replaced in relatively short order. If the clubhouse is damaged or becomes unusable, they can still put up a tent and keep operating. However, if something happens on the grounds and the course becomes unusable, they are out of business."

On the general liability side, third-party tournaments can cause sticky claim situations. For example, when owners don't have the correct waivers and indemnity agreements, or guests aren't signing the right paperwork, says Barclay.

Also golf cart injuries are frequent and can cause severe losses. An ongoing issue with golf carts is whether they should be considered licensed vehicles or not, and this varies province-to-province.

Q&A with Jonny Appleton, golf & country club insurance specialist, Hallmark Insurance Brokers

Q: You have over 40 golf club owners as clients. What are the keys to your success in this market?

A: I deal with specialized carriers that have wording tailored to the industry. I go into every club, whether public, private, semi-private, and have a discussion with the owner about their facility. Some exposures are common, but many are certain to a specific facility. Questions I ask include: what worries you most and what keeps you up at night?

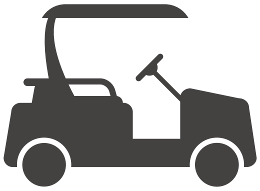
Q: Business is tough right now for the golf industry. How are you managing this?

A: The best-run clubs still care about their coverage and aren't willing to sacrifice coverage for price. What I'm concerned about is how well-run the facility is. For example, do they have an itemized inventory of all their equipment? As I assemble this information and send it to carriers, I can get better rates for my clients during these tough economic times. Ultimately, my job as a trusted advisor is helping clients with risk mitigation, disaster recovery planning and organization. Most people don't read their policies unless there's a claim, so I create a matrix that helps them understand the different options available.

Q: What are some of the major risk concerns of these clients?

A: Liquor liability was a hot topic after the Lake Joseph Club incident in Muskoka, Ont. (in 2008), and is still an ongoing concern. In that case, a number of employees and directors were charged for overserving customers. It alerted the industry to analyze if they had adequate liability limits to protect their facilities. Of course, there are many exposures including slip-and-falls, golf cart injuries, weather-related catastrophes, floods, fires and theft. As a broker, you have to understand that golf clubs are mini business empires, and depending on the facility, it could be open year-round and include activities such as curling and tennis, and host weddings and corporate meetings. People may not necessarily be coming onto the property to golf, so it exposes the client to a myriad of risks.

Thinkstock



"If golf carts are not insured but they traverse a public road, then technically they should be insured. Some provinces are giving it an exception, so that's what we're watching right now."

"We're watching that legislative development," notes Barclay. "Different provinces are starting to ask the question, should they be licensed? And if they are, then do they need to be separately insured? If they're not insured but they traverse a public road, then technically they should be insured. Some provinces are giving it an exception, so that's what we're watching right now."

Coverages

Experts agree that with over 2,300 golf courses in Canada that collectively pay about $50 million per year in premiums, according to the National Golf Course Owners Association and Signature Risk Partners Inc. respectively, there should be wording specific to this class of business. If the policy is not industry-specific, the broker must create a list of extensions.

"One of the first things brokers should look at is how the current policy defines its golf course grounds," explains Ashley Chinner, director of golf at Signature Risk Partners Inc. "Is it greens, is it fairways, is it lawns, is it putting greens? Those are some of the definitions that I've seen in policies where there's a greens extension added to a standard commercial policy. But, in fact, golf course grounds should include everything, especially greens, tees, fairways, trees and bunkers. Every broker must ask golf course customers to provide a definition of their current coverage for golf course grounds."

Brokers should also check the mobile equipment coverage to see if there is an age limit on replacement cost. Golf courses tend to keep their maintenance equipment for as long as they can and many policies restrict coverage to actual cash value (ACV) after a certain time period. When claims go wrong, they often go wrong in the maintenance building, warns Chinner.

For new construction or golf clubhouses undergoing renovations, brokers should advise owners and operators to install sprinkler systems, he adds. This one-time cost can provide annual premium savings of 20% or more. TB