

Fore! (or is it Pull? or Giddyup?)

by Dave Berliner

This isn't your grandfather's country club. And it may not remotely resemble the place you enjoyed while growing up. Private country clubs and resorts have undergone major makeovers, and many daily-fee and municipal courses now have a distinctly different feel in terms of the activities and diversions offered to their clientele.



Hole #16 at Sutton Bay Golf and Hunt Club, Agar, SD. A SilverStone Group client, Sutton Bay offers fishing on Lake Oahe, hunting on 3,600 acres of licensed preserve, sporting clays and – of course – world-class golf. Visit the Club at www.suttonbay.com

While golf may be the “hook” that leads a prospective member to join a club, there are many new activities currently available that broaden the scope of what a club has to offer. These create additional exposures that present new challenges to insurance carriers.

Newer, Better and Out in the Boondocks

Tennis courts and swimming pools were part of the landscape at traditional country clubs for years, and these amenities are still offered at many clubs today. However, the *type* of recreational club being developed today is different from

those of the past. High-end, niche clubs and courses have sprouted in areas you might have trouble finding on a map. Private clubs in extremely remote, rural areas have become a trend, following in the steps of the nationally acclaimed Sand Hills Golf Club in Mullen, Nebraska, which opened in 1994. These new clubs draw on a membership base from all over the country. In order to entice those folks to spend money at a club outside their hometowns, such a facility frequently offers alternative activities to golf—and these create liability exposures that can scare off many insurance markets.

So Many Activities...But are They Insured?

Hunting, fishing, sporting clays, horseback riding and boating are just a few of the recreational options available to members. It's also not unusual to see a resort in the Midwest or Northeast offering snowmobiling or cross-country skiing during the winter months. Insurance carriers may encounter difficulty finding coverage for these new types of exposures and may find themselves accessing "surplus" or "excess" lines coverage. This, of course, has the potential to add significant premium to an insured's policy. Because it may not be easy to find a carrier with the capacity to include all of these exposures, it's best for club owners to verify with their agents exactly how higher-risk forms of recreation may affect their premiums. The risk management of a golf course may appear to be simple but can understandably become more complicated when adding coverage for exposures involving firearms, animals or recreational vehicles.

And What About Fire?

Another important factor in underwriting a golf course risk is the Fire Protection Class. This is a 10-category ranking, or schedule, which evaluates fire protection capabilities of cities and towns. The grading is maintained by the Insurance Services Office for use in determining fire insurance rates and to encourage local governments to maintain better fire-fighting equipment and personnel. A city or town is ranked according to its compliance with established standards involving water supply, fire department, fire safety control and the distance between the fire department and the water supply, among other factors.¹ A Fire Protection Class of 1 is considered to be the best, grading down to a 10, the worst classification. Because many of the newer clubs are located in secluded areas, a Fire Protection Class of 7 or 8 is not uncommon. For obvious reasons, this has an adverse effect on the insurance premium and contributes to the reluctance of insurance carriers to underwrite the risk. For an avid golfer, an exclusive "out-of-the-way club" can offer a much-needed respite from the daily grind. For an underwriter it can mean a significant headache.

Resorts and Spas and Camps (oh my!)

Of course, the majority of clubs don't include all, or any, of the aforementioned activities, but they may provide other optional forms of amusement or enjoyment. Fitness Centers or work-out facilities have become common in newer clubs. Resorts may offer everything from spa amenities to kayaking to bike trail riding. With so many options, a club's liability exposure must include more comprehensive coverage than the typical slip-and-fall claim.

Furthermore, junior golf/tennis camps and daycare facilities have become staples at numerous clubs. These youth-oriented activities present additional and unique coverage challenges for the insurance professional. Twenty to thirty 10-year olds wielding steel-shafted golf clubs can strike appropriate fear in the heart of your risk manager.

Fore-warned is Fore-armed

Golf continues to grow in popularity with today's youth as well as with adults who have discovered this sport can further their personal or professional lives. Naturally, greater numbers on the fairways means the potential for greater liability exposure. It's a trade-off most private club owners or general managers would welcome—more people on the course translates to more revenue for the facility. But an increase in revenue isn't cost effective if loss claims eat up the profits. For that reason, it is critical that owners and managers work closely with insurers to institute safety measures designed to protect both customers and the facility. Without proper loss control and/or risk management measures in place, claims may increase, and increased claims can result in lost revenue.

Because public golf courses see a wide variety of players walk through the pro shop everyday, these facilities also experience their fair share of risk. The general public may not be familiar with the surroundings or the courses themselves, leaving public courses prone to a higher frequency of claims. It's also worth mentioning that a member of a private club is probably less inclined to bring litigation upon his or her own club, whereas a public facility is more susceptible to lawsuits. As with privately owned facilities, the managers of public facilities need to be certain that adequate liability coverage is in place for their unique exposures.

The bottom line?

There are many factors that an insurance agent must consider in today's golf and recreation market. Facilities and their new exposures require more creative thinking and a thorough knowledge of what the insurance markets will bear. When you add risk management and loss control to the mix, customer service becomes a major component in bringing peace of mind to the insured. While the number of golf properties being developed today is down considerably when compared to the last several years, many of the facilities being built involve unique forms of recreation to enhance the club experience. Be certain you engage an agent with the knowledge, expertise and experience to ensure that you are fully covered—and a carrier who understands the distinctiveness of your situation. With that combination, your coverage is sure to be a hole in one!

¹ Definition, "Fire Protection Class" from SilverPlume at www.silverplume.com, accessed October 12, 2007.