



INSURANCE: HOW DO YOU SEE YOUR INSURANCE COMPANY?

Stuart Phipps writes about Insurance cover for the golf club.

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How do you see your insurance company? Is it a guardian angel, protecting your club against the mishaps and misadventures of life? Or is it a nest of lying representatives, backed up by nit-picking lawyers? If you veer towards the latter, you've probably had a claim rejected, and find it hard to admit that you failed to understand the small print.

The trouble is that busy secretaries and managers tend to defer future problems that may never arise: yet examining them in detail is exactly what your insurers require you to do. The cover you get is inevitably based just as much on what YOU told THEM as what THEY told YOU. It's true that catastrophes may never hit your club – but only an irresponsible fool would depend on it.

Despite all their protective small print, insurers will say they are losing money by covering golf clubs. Ken Watson (of brokers Marsh Insurance) has collected data concerning some 600 clubs and, over a period of 15 years, insurance companies have paid out £15M in claims – yet premiums received by insurers have totalled just £10M! Pro's Shops are the primary culprits - £4M paid out, but just £2.5M paid in. "The value of stolen clubs and clothing is almost insignificant compared with the building repairs needed after a ram-raid." No wonder some policies now specify that the Shop must be protected by bollards, steel shutters etc.

Golf clubs in isolated locations (as many are) and in areas with exceptionally high crime rates are a prime target for raiding parties, and it is now getting so bad that insurers will sometimes refuse cover – at any price.

The Club's responsibilities

The secretary/manager's work on insurance does not cease once a contract has been agreed between club and insurer: the club has certain on-going duties to discharge as their part of the contract. Many of these duties are already in place under Government Regulations – particularly Health & Safety and COSHH. Your insurance company will abandon you like a 'weakest link' contestant if you have failed to make proper Risk Assessments, or have the club's portable electrical appliances tested and certified. Of growing importance these days is keeping an accurate record of accidents: if your insurers are to defend the club against mischievous and importunate claims for personal injury, they must have full details of all the circumstances.

Physical protection of the club's property is an obvious area the club must attend to – see the previous remarks about ram-raiding. The insurer will inspect the premises to advise the club on what measures need to be taken – and the policy will be invalidated if the club fails to meet the agreed requirements.

Clubs now bear some responsibility for work done by contractors on club premises: it is a legal requirement that the landlord check the contractor's documentation and insurance cover, and that the club's insurers are kept informed.

Business Interruption cover – once known as Loss of Profits – is another trap. Assessing the effect of a calamity on the future of the club is difficult, and the experience of every club that has suffered a major fire is that it takes considerably longer to return to normal operations than you might expect – and there will always be an agreed period during which the insurer will pay on-going costs.

Most policies (but not all) will cover the club against claims under the Child Protection Act – but it is up to the club to ensure that the Junior Organiser and those coaching children have a clean record. Clubs cannot obtain personal details directly: such a delicate enquiry has to be handled through an independent third party, such as the PGA or the EGU.

“Averaging”

Graham Bennett, whose company Bennett Kaye specialises in valuing golf facilities, will tell you that “nearly every club is under-valued”. The consequences of this are greater than you might expect because of the way settlement of claims is calculated. The “average clause” means that, although your club may be covered for a total of £1M and your claim is for only £½, you will NOT receive payment in full if the total ‘declared value’ of your property is less than the true value. These two sums are compared, and any percentage difference forms the basis of an adjustment to the settlement. Thus, if the declared value is £1m but the true value is £2m, only 50% of your claim will be paid. (And don't imagine that you can get MORE than the value of goods lost by declaring an excessive value: no insurance company will pay out MORE than the replacement value.)

Several clubs have found this averaging technique has cost them dear when the clubhouse is burned down because they failed to realise that the club's property clause covers ALL buildings, including greenkeeper's sheds, driveways, etc – and these were untouched by the fire.

Graham Bennett also makes three other vital points:

1. Declared values should always be based on replacing old-with-new: never use the depreciated value. (Your old tractor may be written down to £100 in the books – but you won't get a replacement for that.
2. Get a complete revaluation done every 5 years to make sure the annual adjustment done automatically by the insurers has kept pace with rising values.

3. Have a complete inventory done for the 'contents' cover: if a fire destroys the sheds, your claim must include EVERYTHING that has gone – and no-one will remember the lot. Photographs will also be a help in drawing up the claim.

Where to turn for help

The unprofitable nature of the golf business has already led several companies to withdraw entirely from the market, and clubs are no longer able to play one company off against another. However, a broker is usually better placed to get a 'good deal' for a club because they keep in constant touch with the market, and carry more weight with the insurance companies.

Of course, you must select your broker wisely, for he is your ally in any disputed claim on your insurance company. Linakers, a medium-sized broker based in Bristol, employs two loss adjusters who can 'speak the same language' as those appointed by the insurance company, thus improving the chances of the club getting a fair settlement. Malcolm Alexander, Linaker's Sport & Leisure specialist, also points out that, from January 2005, brokers have to be authorised by the Financial Services Authority, and this means a detailed audit of internal procedures as well as product knowledge. "It is a lengthy 'examination' which may prove uneconomic for many small-time brokers."

See: Circle Insurance Services for a tailor made policy geared to a Golf Club's own specific needs.
<http://www.circlegroup.co.uk/index.php?page=917>

See: Bennett Kaye Chartered Surveyors Commercial Asset Valuers, Sport & Leisure Club Valuers:
<http://www.clubvaluers.co.uk/>

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