




KEEP YOUR HEAD IN THE GAME

*A look at amateur athletics,
golf courses and fitness centers*



By Christopher W. Cook

Let's think about some Hollywood films involving youth and sports and the risks involved. After losing the championship game to the Yankees on an attempted in-the-park home run to tie the game, Coach Buttermaker hands out beers to his Bad News Bears in the dugout to celebrate how proud he is of his team. "I'll drink to that," proclaims shortstop Tanner Boyle.

Newly appointed coach Gordon Bombay caves in to the Mighty Ducks—they were called District Five at the time—demands for a limousine ride on the frozen (how frozen?) pond; Charlie Conway's mom was mad, to say the least.

And what about the liability involved when the Chicago Cubs hired a 12-year-old who suffered a fluke injury that increased the strength of his throwing arm to pitch for them; was it Henry Rowengartner, Gardenhoser or Runamucker?

Long story short—too late—risk management is urgently needed in the niche of youth athletics, as well as fitness centers and golf courses, although challenges exist in these marketplaces.

"This year in the amateur athletics arena it will be more difficult to find domestic liability carriers that have an appetite for sports," says Nate Walker, vice president of sales for Special Markets Insurance Consultants (SMIC), an AmWINS Group company. "This can be attributed not only to concussion claim concerns, but also to potential abuse and molestation exposures. To obtain coverage without a lot of limitations, insureds will be required to have—and enforce—strict protocols.

"Obtaining coverage with few to no limitations will be the biggest challenge," he continues. "Carriers want to minimize their exposure to high-risk sports that are prone to CTE (chronic traumatic encephalopathy) claims, as well as risks that are susceptible to

abuse/molestation claims.

"Therefore, agents will have to make sure their clients have procedures in place that protect athletes, such as following 'return to play' protocols and running background checks on all employees, coaches and volunteers. Agents should educate their insureds on the preventive measures they can take to avoid a potential large loss. It's equally important to be prepared when a loss does occur, so agents should walk their clients through claim scenarios to ensure that they understand the process."

"Sports and fitness centers and golf courses face many different and unique kinds of exposures to loss, such as property damage, loss of business income from membership dues, and denial of access to premises," says Richard Haggis, senior executive general adjuster at Engle Martin & Associates. "Many facilities are required to refund membership fees if they have to suspend operations due

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Vice President of Sales
Special Markets Insurance Consultants

to a loss. You can control how your client’s business income coverage will respond to this scenario.

“In the event of a loss, what is the best course of action to retain membership and mitigate the business income loss? For instance, suppose your client has a fire at its country club and to accommodate members, it decides to use another club insured under the same policy; how will the extra expenses be handled, and will the carrier offset the revenue increase at one club with the related revenue decrease at the other?”

And what happens during long periods of bad weather?

“Going beyond the traditional insurance for fire, flood and storm, there is a new focus on protection against the effects of seasonal weather patterns and changing temperatures,” Haggis says. “We have been hearing more about weather ‘hedging,’ specifically the weather ‘derivative,’ which is an instrument used by companies to hedge against the risk of weather-



related losses. The investor who sells a weather derivative agrees to bear this risk for a premium. If nothing happens, the investor makes a profit. However, if the weather turns bad, then the company that purchases the derivative obtains the agreed amount.

“Risk management and loss control are key; use your experience to formulate practical risk control techniques

that can minimize or avert a loss,” he continues. “If a loss does occur, clients are then able to engage the appropriate consultants to ensure that the insurance contract responds correctly.

“One way to assist your more



intricate policyholders’ needs is to consider writing a dedicated independent adjuster into your insured’s policy. This allows you as the broker to agree with the insurance company in advance on who will handle any claims that might arise and ensure that a knowledgeable adjuster familiar with the client’s

exposures will assist your insured throughout the claims process.”

Fitness centers and golf courses

This writer has recently been participating in “Biggest Loser” competitions with friends and acquaintances and finally decided to join a gym. So how is the market for fitness centers?

“Compared to previous years, we are seeing many more moving parts in 2018 in the fitness space,” says Brian Rawlings, practice leader of Venture’s FITLIFE Insurance Program. “We continue to see more private equity money infusion and merger and acquisition activity. At the same time, boutique concepts continue to arrive on the market, while high-volume, low-price centers fight full amenity athletic clubs for consumer dollars. With all this activity, insurance markets serving this space need to keep up. They

must stay connected and make sure coverages and pricing are in line to compete in this rapidly expanding and evolving market.

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FITLIFE Program Practice Leader
Venture Insurance Programs

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Engle Martin & Associates*

time, to remain competitive, they need to keep up with wearable technology, exercise trends and new equipment.”

And with wearable technology and new equipment, cyber liability comes into play.

“Cyber liability coverage is gaining momentum within this sector, as health clubs begin to recognize a need to keep their systems safe and their reputations intact,” says Rawlings.

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*—Philip Harvey
President
Venture Insurance Programs*

“Businesses are constantly adding equipment, programming, services and amenities. The insurance markets need to continually evaluate these variables to determine their underwriting appetite.”

When it comes to claim drivers for fitness centers, the top of the list includes “slip-and-fall claims and claims related to equipment failure,” says Rawlings. “Agents should work with their policyholders to remind them that proper preventive maintenance plans on exercise equipment are key to curbing equipment-based injuries. As to the slips and falls, agents should remind their policyholders to keep areas dry, post proper signage and use mats and hand railings.

“With the recent series of deadly storms, property losses have also

become an issue. One way to curb this trend is for agents to educate insureds and work with their carrier partners to ensure a fair deductible and rate for their policyholder.”

And what about the golf course market?

“The fitness/wellness space is really growing in the golf course industry as men’s clubs are now becoming family clubs,” says Philip Harvey, president of Venture Insurance Programs and founder of PREFERRED CLUB. “To attract new members, golf courses have had to offer amenities for spouses and kids, including fitness and wellness facilities. The golf course industry right now is in a changeover, which has created new exposures for the insurance industry. Those changes could be anything from offering healthier foods to adding classes or family-friendly activities.

“What was once a pure golf and tennis club may now be developing new amenities for an overall family experience—thanks to specially trained staff hired to meet the demand. The clubhouse that used to have a card room now has a gym, massage room, Pilates studio, and yoga. They want to bring in new members, and to do that they are trying to create a wellness experience.

“Over the last several years, roughly 1,000 golf clubs closed in this country,” Harvey continues. “The industry was overbuilt, with too much supply and not enough demand. Now it’s starting to balance itself out, and our business reflects that. To continue to excel with golf courses, agents will have to understand there will be different exposures. For example, we will likely see more exposures in the pool area, as clubs add water sports.”

Advice

If you’re looking to step up to the plate in the sports market, “Agents should start at the grassroots level, where it may be easier to establish

relationships with local entities, such as sports camps, schools and boutique fitness centers,” Walker suggests. “Learn the different types of coverages that are needed for each insured. Become familiar with the carriers that may have a specific appetite for your clients’ risks. Taking great care of the smaller client will typically lead to larger opportunities.”

“Providing strong risk management and loss control promotes profitability for all involved,” adds Haggis. “Success goes beyond providing the right insurance product or service. Insureds need to operate efficiently and safely and have the appropriate risk evaluation and loss control measures in place.”

In the golf course niche, “agents need to understand and become specialists in this space to differentiate themselves from the average agent,” says Harvey. “It also helps if they have a personal interest in the club they are insuring.

“The products and services they are delivering will drive agent success in the golf course market. Policyholders in this space want a comprehensive product that is customized around the industry’s needs, as well as the unique needs of their clubs.”

“For agents looking to build a book of business in the fitness space, I’d suggest they start with their own personal experience,” says Rawlings. “Where do their kids play sports or train? Where do they work out? Where are the new boutique studios popping up? Agents should remember that price will always matter in insurance transactions, and the fitness sector is not immune to that.

“However, they can show some real value to a prospect by offering top-level service, by reviewing their offerings and amenities, and by reviewing the prospect’s current program to make sure everything is properly covered.

“Due diligence is critical. Agents should audit their clients’ exposures each year to see if they need to amend their coverage and check the marketplace from time to time.”

Whether it’s amateur athletics, golf courses or fitness centers, perhaps it’s time to take the court, but keep your head in the game. ■

For more information:

AmWINS Group
www.amwins.com

Engle Martin & Associates
www.englemartin.com

Venture Programs
www.ventureprograms.com