

# Broker's Notes

## Administrative Practices # 1

July 2007

A number of underwriting and coverage issues continue to recur regardless of the number of times that we try to address them.

### Changes:

It has been our practice to modify, clarify and improve the ClubPac program on a continuous basis. We respond to trends and changes in both the Golf and Insurance industries with regular changes to the program.

It is obviously impossible for us to notify every individual broker and club on the program of every change, however we do update our website regularly and in fact we even maintain summaries of the changes.

Please check the information available to you, especially when discussing renewals and updates with the client.

### Small Claims:

We do not appoint independent adjusters to settle small claims. This just adds unnecessary claims costs to the program that would result in future rate increases and slows down the process. We depend upon you, the servicing broker, to obtain and submit adequate information and documentation to allow us to settle the insured's claim.

Furthermore appointing an adjuster and incurring these fees, destroys the club's Claims Free record ( even if no claim is subsequently payable), and results in the loss of the club's claims free discounts.

It is vital when reporting a claim that you provide enough information (INCLUDING PRELIMINARY ESTIMATES ) to allow us to make informed decisions.

### Insurance to Value:

Golf clubs are notorious for under-estimating the value of their insurable property. They underestimate the cost of clubhouse construction today ( minimum \$135. per square foot). They build outbuildings with discounted materials and spare time labour, forgetting that it will not be replaced the same way. They buy contents and equipment on sale, off season and/or at opportune prices, but obviously cannot replace it the same way. And they just plain "lose track" of the sheer quantity of equipment that they have acquired over many years.

In addition, there are often small-valued structures and items that are scattered around the course for which the club just cannot justify paying insurance premiums.

Unfortunately all of these items add up to huge co-insurance penalties when a loss does occur. We routinely see coinsurance penalties of 50%, 60% and even 70%, imposed on club claims.

In order to minimize the risk of penalties, we ask for a detailed updated Statements of Value every year and we specifically exclude by endorsement, any items or class of items for which you do not show a value.

Unfortunately brokers and clubs continue to complete these forms “haphazardly” and are then surprised when their claims are either denied or penalties applied.

### **Leased Equipment:**

Nine out of 10 golf clubs lease ( rather than buy) at least one piece of equipment and every leasing company wants their equipment protected by the club’s insurance. Furthermore most clubs have multiple leases and switch equipment and/or lessors every year. Endorsing every policy for every lease would double the cost of administering the policies in the program.

Since this is common practice at golf clubs, we have written BLANKET Loss Payee and Additional Insured clauses into our ClubPac wordings. Our POED automatically covers property used in the business (other than short term rentals) regardless of who legally owns it; we acknowledge the club’s Insurable Interest; and we cover all Additional Insureds as soon as the club incurs the legal obligation to include them.

There is no need for us to specifically endorse the policy.

Properly written Certificates of Insurance are not part of the contract. They are merely confirmations that coverage is in place and they are the Broker’s responsibility. Please do not request certificates of insurance from us. It is a waste of your time and ours. Just issue your own.

### **Staff / Employee Labour:**

All five underwriters on the ClubPac program; their claims departments and the control adjusters unanimously agree that the “insured’s own costs” of settling a claim are NOT COVERED by insurance. That said, golf clubs are one of the few businesses with both the human and equipment resources which enable them to clean-up and/or repair the damage involved in many losses, and most prefer to utilize their own staff rather than bringing in outsiders.

The underwriters also acknowledge that there are like efficiency and quality benefits to this practice and therefore the program provides an allowance towards staff wages / salaries, but only to a maximum of \$15.00 per hour ( Jan. 2008) This limit is reviewed from time to time.

It is important for you to explain to your insured that this is not a shortfall in the club’s entitlement. It is in fact a benefit not usually paid at all.

### **Binding Authority:**

Since most brokers have written contracts with their insurers, including binding authority for pre-agreed limits and classes of business, it is easy to assume that you have that authority in every case.

Please remember that you DO NOT have a written or oral broker’s contract with us. You do not have binding authority on our behalf, nor can we grant it to you.

For your own protection please make sure that you do not give the impression to your Insured that he/she has coverage as soon as they request it from you. Please ensure that your staff does not “delay” in forwarding change requests to us.