

ClubPac News

October 2007

EMPLOYEE LABOUR IN INSURANCE CLAIMS

Because of the seasonal nature of golf and the availability of experienced staff familiar with the club layout, equipment and personnel, it is common practice for golf clubs to use the services of “club staff and equipment” in handling repairs and/or cleaning up after a loss. This is particularly true in the cases of course clean-up following a windstorm or vandalism loss or clubhouse clean-up after a vandalism, or a water damage loss.

There are distinct advantages to this practice, including:

- The employees know the course and equipment
- The employees know the club’s supervisory staff and are comfortable working under them.
- The club is comfortable with the quality and work ethic of known employees
- The employees are familiar with the members and vice versa.
- The job is probably done more efficiently and quickly.

At “member-owned” clubs it is even quite common for members to “volunteer” to assist in the clean-up. Again, usually with good results.

Unfortunately these practices create “Insurance Issues” that we have had to resolve through a “unique practical application” in every case.

Volunteers

Members volunteer in order to minimize the delay in getting the course back into playable condition or sometimes just through “pride of ownership”.

However, as there is no cost to the club, there is no “indemnity” available under the club’s insurance policy.

At first glance this would appear to be a “windfall” for the insurance company, however keep in mind that future premium rates are established by the cost of claims, so any reduction in loss costs is a future premium saving to the club.

Under the ClubPac program we have taken the position that while there can be no payment for volunteer labour, it is appropriate for the club to provide such things as meals & beverages and to rent additional equipment for the volunteers’ use. These extra costs are claimable.

Employees

This is the more difficult situation. From a pure insurance point of view there are two key issues and a third smaller note:

- All insurance policies require that the INSURED do everything reasonable to minimize the loss, and all policies exclude the Insured’s own costs of settling a claim.

It is standard legal practice in insurance, in Canada, that EMPLOYEE WAGES are expected costs and not part of any property damage claim. As a result, insurance does not normally pay this expense.

As already discussed, there are advantages for everyone in using club staff for these situations and in recognition of this, under the ClubPac program we have an agreement with the Insurers that they will pay a reasonable “allowance” towards these costs.

- This leads to the second issue; “How much” ?

It is important to remember that these clean-up jobs are basically unskilled labour positions that could be carried out by minimum wage earners.

It is also important to keep in mind that the salaries or wages that the club normally pays these people are based upon their skill and experience at their usual job.

For example: the club manager, course superintendent, and head mechanic could each be earning \$35. to \$55. or more per hour, but obviously the insurance company is not going to hire a \$55 an hour professional to pick up debris from the course or mop up water from the basement.

Doctors & lawyers routinely charge \$450. and up per hour for their professional services, but no one would pay them that to clean-up the clubhouse after a vandalism or break-in loss.

Under the ClubPac program, the Insurers have agreed to pay an allowance at a flat rate of \$10. to \$12. per hour depending upon the provincial minimum wage (typically about \$8. per hour).

- The third issue may seem obvious but does come up from time to time on losses (not Course & Greens) that result in a Business Interruption claim.

If the club is claiming for “Ordinary” or “Management” payroll expense under the Business Interruption section of the policy, it cannot also claim a “Labour Allowance” under the property loss.

Equipment

Golf clubs are one of only a few businesses that actually own and operate the kind of equipment that is typically used in major course clean-up and repair projects.

As part of the club’s legal obligation to “minimize” the extent of any loss, it is expected that the club’s own equipment will be used whenever appropriate and applicable.

DEPRECIATION of this equipment is a theoretical accounting timing practice which occurs whether or not the equipment is in use.

As a normal ongoing operating expense, depreciation is not reimbursable as part of the property loss.

CLUBPAC NEWS is provided at no charge to participants of the CLUBPAC program. It is intended to assist clubs in implementing good loss control practices and to keep them informed of trends and issues in the area of golf industry insurance. Clubs should refer to local “experts and authorities” for specific information about any “technical” or “legislative” issues mentioned.