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Serving Country Clubs In A Changing Market

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Partnering with the right intermediary is key to agent success

Revenue pressures are continuing to challenge many golf and country club operations, just as they have for the past few years. “The bottom line is, people just aren’t playing as much golf as they used to,” explains Brendan Fitzpatrick, underwriter at Glencar Underwriting Managers. “This translates into clubs seeing lower revenue from that part of their business.”

Some clubs are facing other revenue challenges as well. “It’s very expensive for facilities to host private functions such as weddings,” Fitzpatrick notes. “This translates into higher costs for customers, so members are taking their events elsewhere. In the end, the clubs may not be generating adequate revenue from these operations.”

According to Rob Mulhern, senior vice president of Venture Programs and program manager for its Preferred Club program, smaller to mid-sized private clubs in particular are feeling the pinch. “Memberships are down,” he remarks. “People either are doing away with their membership or they’re downgrading from full membership to, say, a social or pool membership.”

The market for available guest dollars is competitive. “A number of years ago, we saw a boom in new golf club development,” Mulhern explains. “Now everybody is trying to keep those facilities operating at a certain level. At the same time, they know they need to do renovations and facility upgrades, and they need to offer additional amenities to keep members satisfed and coming back for more. These renovations and upgrades put more financial strain on clubs.”

Some amenities are designed to make clubs more family friendly. “We’re seeing child care perks, such as babysitting services that let parents make use of various club facilities like tennis or golf or dining, as well as summer camps,” Mulhern notes. “We’re also seeing splash pads being installed. Often clubs think about the amenity and the cost to install it, but they don’t really consider the liability that comes along with it.”

Added amenities and services create new exposures. “Offering child care services brings with it sexual abuse and molestation risks,” he explains. “This requires background checks for counselors and other staff, of course, but it also requires extra premium —something clubs are pushing back on.” The same holds true for other amenities. “For example, splash pads carry added slip and fall risks,” he comments.

As clubs try to boost revenue, they face other risks. “Smaller and middlesized private clubs are opening up golf and other events to the public,” Mulhern explains. “This helps with cash fow, but it increases the potential for lawsuits. For example, with a slip and fall, a member won’t normally sue the club. They’ll get treatment, often with their own insurance, and that will be it. The same doesn’t always hold true for outside guests.”

Tightening market

According to Mulhern, club insurance rates are on the rise. “Carriers have paid out losses from catastrophic weather events in many parts of the country,” he explains. “From Sandy on the East Coast to tornadoes in the Midwest and Southwest to deep freezes in the Southeast, the impact has been widespread. Rate increases in the club business are trending a little higher than other businesses because of that.”

Fitzpatrick concurs. “Outdoor property coverage has really consumed the golf industry,” he comments. “Trees, plants and shrubs can eat up a book of business very quickly. Some insurance companies offer very high, and often unlimited, coverage on trees, plants and shrubs, with no sub-limit per item. Without these sub-limits, any convective storm that’s strong enough can blow through and max out the whole limit for this coverage.”

Observes Jaclyn Pahura, Glencar Underwriting Managers assistant vice president and program manager, “We’ve seen a few carriers pulling out of the market altogether; Hurricane Sandy had a huge effect on the golf business. Even some tried and true companies have pulled out of this segment entirely.”

The storm led to changes in the market and in how her frm underwrites these exposures. “We started adding wind and hail deductibles and exclusions, and taking other underwriting actions where we deemed necessary, not only in coastal areas but also in the Midwest where other weather-related exposures can cause serious issues,” she explains. “We’ve found that many of our insureds are willing to put a little skin in the game in order to keep cost-effective coverage. Some that cannot afford the deductible options left and went to nonadmitted paper.”

Fitzpatrick says, “We’ve found we’ve been able to keep the pricing competitive by adding these deductible options. Carriers that could be on the fringe of exiting the golf course segment added these deductibles as well, but they also are showing 20%-plus increases in premiums."

"Another coverage we have seen companies offering that can put a book of this business in jeopardy is damage from errant golf balls," Pahura says. Adds Fitzpatrick, "We looked at a risk recently that had 40 errant golf ball claims in the last year, and the course is only open fve months out of the year. The market that covered the club before is no longer writing this business. You have to be really careful how you underwrite for these types of exposures if you're going to cover them."

"We took our entire book of business, identifed problem areas by loss type, region, current claims history, CAT modeling, and historical weather reports, and we took action," Pahura explains. "When you do that, you end up losing some business, but we feel confdent we've taken all of the right steps to ensure we will be in this segment for a very long time."

Serving clubs

As underwriting managers, Pahura's company relies on its program administrator to deliver service to and through agents and brokers. "Our job is to work with the administrator and make sure we are on the same page in terms of underwriting these risks not only correctly but fairly," she explains. "We go through semi-annual stewardship meetings to ensure everyone is aware of the marketplace conditions like pricing, claims and concerns, and also to keep the administrator engaged by going over trends, results, losses and audit results in detail.

"During these meetings, we collectively address any steps that need to be taken to proactively shape the future of the book," she continues. "The program administrator is also responsible for maintaining and managing relationships with brokers, agents, and insureds, which is vital not only to our success but to theirs as well. We rely heavily on our administrator to provide us with quality submissions, so that our book is well rounded and profitable. A knowledgeable, trusting, and cooperative partner with like-minded business acumen is really the best way to guarantee that insureds are receiving the highest quality of service."

As a program administrator, Mulhern's frm helps insureds with loss control, risk management and a number of other customer-facing services. "We try to focus on the areas that are driving claims," he explains. "One important area involves storage of carts and maintenance equipment. For example, a club may store these in a large barn that's older and not valued very high. We ask clubs to install central station smoke and heat detectors in these buildings because of the value of what's inside. It's something many clubs don't think about.

"We also work with clubs to implement best practices like background checks on camp counselors, golf and tennis pros and directors," Mulhern adds. "We want clubs to make sure they're not putting any of the members' children in jeopardy."

Cart safety is another focus area. "We show clubs how to deliver live, inperson orientation for cart operation," Mulhern says. "Someone actually goes out with the driver and shows how the cart works and how to operate it safely. It's a good way to get the users acclimated and to reduce the likelihood of user error, which can lead to a claim."

Such orientations, Mulhern says, can be documented with a waiver the operator signs. His company encourages the use of waivers for other activities, such as skeet shooting, child care services and more. These and other resources are part of an online library the company hosts for agents, brokers and their insureds.

Business success

To do well in the golf business, Pahura says, "Knowledge is key. Retail agents and brokers write many different lines of business, and they might not have as much knowledge about a niche product like this. It is crucial to either learn the business and all of the nuances it brings, or work with an MGA or similar specialist who can educate the agent or broker, thus ensuring the best guidance for the insured.

"It's also important to ask clients and prospects the right questions," she adds. "We don't ask specifc underwriting questions to pry or make the process more diffcult. We need the correct information so we can underwrite the account properly and make certain to address any special nuances so the insured has everything it needs from a coverage standpoint. Never be afraid to ask questions and gather information so you can serve your customers better."

Mulhern encourages agents and brokers to look for what he calls "longevity in a space. You don't want to move an account or write a piece of business with a newer program, only to have to move it again the next year."

He stresses the importance of working with a provider that can customize coverages for individual insureds. "Make the decision that's best for your club," he says. "Don't just consider standard coverage, but also appropriate limits, loss control, risk management resources and how a provider handles claims."

Given the fnancial strain many clubs are feeling, temptation exists to cut corners. "Don't give up coverages just to save a few bucks," Mulhern advises. "That's something we really drive home to our agents. A new carrier or program may come into the business, but it may not provide the breadth of product or service the customer needs.

"Don't treat this business like a commodity," he adds. "If you have questions about competing policies, ask your program administrator or carrier to conduct a coverage analysis." He also encourages agents and brokers to use industry and best practices information available in his frm's online resource library to better understand club issues, coverage needs and risk management strategies.