

Property Casualty 360

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Gunning for Cover

Mounting interest in recreational firearms use is creating a bountiful niche market for specializing insurers

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The niche but solid insurance market for sporting weapons and facilities is ripe and ready for picking by agents, brokers and carriers capable of specializing in this quickly growing segment.

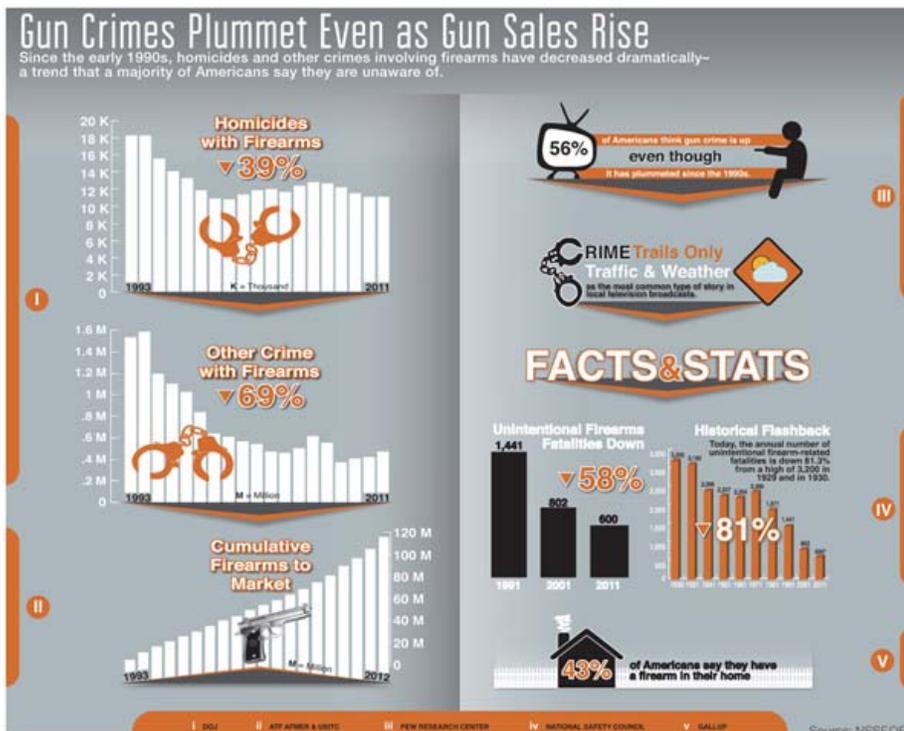
Despite the continued slow economic recovery, folks who love the outdoors are increasingly getting into shooting sports, says Brent Skiles, assistant vice president, underwriting for Philadelphia Insurance Cos. He cites a "nationwide rebirth of outdoor recreation," with a hard focus on shooting activities, in spite of extensive media coverage this year over proposed state and federal laws seeking mandatory liability insurance for all gun owners.

Skiles, who runs the Outdoor Recreation Division for hunting lodges, guides, shooting ranges, firearms manufacturing, retail gun shops, shops with on-site gunsmithing and privately run gun clubs, says he has seen a huge uptick in sales both from ammunition and firearms over his 10 years with the company.

More recently, new startup firing ranges—high-end, large facilities estimated in worth between \$5 million and \$10 million—are cropping up nationwide due to public demand.

"There's been this huge surge of hunting-related [interest and new facilities] way past 2006 and 2009 levels," says Skiles. "We're seeing some of the highest numbers in that industry that we've ever seen."

Skiles says many gun enthusiasts are discovering that public lands designated for shooting are no longer as safe as they used to be "because there are people out there who don't follow appropriate shooting rules." Instead, firearms devotees are looking more for facilities specifically devoted to firearms use. New high-end builds include hunting, firearms, recreational shooting facilities and family-oriented facilities that are indoor, outdoor and combo facilities; indoor ranges designed for rifle shooting; and outdoor ranges designed for shotgun shooting.



Public interest in trap, skeet and sporting clay facilities is growing as well; new facilities have opened up, which hasn't happened for a while, he says. It's part of a "grassroots movement for firearms in recreation" over the last five years or so.

"We've seen a lot of first-time gun buyers over the last 12 months," adds Skiles—and many of them are looking for both on-site training and a safe place to shoot.

A True Target Market

Philadelphia Insurance leads the firearms sports market, a relatively small and tight-knit group that specializes in this risk.

"We do see some general P&C carriers dip their toes into pieces of this, but in general it's a real niche market for sure," says Skiles. A couple of new players have come along over the last 18 months, "looking to capitalize on the boom, if you will," he adds.

One of the newer entrants to stick around the sporting firearms market is Venture Insurance Programs of West Chester, Pa., which launched its Sportsman insurance program in early 2009 to target the new hunting-and-fishing amenities of its key hospitality clientele: upscale resorts, lodges and private clubs, says Joseph Dolce, executive vice president, Hospitality and Leisure. The program is underwritten through the Chubb Group of Insurance Cos. and features admitted and non-admitted policies in property, inland marine, general liability, auto, workers' compensation, liquor liability and umbrella liability.

Resorts in particular are expanding their on-site offerings to include outdoor sports like skeet or clay trap shooting, guided hunting and fishing events and firearms rentals, he says. One such resort is Primland, a five-star luxury resort nestled among 12,000 acres of the Blue Ridge Mountains of Virginia that recently added a golf course, hunting grounds, skeet shooting, white water rafting, fishing guides and ATVs to its roster of guest activities.

Adding such amenities creates additional exposures with which a typical hotel, boutique hotel, resort or gun club may not be familiar. "That's why folks like us and Philadelphia [Insurance Cos.] and others have developed programs especially around those amenities and exposures," says Dolce.

There's still a lot of anxiety in the insurance market concerning firearms liability for gun owners.

"Everybody is closely watching regulations on both the state and national levels," says Skiles. There's been far more action at the individual state level in proposed laws requiring individual gun liability coverage, he adds, something "we're watching very carefully."

Workers' comp is not attractive to carriers in the hospitality industry these days, says Dolce. It's not a great moneymaker for carriers—exposures can be large, and premiums low. "Add on the exposures of a sporting club or hotel or resort, and it makes it that much tougher," he adds.

The extra exposure of employees who may be handling firearms, horses or cattle creates "a tremendous amount of exposure," Dolce says. "The number of carriers writing that is very small."

One of them is Holdren Insurance Group Inc. (HIG) of Bend, Ore., which company President Chuck Holdren established in 2010 specifically to meet the workers' comp needs of the shooting sports industry. HIG, a managing general agent, works with more than 100 agents and brokers nationwide writing workers' comp for indoor and outdoor gun ranges; sporting clays, skeet and trap fields; archery clubs; public and private ranges; ranges with gun sales; standalone retail gun stores; and upland bird-hunting operations.

Holdren, a lifelong shooting and hunting enthusiast with 20 years' experience writing niche workers' comp programs with Cornerstone Insurance Group,

says he recognized the need: “The industry is grossly ignored and under-served by the traditional market; nobody pays attention to them.”

Nearly all HIG’s clients—“very high-end” shooting ranges—have come out of assigned risk pools or state funds, he says: “We work with Philadelphia quite a bit: they send us their workers’ comp.” In turn, HIG sends its property and GL business to them.

“The number of new gun ranges going in nationwide is incredible,” Holdren says. “We’re also seeing dramatic increases in payroll in existing accounts, which means there’s been a lot of hiring of new employees.”

Existing payrolls are up 25 percent to 30 percent on average. Such growth is also true of gun manufacturers, who in some cases cannot keep up with demand.

“A lot of them have put more employees on or stopped taking orders because the demand is so great,” he adds. “It’s a fantastic industry right now, and there’s no sign of it letting up any time soon.”

Claims, Rates & Pricing

On the liability side, most claims at gun facilities mirror those seen in a normal hotel or resort environment: the No. 1 claim is slips and falls for general liability. The better-quality resorts, clubs and ranches typically have good controls on the handling of weapons and ammunition.

“Quite frankly, the loss experience is very, very good when we look at this independent group,” says Dolce. HIG, for example, has seen 11 claims total, all medical, out of more than 100 clients; none are gun-related.

However, on the property side, many large ranches and resorts with outdoor amenities tend to be in large rural areas, where wildfire is a big exposure. “A lot of these are older cabins, wood-frame construction, probably not sprinklered, and the nearest fire company may be 20 miles away,” says Dolce. “Property is always a major consideration when you’re writing these types of accounts.”

Rates and pricing have increased a bit in property due to storm activity across the country. “Wildfires, flooding, all those things adding up to an overall property rate increase, not just in the sporting industry but all industries,” says Dolce. Liability exposures, despite the amount of anti-firearm press over the last year, have remained fairly steady, he adds, with “maybe a slight increase, but nothing major.”

Holdren is seeing workers’ comp rate increases of 15 to 20 or 25 percent over expiring, as his clientele are coming in from assigned risk pools or state funds—with each state having a different rate filing. “Rates are astronomical for these guys,” he says.

“We’re trying to get at least a 10 percent rate increase year to year; sometimes we try to get an additional increase if we can,” he adds. “This is not a price-sensitive product where you have 10 other carriers that are quoting it.”

Crack Shots

The Burgeoning Sports Firearm Market Has Highly Specific Needs

The firearms manufacturing and sporting marketplace has several classes of business to accommodate many different types of operations, says Brent Skiles, assistant vice president/underwriting for Philadelphia Insurance Cos.

“You have sporting trap or skeet facilities vs. gun clubs; private facilities vs. public; shooting ranges at hunting lodges; shooting ranges with retail gun shops; and some of these types may also offer on-site gunsmithing,” he notes.

The newer facilities, especially, may feature hybrid uses: a combo shooting range and retail gun shop.

“That’s the way it’s trending: one-stop shopping,” he says. “You can shoot recreationally and in addition have a variety of firearms for sale.”

Or even rentals: Guests can test what they like with or without purchase.

If a shooting range has instructors on duty, the owner needs professional liability cover. “They are essentially providing a professional exposure,” says Skiles.

Gunsmithing is increasingly being offered at high-end shooting clubs to guests who may require on-site alterations or upgrades to their existing firearms. The necessary cover for those types of operations comes under a separate class code on an insurance policy.

To be best prepared for varying exposures, clients seeking cover should partner with an agent, broker or carrier that understands the terminology behind the firearms market, he says. That’s especially true for smaller operations that plan to grow. Shooting ranges that also sell firearms may not have started out that way; many evolved with the growing market and expanded their operations.

“Agents need to call these guys a little more often than they do their other clients,” Skiles says. Operators of a shooting range or gun club, he adds, can expand into selling, gunsmithing or offering instruction pretty easily. “You have to make sure agents keep in touch with evolving operations.”

Joseph Dolce, executive vice president, hospitality & leisure for Venture Insurance Programs in West Chester, Pa., advises the hunting-and-fishing clients of his firm’s Sportsman program to mandate a strong waiver from everyone who sets foot on their property.

“The waivers that a club, lodge, hotel or resort acquires from its guests or members has to be thoroughly vetted and reviewed by an attorney who is qualified

to do that in their particular state,” he says. “And we get a copy of that as well.”

Otherwise, resort or country club owners that do add shooting sports amenities to their business need to make sure they are working with an independent agent, broker and carrier that really understands the market.

“If they do that,” adds Dolce, “they’ll be fine.”

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