

# Club Risk Management - The Implications

By Philip Harvey

**These recent months have presented a challenging environment totally unprecedented in our everyday life and existence.**

The global pipeline has witnessed actions and results in supply chain disruption, both personally as well as economically, leaving worldwide chaos in its wake. The cause as you are aware is COVID-19...the global pandemic.

**Supply chain and the club industry:** Since when have we witnessed how interdependent this industry is, relying on key suppliers, and the further effects on the labor that supports the deliverables and services of the club industry.

In a survey conducted in early March by the consulting firm Gartner, 56 percent of the 1,500 respondents rated themselves as somewhat prepared for the impact of the oncoming pandemic.

Out of this group of 1,500, just 12 percent said their business was “highly prepared” and 11 percent admitted they were either relatively or very unprepared. Just two percent believe their business can continue as normal. Both supply chains and consumer demand have impacted the club industry, an industry heavily dependent on all of the aspects of the hospitality industry involving food and beverage.

This was furthered by both Federal and State mandates to shut down club activities affecting both members and guests. Concern for the employee staffing was most notable as a result of the sanctions, with the ensuing compounding effect leading to severe financial losses because of continued business interruption and the club’s inability as with most industries to qualify and be reimbursed for financial losses.

**Insurance implications:** As it developed, the industry, as with most other surrounding busi-

nesses, discovered that there was no reimbursement potential from commercial insurance sources.

Few insurers offer commercially available products for coverage because of pandemic events. This would lead to the industry as well as others to be out on their own in securing alternative funding sources to continue viable operations. To complicate matters, since the majority of the clubs operate as not for profit status, they were not eligible for any loans under the newly approved Federal borrowing programs.

**Returning to the new normal:** So how does the club industry return to carry on the day-to-day business after a longer than expected interruption of services and functions. Various key areas of preparedness must be addressed and considered.

Both the club’s board and management team must first recognize the organizational risks. This involves the implementation of a plan to monitor the continued growth of staff as a well-defined business plan on the continuation of the credo and profile of the club, of not only its members but most importantly its employee base.

Navigating the waters of COVID-19 is daunting for most leaders. Leaders who proactively address the risks of their organization through this will be the ones coming out stronger going forward.

Members and staff are empowering events and changes to their daily execution of their activities, highly motivated by the consumption of social media and news.

Much of the exposure has changed the ‘normal’ with staff and membership because of newly enforced changes caused by social distancing and working remotely.

On the employee end, it’s essential to understand that many are returning to the workforce after being laid off or furloughed. At the same time, it’s essential that managements’ and the boards’ roles to continue to be effective in furthering modes of communication as never before, since there are new and ongoing efforts and expectations of the new normal.

As with the majority of industries, the financial implications of such an event have created a severe budgetary hardship to the ongoing activities and operations.

**Assessing the future:** Beyond the many challenges of emotional, financial and physical recovery in the aftermath of a catastrophe, additional problems affecting financial recovery often occur because key areas of risk were overlooked, or their importance not fully understood.

The SARS epidemic in the past is one leading example of this. Conventional insurance at that time did not extend protection and it’s no different with COVID-19 currently. Coverage was developed and offered in the marketplace, but the demand and realization fell on deaf ears. Thus the coverage disappeared from the market because of a lack of demand.

It is imperative moving forward that clubs having experienced the harsh and costly reality of this event, align their interests between staff, the board and the long positive effects of comprehensive risk management. **BR**



**PHILIP HARVEY**

Venture Insurance Programs

**Email:** pharveyjr@ventureprograms.com

**Phone:** (800) 282-6247 ext. 223

**Web:** www.ventureprograms.com