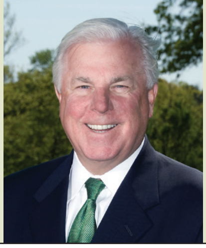

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Club Insurance
The Coming Perfect Storm

Fire, ice, wind, water — four essential elements of nature for survival and disaster.

As your friend and ally, they are essential to survival. As your foe, they are a detriment to progression. How are they affecting the current and ongoing insurance renewal process? Big time.

To date, since the turn of the calendar year, property and liability market suppliers have tightened the tourniquet on renewal terms with a continued eye on the exposures affecting the marketplace.

Let's start with the calamities affecting the wildfires in the western United States. How has this affected the supply line to property insurance? Dramatically.

With losses in the billions and the catastrophes on an aggregate basis, re-insurance providers have all but disappeared or at best case "upped the ante" in severe price escalations. California, Oregon and Washington suppliers have pretty much dried up. California alone eats up 32 percent of the capacity available from standard carriers.

Next, adverse extreme freezing conditions in Central and South Central United States, once considered the insurance underwriter's "sweet spot" for profitability, are substantiating the occurrence of billions and billions of losses to primary carriers. This unfortunate consequence, which encompasses over 14 states, has turned what was considered prudent decisions in underwriting into a disaster.

How about wind? Within the months to come, coverages are being pulled by the standard suppliers to the marketplace in expectation of adverse conditions. This will lead specialty insurers to provide limited capacity with a historic increase in premiums. Carolinas, Georgia, and the Florida Coast as well as the Gulf states will be dramatically affected by constrictive supply as well as spiraling premiums.

And last but not least, water. Not much has to be said about this peril and how it has changed the approach to underwriting profitability. These coverages are available from either government-sponsored programs or private carriers that have entered the market due to the former escalating premiums. This peril has been quite prevalent in South Central and the Northeast.

What is changing in today's club market? In this industry, carriers would methodically jump into the market with the assumption of achieving an underwriting profit. To accomplish that result, the underwriter needs to understand the attributes of exposure that affect the profitability of the industry.

Due to a soft market mentality, numerous carriers entered the market, forcing the price points down due to competition. Many of these markets entered and exited over short periods of time due to poor underwriting results. For example, five years ago there were over 10 carriers vying for your business in the marketplace. Today, carrier markets are limited to three to four suppliers.

What do these markets know that gives them the advantage over the rest? Underwriting discipline, market intelligence and experienced data that reflects each and every club in the industry over historical periods longer than five years. With this data, the underwriters have the ability to curtail or price coverages applicable to the risk on a customized basis. Thus getting back to the four major perils previously noted.

Lump in liability exposures? Numerous coverages provided to the club industry, such as commercial automobile, directors and officers, and umbrella liability, have also been affected in the supply line because of the effects of social inflation in suits that take longer than usual to settle due to the litigation process resulting in larger awards.

This year will go down as the great equivocator within the insurance industry. In that it appears that all the major suppliers and re-insurers are on the same page in their concerns in underwriting profitability within this class business.

It is time within the industry, more than ever, that clubs pay close attention to potential exposures that will ultimately affect the outcome of their insurability and the aspects that control the pricing of their overall insurance program. Now is the time to educate staff and boards as to the detrimental effects of the existing market and the negative aspects of not supporting your clubs needs to support overall profitability. **BR**