

Cedar Nisbet

Cedar is the former Director of Golfmax & Business Development with the NGCOA Canada. After twelve years with the Association, Cedar has recently departed the golf industry to become the new Vice President of Operations with Westview Projects based in Ottawa. Cedar can be reached at cnisbet@westviewprojects.com.



The risks related to owning and operating a golf course are extremely high. As a result, the most frequent supplier related questions posed to the team at the NGCOA Canada are often regarding commercial and liability insurance.

This article was written with the goal of assisting operators in making an educated decision when it comes to selecting the best possible coverage for your unique business, at a competitive price.

There are 3 ways businesses purchase commercial and liability insurance in Canada:

1. Buying directly from a private insurance company i.e. Belair Direct or TD Insurance.
2. Purchasing through an insurance agent or broker who sells products and packages for more than one insurance company.
3. For unique or a difficult-to-place risk, a customized coverage package may be necessary. Retail brokers may work with wholesale brokers and organizations who have specialized knowledge and work as intermediaries with insurers and brokers.

Insurance for golf courses definitely lands in the third category due to the large number of variables and associated risks. Although it may be tempting to focus on cost, the NGCOA Canada encourages golf course owners and operators to seek out a custom tailored insurance package that has been designed specifically for the golf industry.

INSURANCE PREMIUMS

The difference between the selling price for insurance and the selling price for other products is that the actual cost of providing the insurance coverage is unknown until the policy period has lapsed. In other words, the premium charged was only correct unless there was a loss. If the insured had a loss then the premium charged was too low. Therefore, insurance rates must be based solely on predictions rather than actual costs.

Actuaries review as much historic data as possible, and combine current environmental trends such as climate change when creating the insurance rate. For the golf industry these variables include flood mapping, earthquake exposure, trends in personal injury litigation, construction type of buildings, rural location and, very importantly, each golf club's, specific loss history.

Just as with home and auto insurance, the premiums paid by the many cover the losses of the few which is why it is important for a group such as the NGCOA Canada to work together and support a program. Over time this may lead to stable or even reduced insurance rates.

Minimizing Risk

Selecting the best insurance coverage for your business



QUESTIONS TO ASK YOUR BROKER

Because golf facilities are so complex, you need to study the coverage being presented by your broker to make sure that it is protecting every aspect of your business. While your insurance broker may be a member or regular guest at your golf course this does not mean that they are an expert at insuring such a specialized risk.

Here are 10 questions that you should be asking your broker every year:

- 1) How many golf courses do you currently insure?
- 2) Did you get quotes from more than one insurer? If yes, make sure you see all quotes.
- 3) What is the difference in coverage between the different quotes? Ask your broker to highlight the differences in coverage.
- 4) Do all insurers pay the same commission rate? Is your insurance brokerage owned by an insurance company?
- 5) Has the policy you are recommending been specifically designed for the complex nature of a golf course operation?
- 6) How are claims handled? Is there a 3rd party claims adjuster?
- 7) When was the last time you updated the values of my clubhouse and buildings?
- 8) What is the coverage for used equipment in case it is stolen or damaged?
- 9) Is there specialized coverage included for the golf course grounds including tees, fairways, putting greens, bunkers, signs and benches, irrigation systems, pumps and controls, etc.?
- 10) Will the business interruption coverage respond if you have damage to the course and greens?

Once you are satisfied with the responses from your broker, there are some key themes to explore further with your broker to ensure the golf insurance package they are recommending protects your business.

PROFIT CENTERS

It is important for you to recognize where your revenue comes from. The thought of a clubhouse fire is frightening, but the reality is that a temporary building can be brought in and play on the course can continue. However, if the course is closed (due to flood, fire, etc.) all revenue stops...immediately.

FACILITIES

Golf courses are typically built on or near flood plains since the land is available and often not suitable for housing or commercial development. While clubhouse buildings are usually sited on the highest piece of the property to provide great vistas, the rest of the development needs to be considered.

Reassess the location of all your buildings, including cart storage and maintenance buildings that may have been deliberately located out of sight and inadvertently placed in low lying areas.

TAKE A WALK ON THE SAFE SIDE

Another disturbing trend for golf course owners and insurers alike is the dramatic increase of slip and fall insurance claims. In order to protect your facility all walkways, pathways, parking lots, staircases and ramps must be inspected regularly. We recommend hiring an outside consultant to help complete this review. A single lifted paving stone can result in a lawsuit of \$50,000 or more if one of your members or guests happens to trip.

VALUE YOUR BUILDINGS

Putting a proper value on the physical buildings at a golf club is an important and often difficult task.

Buildings may be 10, 20 or 50 years old and without a current appraisal, setting the proper values for insurance can be nearly impossible. Typically, brokers use last year's values when completing their renewal however this can be dangerous as past numbers may not have kept up with rising costs and golf course owners may find themselves in shock if ever forced to rebuild.

PRICE IS WHAT YOU PAY. VALUE IS WHAT YOU GET.

WARREN BUFFETT

Paying less up front, may end up costing your business much more.

Having the proper insurance for your golf course can mean the difference between rebounding quickly from a loss, or not. Signature Golf has spent years on focused research and partnered with the best underwriters in the business to create the only golf specific policies.

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REPLACEMENT COST VS. ACTUAL CASH VALUE (ACV)

Golf course owners and operators must be aware of the significant difference between Replacement Cost and Actual Cash Value (ACV) coverage. Replacement Cost coverage will replace stolen or destroyed equipment at the value insured, while ACV will only reimburse the club with the depreciated value. ACV, which is far more common, may only provide up to 50% of the replacement cost of stolen or damaged equipment.

PROTECT YOUR INFORMATION

Many golf clubs store member data, including birth dates, home addresses and even credit card information.

As cyber attacks get more sophisticated, it is very important that golf clubs protect themselves. Golf courses are a prime target for hackers because many club's IT systems are not as robust as large corporations making you an easy target. Insurance specialists like Signature Golf offer cyber coverage at very competitive rates and are worth researching to best protect your member and guest data.

SETTLING A CLAIM QUICKLY

Creating an accurate list of all equipment including the purchase date, purchase price, make, model, and serial number will make your annual insurance renewal a breeze. More importantly, in the event of a loss, you will be able to quickly and easily identify the affected equipment and aid the insurance adjuster in settling your claim.

VALUABLE EQUIPMENT

Because of the high values and their relatively remote locations, golf course equipment has always been a temptation for thieves. Adding to this motivation is the fact that, unlike automobiles, golf carts are not properly tracked and stolen carts can be easily sold on the black market.

Fortunately, there have been huge advances in video and wireless security technology so that remotely located golf courses are able to protect their equipment and storage areas with live video and centrally monitored alarms. A centrally monitored alarm can save you thousands of dollars in insurance premiums annually, which will more than make up for the initial investment.

IRRIGATION SYSTEM & ELECTRIC GOLF CARTS COVERAGE

One often-overlooked part of the property at a golf course is the irrigation system. These intricate systems of tubing, control valves and sprinkler heads can be worth a million dollars or more and they must be protected. Lightning strikes that destroy irrigation control boards are common and damage to a system in the event of a flood can be crippling to the golf course.

Follow every manufacturer's recommendations for winter storage for all machinery, particularly for anything battery operated because today's battery technology can be extremely volatile and susceptible to cold temperatures.

KNOWLEDGE IS POWER

In summary, it is important for you to gather as much information as possible before purchasing insurance for your business.

The NGCOA Canada has devoted significant resources to researching the best insurance products available to the Canadian golf industry. You are encouraged to connect with your local Regional Director, or the Director of Member Services, Jim Thompson, to learn more about the insurance products available to NGCOA Canada members through the Golfmax Purchasing Program.



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