Weather & Industry Trends Create Challenges to Golf Course Risk

SRPI Underwriting Bulletin | 2014-06
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Over the last 10 years there have been two significant structural changes that are affecting the Canadian golf club industry in a meaningful way. People are simply not playing as much golf as they once did and as a result both private and public facilities alike are having a very hard time making money. At the same time an increase in severe weather is wreaking havoc on their most important asset - the golf course.

A Significant Decrease in Participation

According to The National Allied Golf Association's (NAGA) ***Canadian Golf Consumer Behaviour Study*** 38% of golfers are playing fewer rounds and there is, "a limited interest in the sport outside of those who already participate in the game."

This data only confirms what the golf industry already knows - the sport is under significant pressure and the industry must find new and innovative ways to attract new players to the game.

New golf clubs are not being built and many existing facilities across the country have been closed or sold to real estate developers to make way for new housing developments. Revenues are down across the board at existing clubs and the economic pressures on the industry will likely continue for many years to come.

In addition to the decrease in participation and rounds played at clubs across the country the industry is also now forced to deal with a dramatic increase in the volatility of weather patterns.

Extreme Weather Events Becoming the Norm

Torrential rains in some regions are causing massive floods while other locales experience record droughts. The traditional weather patterns are becoming more extreme with higher frequency and severity of weather related events.

Unfortunately the golf club industry has nowhere to hide. The typical 18 hole course occupies at least 140 acres and many facilities are located on flood plains or near rivers and streams which means that they are the first to get hit by rising water.

Regardless of which side of the Global Warming debate you are on, you will agree that weather patterns have changed drastically over the last 10 years and there is no reason to believe that this change is an anomaly. These erratic swings are here to stay.

For example, the 100 year flood is no longer. Researchers from MIT and Princeton University have found that with climate change, severe storms could happen far more frequently, causing powerful, devastating weather events every three to 20 years.

Impact on Insurance Rates

Purely from an underwriting perspective the rating assigned to golf clubs must continue to adjust to reflect these negative industry trends and the now accepted “new normal” in weather patterns.

Insurers have changed the way that they look at golf courses and in addition to seeking increases for flood, earth quake and golf course grounds exposures they are often requesting copies of financial statements before they will agree to quote.

The loss profile for the entire industry has changed and insurance rates are moving up in response to the increase in risk.

Conclusion

The golf industry has been hit with an unfortunate double whammy.

The annual number of rounds played in Canada are down significantly and even golfers who still regularly enjoy the game are not spending as much money at clubs as they once did. This means that revenues are down across the board which puts added pressure on maintenance budgets, staffing and renovation plans.

> ***“…the industry must be aware that insurance is not intended to serve as an annual maintenance program…”***

Add to this the increase in severe weather and you can easily understand the challenges that we as underwriters face. We are working hard to provide exceptional coverage to golf clubs however the industry must be aware that insurance is not intended to serve as an annual maintenance program and that industry claims will continue to put upward pressure on rates for everyone.
So far in 2014 we have seen several large insurers completely exit the class and those that are determined to stick it out are often refusing coverage for flood, wind, hail and earthquake in many parts of the country.

Signature Golf is committed to continuing to provide superior coverage to leading golf course operators across the country however the industry must be aware that the risk profile has changed dramatically. Improved risk management will be critical in protecting the ability of golf courses to continue to be able to purchase specialized insurance cover that includes coverage for their most important asset - the golf course.

For More Information

For more information about this bulletin or for questions regarding any of the commercial insurance programs available through Signature Risk Partners Inc., please contact:

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