



Why Insurance Costs for Golf Courses in Canada are Rising.

Severe weather is the culprit...

No matter what side of the global warming debate you're on, many people will agree that extreme weather conditions are here to stay. Look to the last five years as proof, where golf course owners have experienced an onslaught of flash flooding due to rain, snow, severe cold and ice storms.

And since a golf course is typically located on more than 120 acres of land, it's at the mercy of the elements. Add to that the fact that many golf courses have been built on flood plains or land that's not suitable for residential or commercial development, and you can understand that the risk of water damage is higher.

"Golf course clubhouses are similar to large homes; they need to be taken care of and updated regularly," says Ashley Chinner, Senior Vice President, Central Region & Director of Golf at Signature Risk Partners Inc.

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- Insurance Bureau of Canada



He adds, “The difference is, golf courses tend to be outside of the city limits, and are very idle over the winter months. With temperatures breaking 100-year records, water damage, including freezing and bursting pipes, is becoming more common.”

This is especially worrisome since many golf course owners are trying to protect their buildings from fire and have installed sprinkler systems, he says. But it backfires when sprinkler pipes burst due to cold weather.

For insurers and underwriters, severe weather over the last 5 years has meant more insured losses for the entire class. In fact, property damage due to weather has become the number one reason for a claim, topping fire damage in some provinces, notes the Insurance Bureau of Canada (IBC).

The Bureau reports that catastrophic losses plus loss-adjustment expenses accounted for approximately \$925 million in 2014, making it the sixth consecutive year that insured losses due to catastrophic events were close to \$1 billion.

“This is a record high,” [notes IBC in a recent report](#). “By comparison, total insured losses averaged \$400 million a year over a 25-year period from 1983 to 2008,” meaning payments have doubled every five to ten years.

In total, private property & casualty insurers paid out \$4.7 billion and \$2.5 billion in net claims in 2013 for commercial property and liability insurance, respectively, according to IBC.

So, with more golf course owners and operators filing claims due to severe weather conditions, some Canadian insurance companies have exited the class all together.

Those that remain will likely have to do two things: increase pricing and limit coverage, says Chinner. “We have to be very selective and we have to ask more questions.”

Some of the questions that golf course owners can expect to answer include:

- Does the facility have any history of flooding? If so, what measures are in place to mitigate future damage?
- Has the facility suffered a sewer back-up loss? If so, what have you done to mitigate a future occurrence?
- When were the roof, plumbing and electrical last updated?
- How often does staff visit the property in the winter?
- What risk management procedures are in place for buildings and equipment when you shut down for the winter?
- Does the club have lightning protection for buildings and irrigation equipment?

Risk Management Lessons

IBC notes that many municipalities are taking steps to prevent water damage due to severe weather, including improvements to municipal sewer and storm water infrastructures, sound water management and land use policies, more resilient communities and buildings, and updating building codes.

But it’s a long battle. “[Catastrophic] events can overburden sewer and storm water infrastructure, resulting in sewers backing up into businesses. Communities with aging sewer and storm water infrastructure are simply not equipped to handle these intense storms,” says IBC in its report.

So, there are steps that golf course owners need to take now because as long as volatility of weather persists, rates will continue rising.

Golf club owners should regularly maintain the land, which can mitigate weather-related risks. Chinner provides these three tips to safeguard your property.

1. Don’t wait for something to break. Weatherproof the building and get regular third-party maintenance on items including plumbing, the electrical and heating systems, as well as the roof.

2. Check the insulation around the exterior of the building, including the roof. Doing so will not only mitigate claims, but will also save money on electricity and heating.
3. Review the manufacturer's guidelines on how to store mobile equipment over the winter. For instance, is it safe for equipment to be left in the cold?

And Chinner offers these additional tips to protect the golf course.

1. Understand the land the course is on. Unauthorized access should be controlled.
2. If your course is lined with trees, trim them. This helps protect the golf course from wind.
3. Get to know how water flows on the land. Water should flow away from buildings, equipment, greens, fairways and bunkers.
4. If you have the type of bunkers (i.e. sand traps) that lose sand every time it rains, you need to fix them or buy sand in bulk.
5. Ensure you have a bad-weather warning system that activates during storms, including safe zones where golfers can get protection from lightning.
6. Do not store items in rafters of Maintenance buildings. Winter snow loads put extreme stress on buildings and weight on the rafters will exacerbate the risk of collapse.
7. Train employees on how to take safety precautions.

Conclusions

While golf course owners can't control the weather, they can follow these steps to improve their risk management practices, which will help shield them from this rising rate environment.

Extreme weather is here to stay and insurers recognize that the old rates they used to charge golf clubs no longer make sense. The only question that remains is: How much higher will insurance rates for golf courses go?

Suzanne Khan is a business writer based in Toronto, Canada who writes about the insurance and financial industries.