

CLUB MANAGER

QUARTERLY

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REDUCING YOUR RISKS

LEARNING FROM PAST INSURANCE CLAIMS TO PROTECT FOR THE FUTURE

BY JAMES GRANT AND ASHLEY CHINNER

IN EARLY OCTOBER WE HAD THE PLEASURE of speaking at the 2012 CSCM National Conference in Kelowna, B.C. about Risk Management and our experience with claims that have occurred at golf courses across the country. It was a terrific opportunity for us to interact with leading club managers and to learn what is really keeping them up at night. In this article we would like to share the key takeaways from our session as well as some of the feedback from the CSCM members in attendance.

The topic for our presentation was The Architecture of Risk Management and the goal was to help the audience learn from historic insurance claims data so that they can establish a Risk Management Plan that will help protect them against the most frequent claims in the future.

It is important to understand that, even though golf courses have multiple moving parts, millions worth of assets and are situated on 100s of acres of land every commercial insurance policy can be broken down into two basic parts: coverage for the property and coverage for liability. Typical property claims include fire, water damage and theft (golf carts) while liability claims are mostly related to slip and fall claims or the "misuse" of golf carts.

As a group we spent some time reviewing the aggregate numbers from across the industry. You may be surprised to learn that "weather related" claims actually account for a larger percentage of total claims cost than the obvious losses as a result of fire. Overall, fires at golf clubs have become very rare. While fires do still happen, the frequency has decreased over the years as building codes have improved, personal habits have changed and most importantly because golf clubs are now installing sprinkler systems and private hydrants.



JAMES GRANT



ASHLEY CHINNER

Golf courses have taken proactive steps to reduce their risk profile where they can and these efforts have been rewarded with fewer incidents of fire and smaller losses when there is a fire. Today less than 4% of insurance claims are as a result of fire as illustrated in Table A.

Table A: Property Claims

Claim Type	% of Total Claim Cost	% of Claims
Fire	40%	4%
Wind	23%	13%
Water Damage	7%	8%
Theft	6%	26%
Lightning	6%	15%
Hail	4%	1%
Vandalism	4%	9%
Flood	2%	1%

Table A shows the percentage of costs by category for all claims. Fire accounts for the largest amount of overall property claims but it is very interesting to note that weather related claims, in aggregate, actually account for the largest percentage of claims costs. Collectively weather related claims (highlighted with a red arrow) account for 42% of all claims costs.

As a result of this data it becomes obvious that the most important asset at a golf course is...the course. If there is an incident that affects the clubhouse, as long as your course remains operable the club can still function and maintain most of its revenue stream. However, as soon as something happens to the golf course the club can effectively be shut down and this has serious implications for the club and its members. This is why risk management and the insurance coverage

Risk



that you purchase is critical. Many golf courses overlook the need for proper Course and Greens coverage, and more importantly, their Business Interruption coverage may not respond in the event of damage to the golf course, which can leave the club in dire financial straits.

On the liability side we continue to see "Slip and Fall" claims as the largest cost to insurers. These claims are the most frequent and account for the highest overall cost as illustrated here in Table B.

The most disturbing trend that we have noticed is that Slip and Fall claims

are on the rise. This may, in part, be related to generally weaker economic times however contributing to this trend is the fact that Personal Injury lawyers do not require retainers and many lawyers will begin a suit on their clients behalf in exchange for up to 30% or more (contingency fees are not capped in many Provinces but limited to 40% max. in B.C.) of the settlement proceeds.

This has set the stage for many frivolous lawsuits where the goal is simply to get the insurance company to make a settlement offer quickly in order to avoid a lengthy and costly trial. Today many golf courses find themselves victims of

lawsuits as a result of what appeared to be a very minor incident at the time.

Table B: Liability Claims

Claim Type	% of Total Claim Cost	% of Claims
Slip & Fall	42%	33%
Struck	18%	8%
Libel	10%	4%
Collapse	5%	4%
Ingestion	2%	2%
Vehicle	2%	23%
Property	2%	10%

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A positive attitude
and smiling
face can go
a long way towards
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of control.



Many suits are filed a year (or longer) after the incident and general managers are often completely surprised to learn that they are now being sued.

There is little doubt in our mind that often the strategy in these cases is for the plaintiff to attempt to sue for a very large number with the intention of making a quick settlement. We are aware of many million-dollar lawsuits that settled for under \$50,000.

It must be said that there are many Slip and Fall based claims that do have merit and every general manager must endeavour to walk their property regularly and play the course in order to look out for new hazards such as uneven walkways, loose paving stones and golf cart pathways that may be too steep or even worse "short cuts" created by golfers that are dangerous for all who use them.

If possible, a fresh set of eyes from a qualified Health and Safety Consultant can bring these trouble spots to light and an annual visit is a small price to pay in exchange for knowing that your grounds and facility are safe.

How can a golf club protect itself?

During our conversations at the CSCM National Conference it was clear that general managers and owners often feel as though they are at the mercy of their insurance providers particularly when there is a frivolous lawsuit brought against their club.

These are tricky situations as it is always to the benefit of all involved parties to get litigation behind them quickly but once a settlement has been paid the loss remains on the golf clubs' track record for five years or



It is also essential that your staff is aware of the importance of collecting accurate and complete information anytime there is an accident on your property.

more and could, and often does, affect future insurance premiums.

The best protection is ongoing risk management and staff training. Your staff is your eyes and ears when you are not around and they play a critical role when something goes wrong. They are your “first responders” and as such they must know what to do and how to act under stressful conditions. A positive attitude and smiling face can go a long way towards preventing a minor incident from spinning out of control.

It is also essential that your staff is aware of the importance of collecting accurate and complete information anytime there is an accident on your property. They must never feel like they might get in trouble as this could lead them to hide details and ‘hope’ that nothing develops.

So what can general managers and owners do to protect themselves?

For starters, management must make sure that their staff is aware of the growing threat of Slip and Fall insurance claims. Every incident, no matter how trivial must be reported to a manager and documented immediately including names and addresses of the entire group or foursome. Every picture tells a story and photographic evidence can be indisputable in these situations. It is critical that as much detail as possible be recorded at the time of the event and these reports must be protected in case something develops in six months or even a year after the incident. Make sure your staff is aware of this need and that you have proper Incident Reporting Forms on hand to document the scene.

Alarm systems and security cameras in your

THE TOP 9 - RISK MANAGEMENT CHECKLIST:

- 1) Review and update the club's Risk Management Manual
- 2) Update Waiver Forms and Sub-contractor agreements
- 3) Review current Alcohol Service Policy and get board approval
- 4) Update Incident Reporting Forms
- 5) Review existing coverage for the golf course and your Business Interruption Coverage
- 6) Meet with entire staff regularly to discuss protocols and expectations
- 7) Review alarm monitoring protection and update to include video
- 8) Hire a health and safety consultant annually to walk the property
- 9) Follow provincial workers compensation guidelines

cart storage area and around the club will dramatically reduce theft. Wireless video systems have become relatively inexpensive in recent years and have proven to be extremely effective in preventing theft. Many leading security companies offer security audits that can uncover potential risks and thereby prevent future claims.

Alcohol Service policies must be approved by the board of directors and strictly adhered to. This is a case where simply having a document is not enough. Once approved, your clubs' policy must be reviewed with staff regularly so that everybody knows it inside and out. Talk to your peers at other clubs and ask what they are doing and see if there is a way that you can implement some of their ideas. The provincial regulations are a starting point and they should be treated as minimum guidelines from which you build your club's policy on.

The check list above is meant to serve as a reference only and many clubs will have a much more thorough list that they work from however the point is that these lists and forms cannot be static and must be reviewed constantly. In addition, your staff must be trained on the club's minimum standards but above all else they must feel comfortable enough to report every incident that happens on club property regardless of how minor it may seem at the time.

GM's and owners have told us that they are doing everything they can to control risk and mitigate losses. However, the general feeling is that they are often held hostage by their insurer whose motivation may be to settle quickly regardless of the merit of the claim.

We agree that insurers must take a tougher stand on behalf of their customers to end frivolous lawsuits. Signature Golf is working



with its partners to properly review and, where warranted, fight these lawsuits in order to send a message that we are not willing to simply write a cheque to make a case go away.

In conclusion, your best defense is to always expect the unexpected and be prepared. We recognize and applaud the actions of general managers and owners as we know that you are working hard to improve the overall experience for your members and guests.

The Canadian Society of Club Managers and its members are a big part of the education process through the sharing of information and best practices and we are committed to working with you to reduce risk or eliminate it all together. ★

James Grant is the President and CEO of Signature Risk Partners Inc., which he co-founded in September, 2006. Prior to founding Signature Risk, James was Vice President at Talvest Fund Management Inc.. Prior to joining Talvest, he was a member of the team that launched Altamira International Bank in the Barbados with particular focus on the development of an international distribution network through lawyers and leading accountants located in the Caribbean. James has over 20 years of financial and asset management industry experience.

Ashley Chinner was a touring golf pro and has been a member of the CPGA since 1989. Ashley has played in golf tournaments in 25 countries, 40 states and 10 provinces and is a past champion of the Canadian PGA Championship. In 2001 Ashley joined the insurance industry and since that time he has been instrumental in working with leading golf clubs across the country to develop risk management plans and assess their specific insurance needs. Ashley is an active member at Coppinwood in Uxbridge, Ontario and he lives with his family near Toronto.



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