

# Insurance for your club

*More protection is available in fire coverage by broadening the policy from 'specific' to 'blanket'*

by John F. Gleason, Jr.

The basic fire insurance policy, which was introduced last month, may be broadened in many respects.

Protection may be extended from what is known as "specific" insurance, applying to each item of building and contents separately, to what is known as "blanket" insurance. Blanket insurance provides a single amount of coverage to apply to any loss by an insured peril to all real or personal property on the club premises.

Contents may be moved from building to building without the need to notify the insurance company of value changes. Loss recovery is not impaired as long as the total amount of insurance complies with the total values declared in a "Statement of Values" filed with the local rating bureau. Property which the club does not want to insure—or upon which other insurance is carried—may be excluded.

As 13 per cent of America's clubhouses are protected by automatic sprinkler systems, sprinkler leakage coverage may also be added to the fire insurance policies. This coverage protects against accidental leakage or discharge of the sprinkler components at times other than during a fire.

In some areas, water damage insurance may also be added. Water damage coverage is restricted to accidental discharge or leakage of water or steam from within plumbing systems (excluding sprinkler systems), water storage tanks, heating systems, stand pipes, refrigeration or air conditioning units.

The water damage endorsement

also covers accidental admission of rain or snow through defective roofs or through open doors, windows, skylights, transoms or ventilators. It automatically covers club property and the personal effects of the members.

In my capacity as an insurance advisor to country clubs, perhaps no problem creates more personal concern than the fact that most clubs completely misunderstand the workings of the Standard Fire Insurance Policy when loss occurs at a club which does not structurally conform to the state or local current building codes.

Any club designed for occupancy by more than 100 persons, despite the fact it is private, is classified by most building code departments as a public assembly building.

If a non-conforming structure is damaged 50 per cent or more, or a sub-standard roof is damaged 25 per cent or more, usually the state fire marshal or the local building commissioner may order the undamaged portion torn down and the entire building or roof rebuilt with materials which currently conform with the code before a permit to rebuild will be granted.

I once reviewed the loss file on a frame clubhouse which was insured for 100 per cent of its replacement cost value. Nevertheless, after a serious fire, the fire marshal ordered the undamaged portion razed and the membership was assessed \$110,000 to cover the cost of demolition and rebuilding of the undamaged section.

Whether a clubhouse is insured for actual cash value or replacement cost, the Standard Fire Policy is

not required to pay for the portion of any building which was not damaged by an insured peril.

However, the policy may be extended by four endorsements to cover the contingencies which might arise from the operation of any building law enforcement.

The policy may be endorsed to cover:

1. The value of the undamaged portion of a non-conforming building;

2. The expense to have the undamaged portion of a non-conforming building;

3. The cost to rebuild the entire structure with materials which conform to the minimum building standards of the locality;

4. The additional expense to remove the rubble and debris.

Specific amounts of insurance must be stated in the Standard Fire Policy for demolition expenses, debris removal, and the increased cost of construction using conforming materials.

Even though a clubhouse might be insured for its replacement cost value, these endorsements must be added to the policy should a building official order the building razed. The additional coverages, however, would not apply under any other circumstances. Should a membership decide to rebuild a clubhouse with superior materials for other reasons these additional coverages would not apply.

Every country club should have its clubhouse and other important high-valued structures inspected by the local building official to determine if they conform structurally to the current code. Many clubs

which believe that their buildings conform to the code are in for a rude awakening should a serious loss occur.

Even if the local building department does not have rules governing structures—which is frequently the case where country clubs are situated in rural areas—the state fire marshal does. He attempts to inspect all serious fires and you might fall victim to the state's regulations for a public assembly building.

Frequently, country clubs do not feel fire, extended coverage, vandalism and malicious mischief, sprinkler leakage and water damage are broad enough coverage on club property. If this is the case, the Special Extended Coverage endorsement should be considered.

This endorsement extends the Standard Fire Policy to cover other exposures to direct physical damage or loss. It is an "all risk" contract, subject to exclusions. Unless a condition or portion of property is excluded by the endorsement, it will cover any loss or damage to the building. The endorsement cannot be written to cover the club's contents.

By attaching the Special Extended Coverage endorsement, the vandalism and malicious mischief, and the sprinkler leakage riders may be omitted on the building as these perils are included in the form. Therefore, in comparing the cost of this endorsement, it is important—if your club carries vandalism and sprinkler leakage coverage—to deduct the cost of these coverages from the additional premium to purchase the Special Extended Coverage Endorsement in arriving at the actual net additional cost.

Do not be appalled by the fact that the Special Extended Coverage endorsement contains 20 exclusions. I will explain the more pertinent ones:

The form naturally does not insure against loss by wear and tear, deterioration, mechanical breakdown, settling, cracking, animals, vermins, termites, earthquake, volcanic eruption, landslide or subsidence. *It also excludes flood, and water damage such as tidal wave, backing up of drains or sewers,*

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## Insurance

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or seepage.

The form excludes boiler and machinery losses and glass breakage, which are the subjects of other insurance contracts.

It does not respond to losses contingent upon the enforcement of any building code or regulation, unless the basic policy is endorsed to cover this contingency. This was explained earlier.

The form does not cover "willful or dishonest acts or omissions" committed by the insured, its members or employees. Acts by employees are normally indemnified under a fidelity bond.

While the form is applicable to nearly all buildings, it is not designed to cover the swimming pool, piers, metal smokestacks, awnings, signs, antennas or other real property in the open; or property under construction, undergoing alteration or repairs.

Many insurance buyers feel the additional premium for the Special Extended Coverage Endorsement is prohibitive. This is not the case. I recommend that a country club investigate the premium saving for a \$1,000 deductible, applying to any loss. Some insurance companies afford an overall premium reduction of 18 per cent when the deductible clause is accepted by the policy holder. This savings is more than the cost to add the Special Extended Coverage endorsement to the basic policy.

Small fires or windstorm losses will not work as serious a hardship as a large loss by an uninsured peril. I would rather assume the cost of a small rubbish fire than to be without coverage from the operation of a building law or have the clubhouse roof collapse under the weight of ice and snow and be without the Special Extended Coverage endorsement.

In areas where earthquake is a threat, the earthquake endorsement

should be added to the standard fire contract. In flood areas, if flood coverage is required, the country club must look to a "specialty market." Many domestic companies and Lloyd's of London write a contract called "Difference In Conditions."

Under this form, both earthquake and flood coverage can be provided. Most D.I.C. contracts exclude these perils but will include them for an additional premium. It is sometimes easier to negotiate for a Difference In Conditions contract than when just flood and earthquake coverage is desired. Insurance companies are wary of imminent perils and seek to avoid adverse conditions. However, the "all risk" Difference In Conditions policy overcomes their reluctance.

Contents can also be insured under this broad contract or they may be insured by Inland Marine Floater contracts, which are also "all risk."

Pictures of value, fine arts, musical instruments, silverware, trophies, rare collections, boats, riding horses, neon signs, sporting equipment, and all moving equipment of a country club are eligible for special floater policies.

If one checks the fire insurance rate for the country club's maintenance building, usually one will find that it is cheaper to insure the golf course equipment under a special equipment floater, rather than under the general fire insurance policy. The floater covers loss or damage to property in the open, including mobile equipment, benches, flag poles, ball washers, swimming pool equipment, etc. Under the fire policy, these items are not covered in the open.

Golfmobiles and golf cars are best handled under an Inland Marine Floater form. Again the rate is favorable and the broader coverage can include moving perils about the golf course. □

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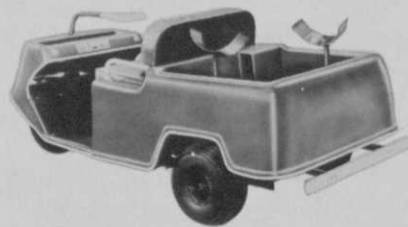
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