

# This could happen to you! Would your club have enough insurance?



by David J. Slaybaugh, editor

It was in the early morning hours of a typical muggy Ohio summer night: Sunday, August 3, 1975. The assistant manager of the Kirtland Country Club was watching television with club bartender Frederick Burke in Burke's apartment in the main clubhouse building. About 12:15 a.m. Burke smelled smoke. He went to a nearby wall and put his hand to it. It was hot to his touch.

The two men called the fire department and roused a couple from Florida sleeping in a guest room on the second floor. Firemen arrived and began pumping water directly from the East Branch of the Chagrin River, which winds through the club's 530 acres. They also took water from the club swimming pool, eventually pumping it dry.

By the time the blaze was brought

under control 5 hours later, some 60 firemen from Kirtland and three neighboring communities had joined in the battle. Six of them were treated at a nearby hospital for smoke inhalation and exhaustion. Assistant Fire Chief Edward Kalman of Willoughby, one of those who helped, said the next day that the thick stone walls of the mansion clubhouse had caused temperatures inside the building to reach an estimated 1,100 degrees.

According to Kalman, the fire started either in an air conditioner or wiring on the third floor, then spread to the second floor. The third floor was destroyed, and the second suffered extensive damage. The first floor was damaged by smoke and water. Club President Douglas Wick and Vice President Edward L. Meister said the next morning that they considered the building, built as a private home in 1910 and taken over by the club in 1921, to be nearly a total loss.

Kalman estimated the damage at more than \$1 million.

### The aftermath

Wick and Meister met with other club officials within a few days after the fire. Since the building was insured for \$1.7 million, it was decided to go ahead with a reconstruction program.

Other buildings at Kirtland included a carriage house, a men's locker room, and a golf clubhouse; these were used to carry on club activities as well as possible until the new main building could be completed.

Almost a year later to the day — on Sunday, August 1, 1976 — Kirtland Country Club opened its new clubhouse to members. A handsome, spacious two-story building, it cost more than \$2 million. Most of the funds came from insurance, with assessments on the members paying

the balance. (The club has 300 resident members, who pay \$100 a month dues.)

Architects Collins and Rimer maintained much of the look of the original building in the new clubhouse, which was built on the original foundation and utilized the walls which were left standing after the fire. The decorators also tried to match the original club's feeling as closely as possible — though it was impossible to replace the beautiful old paneling — and used what furniture they could of that which was carried from the burning building a year earlier.

#### Could your club do as well?

Kirtland Country Club has one important thing in a quantity that many private and most public golf facilities could not match. That thing is, of course, money.

When it was founded, Kirtland's membership roster carried such names as Hanna and Bolton and Blossom. Today, it still includes mostly the uppermost crust of Cleveland society. Because its members — and, in turn, the club itself — had access to enough funds, and because the club-

house was fairly well insured, Kirtland Country Club recovered rather well from its disastrous fire.

But what about your club or course? You probably don't have 300 well-to-do members to turn to for hundreds of thousands of dollars to replace or rebuild your clubhouse after a disaster. That means you would have to depend on insurance.

Perhaps now is the time to ask yourself or your manager these questions: Do you have the right kind of property insurance? Do you have enough? Should you work with a broker or deal with the underwriter directly?

We talked with insurance executives to get some answers that could apply to most golf facilities.

#### What is property insurance?

There are two aspects to consider in defining property insurance. The first concerns what will be insured.

A club can buy insurance on its clubhouse and/or any other part of its physical property and the contents thereof. The usual golf club property insurance policy — the type we'll be discussing here — covers the club-

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house (foodservice facility, bar, lounges, lobby, locker rooms, and pro shop, if part of the building) and its contents (furnishings, equipment, and inventory of sale goods).

The second aspect concerns the perils you will insure your property against. Normally these would include fire, theft, vandalism, and natural perils such as lightning or wind. Another item to consider, especially if your facilities are so limited that you absolutely could not run the club without them, is business interruption insurance; this would insure your club against losses of profit and continuing expenses incurred if you *had* to shut down after a fire or other disaster.

Depending on what company insures your club, the policy can be



Kirtland Country Club in northeastern Ohio opened its new clubhouse (above) one year after fire destroyed practically all of the original building (facing page). The new grill room, with a beamed ceiling and tile-look carpeting on the floor, is typical of the new decor.

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written two ways: 1) naming specifically those perils insured against, or 2) naming those perils excluded from coverage. Either way, just be sure the policy says what you want it to. Too often, people (and businesses) think they are insured against something, only to find after the fact that they were not.

Try to get coverage as broad as possible, tempered by the cost. Obviously, you pay more for broader coverage.

One way to hold insurance costs down, however, is the consideration of deductibles. This works the same way for a club's property insurance as it does for your personal home or car insurance: in case of a claim against the policy, the insurer pays the amount of the damage above and beyond the deductible amount. Damages which do not add up to more than the deductible must be absorbed by the policy holder. A deductible often is a wise choice, since many clubs do not need first-dollar coverage, but rather must have insurance against large losses.

#### Buy direct?

One of the first decisions you must make in buying insurance is whether to buy through a broker or direct from the underwriter.

The bases for making this decision are basically these: buying direct is usually cheaper, but a broker can provide the experience, contacts, and familiarity with different types of coverage that you as a layman lack. What the broker offers you is service. When you buy insurance, he will shop for you and, presumably, find the coverage that suits you best at the best possible price. When you have a claim, he will act as your agent in dealing with the insurer. You pay for the broker's services through the premiums you pay to the insurer.

#### How much is enough?

That is undoubtedly the most asked, if not the most important, question in regard to any kind of insurance.

If your facility is new, you should have no trouble answering the question. You already know what it would cost to replace what you just built — and that is how much property insurance coverage you should buy, plus

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coverage for the contents of the building.

For older facilities, the answers are harder to come by. What you must determine is the *replacement cost*. Be aware, however, that this is not the same as the cash value. It often will cost more to replace a building than you could have sold it for before it was destroyed. Too many people arrive at a replacement cost by making a “guesstimate” based on the cost of the original building, no matter how old it was. Sometimes they come close to an accurate figure, but more often than not they end up under-insured.

To be sure your club is properly insured, you should consider having a commercial appraisal made by professional appraisers. This could cost several thousand dollars if yours is a large, well-furnished facility — but it would be worth it in the long run to insure adequate coverage. If your clubhouse does not contain elaborate lounge or dining rooms with expensive furnishings, you could possibly save some money by forgoing appraisal of the contents.

Another reason for getting a professional appraisal of your club's property is that many insurers have “co-insurance” provisions which require that your policy with them provide coverage in the amount of some percentage (usually 80 percent or more) of the replacement value of the property; they may require a commercial appraisal to determine the amount of coverage. “Co-insurance” means simply that you will share any losses with the underwriter in exchange for a lower premium.

#### Need to update

The insurance executives we talked with were, not surprisingly, unanimous in their opinion that most golf

clubs are not adequately insured. Most clubs are on a tight budget, many are nonprofit organizations, and all of them would rather spend their money on the golf course than on insurance. You should, however, review your insurance coverage annually — whether you have to or not.

At one time, most property insurance policies were contracts for a 3-year period. That is still true for many smaller clubs, but the common practice now is to have to renew the policy once a year. This gives the insurers, of course, a chance to rid themselves of unnecessarily bad risks; it also gives the opportunity to keep coverage up to date. Coverage should be increased in proportion to the value of improvements made in the property during the year, if any; or increase coverage to keep up with inflation and spiraling building costs.

It is not necessary to have the property reappraised every time you renew your insurance policy. Many appraisers do offer an updating service at a nominal cost for clubs which have had a full-scale appraisal done by them in the past. In most cases, however, you can plot any insurance increases by “factors” compiled and provided by the industry. These factors will not vary more than a point or two between companies; all of them are based on current rates of inflation, construction costs, and interest rates.

#### How rates are set

The rates your club pays for property insurance will depend not only on the type of coverage you want, but also on the type of facilities you have and where they are located. Many factors are taken into account in determining these rates (construction materials and their combustibility, presence of cooking equipment, water availability, proximity of fire department, sprinkler systems, fire alarm, etc.), and the rates are not just set capriciously by the insurance companies. They are regulated by the state governments (except in Illinois).

For information on how to improve your facility and get a better rate on property insurance, contact your broker, insurer, state Insurance Service Office, or the National Fire Protection Association (470 Atlantic Ave., Boston, MA 02210). □