

Many country clubs lease golf cars. As an insurance advisor to clubs, I have had many opportunities to review the lease agreements with respects to the liability insurance which the golf car representative will provide.

In the course of my consulting work, I have become increasingly concerned with the very limited, even disastrous consequences of the insurance provisions.

Let's examine three lease agreements which I have reviewed to determine the reasons for my misgivings. In each agreement, the representative is known as the lessor and the country club as the lessee.

**Contract A states:** "During the term of this lease, the lessor will maintain liability insurance coverage of \$250,000 for each person and \$500,000 for each accident on golfsters supplied under this lease agreement."

**Comment:** This lease agreement requires no property damage liability protection nor does it indicate that the country club will be named as an *additional insured* under the policy.

**Contract B states:** "The public liability policy furnished by the lessor shall stipulate a limit of liability of at least \$100,000 to any one person, and at least \$300,000 to more than one person as the result of any one accident. Property damage liability shall be at least \$5,000."

**Comment:** Should a golfer be seriously injured or killed, the \$100,000 limit of liability could easily be exhausted by a modern day jury award. Again, the lease agreement failed to name the country club as an *additional insured* in the liability policy.

**Contract C states:** The lessor agrees to carry, at its own expense, liability insurance on said golf cars, naming both the lessor and lessee as the named insureds."

**Comment:** This agreement provides that the country club will be named in the liability policy but fails to specify the limits carried. Limits as low as \$10,000 would fulfill this agreement, but would

## Is your golf car insurance adequate?

A country club insurance consultant points out that many clubs face financial ruin because of insufficient insurance coverage.

By **JOHN F. GLEASON, JR.**  
Country Club Insurance Consultant

be grossly inadequate should suit be brought following injury or death to a golf car passenger.

Furthermore, none of the lease agreements state the quality of the insurance carrier, leaving the country club with little opportunity to ascertain its financial strength.

Perhaps to the layman the fact that the lessor will provide insurance on leased golf cars appears adequate, but to the trained eye this is not the case.

What value is a liability contract if the interest of the country club is not protected thereunder? Unless the policy provides adequate limits of liability to protect both the representative and the country club in this era when lawsuits are making headlines, the protection is practically useless.

It is more likely that the country club rather than a golf car representative or the manufacturer will be sued. Injured parties are not concerned with ownership. Their cause of action most likely will be against the country club from whom the golf car was rented. Therefore, any country club which leases golf cars must be sure it is named on the lessor's policy or provide liability insurance itself.

Two years ago, a lady golfer in California, who fell from a defective golf car and seriously injured her brain, sued the club where she was a member for \$750,000. Her case was settled for \$200,000.

If the golf car had been leased from a representative under Contract B, the club would have been in real financial trouble. First, the club would have had no legal defense under the lessor's policy. Secondly, in relying on the policy limits, \$100,000 of the judgment would have had to be satisfied by other than insurance company monies. Under Contract C, the settlement would bankrupt many clubs.

There are nearly 100,000 golf cars wending across American fairways daily. With both experienced and inexperienced operators at the tillers, the number of lawsuits which will arise in the years ahead will be staggering.

The need for high limits of liability cannot be over-emphasized. A country club would be far more secure if it would insist upon limits of at least \$500,000 per person and \$100,000 per accident. The prevailing limits which I have seen are inadequate when the cost for higher limits is almost pennies.

If a country club finds that the representative cannot provide high limits, that club should make other arrangements and have the cost deducted from the lease agreement. This may appear arbitrary, but inadequate coverage today is fatal.

Frankly, when the club provides its own insurance on golf cars leased from others, it is in more secure control over the protection provided and the knowledge of the policy's whereabouts.

When insurance is provided by the lessor and a country club is not named as additional insured in the policy, if a judgment is paid by the lessor's insurance company but the negligence was construed to the country club, that insurance carrier may look to the club for reimbursement of the settlement. When the club carries its own liability protection or is named in the lessor's policy, this right of subrogation is denied.

There are two other thorny insurance problems in connection with the use of golf cars. They relate to the responsibility of the player who rents the golf car for a round of golf.

Frequently, country clubs expect the player to hold the club harmless of any suit which arises out of the player's operation of the golf car. Secondly, the club expects the golf car returned in the same condition as it was when rented.

Usually this is accomplished by means of a rental ticket on which the hold harmless conditions are spelled out. While the player's Comprehensive Personal Liability insurance makes provisions for incidental forms of assumed liability, the obligation is not binding upon the company unless the player signs the ticket.

Many country clubs are ignorant on this point. They permit the golf professional

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## Golf Car Insurance

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or the starter to sign the member's name to the rental ticket. His insurance carrier need not respond under such an arrangement, nor will one player's company be responsible if his playing partner (not a guest) negligently operates the vehicle.

It is important to have both players who intend to operate the golf car sign the rental ticket if the hold harmless agreement is involved.

One of the leading golf car manufacturers has inadvertently and incorrectly advised in its literature that a player's personal liability insurance will pay any damages caused by the player to the car itself. Regrettably, this manufacturer does not understand the exclusion in the policy which denies coverage on any property rented to the named insured.

It therefore behooves the country club to purchase an Inland Marine Equipment Floater policy to cover direct physical damage to cars which it rents from others. This floater is an "All Risk" contract, responding to nearly every type of loss or damage to golf cars, the principle exception being willful or malicious destruction by the insured.

The policy will protect the club for damages done by others and will also, in the case of leased units, protect the country club's legal-liability, or bailment responsibility, for the property of others within its safekeeping.

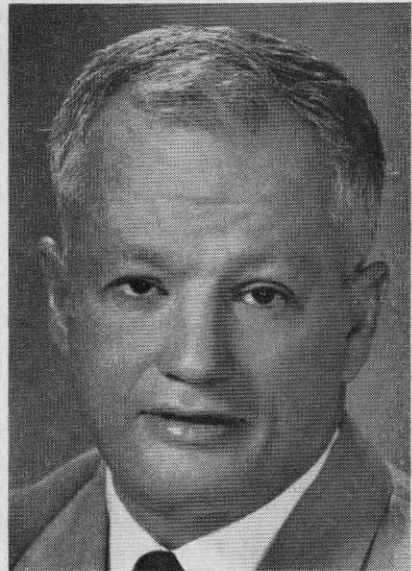
When the country club provides the insurance, it is important to have the underwriter remove the right of recovery against any member, guest or employee who negligently operates and damages the golf car. This is a reasonable request as the club is providing this coverage to also overcome the embarrassment to its members who do not have direct damage coverage under their personal liability insurance policies.

Because many golf professionals are independent contractors rather than club employees, it is likewise important to have the policy include the professional

and his staff as named insureds as well. This can be done at no additional premium charge.

In conclusion, it must be concurred that golf car lease agreements and player's rental tickets are tricky legal documents. Unless the club officer who affixes his signature to a lease agreement fully understands the insurance ramifications, he does his country club a grave disservice by executing one.

For that matter, contracts with others should not be signed until they are read jointly by the insurance chairman and the legal counsel who are trained to recognize extenuating problems. ●



*About the author — John F. Gleason, Jr., has been in the insurance business for 18 years, since he left Tulane University in his senior year to take over his father's insurance agency.*

*Four and a half years ago, he founded the Country Club Insurance Service of Cleveland, of which he is director. His function, as he states, "is not to sell clubs insurance, but to advise them on the proper insurance they require on a fee basis."*

*He is also a writer with more than 50 articles which have appeared in various publications. And, when he finds time, he is an avid golfer with a five handicap.*