

Supplement for Insurance Protection

By JOHN F. GLEASON Jr.

Various other insurance contracts supplement the fire insurance protection, which has been explained in previous articles.*

Readers may recall when the extended coverage endorsement was explained that the explosion peril excluded loss by explosion of steam boilers, steam pipes, steam turbines or steam engines if owned by or operated by the insured.

Explosion of pressure vessels is covered by the standard boiler and machinery policy. Basically, the policy covers losses on the country club premises not only to the pressure vessels listed in the contract, but also to the building and contents which might be damaged by the explosion and to property of others for which the insured is liable. Excess bodily injury liability coverage may be included or excluded from the boiler and machinery policy. When included, this coverage is only applicable if the amount of accident coverage has not been exhausted by payment to the insured for his direct damage explosion loss and or/payment of property damage losses of others for which the insured is liable.

Usually, country clubs rely on their public liability insurance to protect them against any bodily injury suits or claims which might result from a steam boiler explosion. This exposure is one reason why every country club should carry high limits of liability against bodily injury liability under its public liability policies.

Boiler insurance may cover just certain boiler objects or may cover

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all objects of a specific type under a blanket group plan. These groups include steel steam boilers, cast iron steam boilers, steel and cast iron hot water boilers, fired storage water heaters and fired coil water heaters, and various groups of unfired pressure vessels.

Before a country club attempts to determine which objects it should insure under a boiler and machinery policy, it should have a boiler insurance inspector survey the club premises to determine all the eligible objects which can be included in the policy.

Basically, when a country club purchases boiler insurance, the company routinely inspects the objects insured, attempting to foresee conditions which might cause an explosion so that a loss may be prevented.

Actually, boiler insurance companies contend that their inspection service is almost more important than the insurance feature, because most of the causes of loss can be avoided beforehand.

Some boiler insurance buyers think that the amount of coverage which should be purchased is only an amount adequate to repair or replace the boiler or other insured objects if they were damaged. This is not the case.

A country club must purchase

adequate coverage to cover not only the value of the objects, but an amount sufficient to cover all damage which a boiler might do if it explodes. This amount could range from \$500,000 to over \$1,000,000 in many cases.

The basic boiler policy covers only the depreciated value of property destroyed. By attaching a repair or replacement cost endorsement, the boiler policy will pay to the insured the cost to repair or replace any property destroyed by explosion with like property and quality without deducting for depreciation.

This is an important consideration for a country club which has a large boiler which may be 10 or more years old. Without the repair and replacement endorsement, the depreciation of this boiler might be 50 per cent or more. In other words, if destroyed, the club would have to contribute a large amount of the cost to replace this boiler.

Because clubhouse furniture depreciates rapidly, without the endorsement attached to the policy, the club would again have to contribute the difference between the value of the new furniture and its depreciated value.

With this endorsement, if part of the clubhouse were destroyed from the explosion no depreciation would be required when the repairs are made. These are supporting reasons why a country club should carry adequate limits per accident by an explosion.

Not only may pressure boilers and unfired objects be insured under the policy, but the country club can also schedule the pumps

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which operate the swimming pool, the fairway irrigation systems and the switchboard against electrical shorting or burning out. The country club's refrigeration systems and air conditioning system may also be insured under this policy.

Although these objects would not normally explode, other losses insured would include cracking, crushing inward, tearing asunder or bulging of the insured object.

It is important to clarify that when a boiler loss occurs, it must be the result of a sudden and accidental occurrence. The boiler policy is not expected to cover losses which result from wear and tear, deterioration or corrosion. If these conditions become evident to a boiler inspector, he will advise the insured to replace the defective part or section.

Country clubs in which winter sports activities include ski lifts will schedule the lift for the valuable inspection service rendered in the interests of safety. Other country clubs schedule golf course trams and elevated lifts for the same safety inspection service.

A boiler and machinery policy may also be extended by endorsement to cover loss of the use of the premises if an insured object is suddenly and accidentally rendered inoperative by an insured peril. For example, if a heating boiler explodes and no heat can be provided for the clubhouse, the club would be reimbursed for its loss of earnings from the dining room and cocktail lounge.

Usually, this reimbursement is provided on a daily indemnity basis. A country club might elect to purchase \$300 per day for total prevention of business for say 100 days when loss is caused by such an accident.

In order to reduce the cost for this coverage, the endorsement may be written so that the coverage will take effect after the third

day of the accident. This is a form of deductible as a country club usually can stand the loss of three day's income.

When the refrigerating system is insured, the country club can also purchase consequential damage insurance to cover food spoilage from lack of power to maintain the system. The country club must determine its potential food spoilage loss and purchase a separate amount of coverage against this contingency.

This coverage is limited to accidental losses resulting from an object insured under the basic policy which are on the premises and is not construed to cover spoilage due to or resulting from power failure which occurs off the premises, for example, by a public utility.

Theft losses

Two other important forms of insurance which every country club should consider are burglary insurance for its personal property and its money and securities, and insurance against losses resulting from dishonest acts by employees.

The foregoing exposures can be all insured under a popular contract known as the comprehensive dishonesty, disappearance and destruction insurance with the mercantile open stock burglary and mercantile open stock theft endorsement attached.

This combination indemnifies the country club for fraudulent or dishonest acts committed by employees; loss of money and securities while within or outside the premises when caused by someone other than employees; loss due to the accepting in good faith, in exchange for merchandise, money or service, counterfeit paper currency or money orders; and depositors forgery coverage due to forgery or alteration of country club checks or drafts by someone

other than an employee.

When mercantile open stock burglary and theft coverage is attached to the policy, the country club is protected against losses to furniture, equipment and merchandise which are contained within the clubhouse or other buildings on premises which are designated.

There is a distinction which must be clarified between burglary and theft insurance. Burglary coverage responds when a loss occurs during hours when the premises are not open for business and are securely locked and the burglar clearly left evidence that he forcibly entered the premises; whereas theft insurance responds when the premises are open for business and it can be clearly established that the property was taken by other than an employee.

Employee theft, if clearly determined, would be covered under the dishonesty section of the policy, but in no event can a country club expect claim payment if the only evidence of missing property is the shortage of inventory.

For the lonely country club, remote from police protection, it is unlikely that burglary or theft insurance will be provided by an insurance company. Underwriters tread with care upon the exposures which they will cover, particularly where remote settings permit burglaries to occur without much chance of discovery.

There are various insuring conditions and exclusions which a country club must understand when purchasing these coverages, lest they find that they are not insured due to failure to comply with the policies.

Golf car protection

Country clubs may insure their golf cars against loss of or physical damage to the car under an inland marine mobile property floater form. This policy may provide "named perils" coverage or "all risk" coverage. The latter is

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broader coverage. Usually, the policy will contain a small deductible clause of \$25 or \$50.

It is important that a country club purchase this coverage on golf cars owned or rented by the club because a member's personal liability insurance does not provide coverage on a golf car he might damage. His policy does, however, afford protection against negligent operation of the car should he injure either people or property.

All the mobile equipment used for the golf course and the superintendent's equipment, which is not licensed for highway use, should be scheduled under a equipment floater form. Again, it can be written for certain specific perils or on an "all risk" basis, with a deductible.

The deductible affords a discount in the premium because small losses will be absorbed by the country club.

Both the golf car floater and the mobile equipment floater contain a subrogation clause whereby the insurance company can look to the party who damages insured property for recovery of the amount of the claim paid. This right of subrogation should be removed against

members, guests, employees and other authorized persons who operate the insured cars or equipment with the club's consent.

Various other forms of inland marine floater insurance policies should be investigated by every country club.

Accounts receivable

One of the most important is accounts receivable insurance. This policy protects the country club against its inability to collect club against its inability to collect its receivables due to lost, destroyed or damaged records.

While the coverage does not include credit coverage against bad debts, it aids the club in reconstructing its records, pays the interest on loans to continue operations and assists in collecting receivables. If the insurance company cannot effect the collections, the company reimburses the country club for the amount which would have been otherwise collected had the records not been destroyed.

Valuables

The list of other forms of inland marine floater coverage that would apply to various exposures at a country club is long.

Valuable papers and records policy would cover historic, important or other documents which if lost or destroyed would be expensive to replace.

The country club public address system and piped-in music system would be covered under this form of insurance. Valuable musical instruments may be insured under the musical instruments form.

Valuable trophies should be insured under this "all risk" form of coverage in event that they are stolen or destroyed.

Cameras, motion picture equipment, stamp or other collections can be insured.

If the country club has neon signs at its entrance, for example, they can be covered under the neon sign form.

Many clubs lease data processing equipment and the lease requires insurance. The equipment can be insured for the perils required in the lease agreement.

Shipments, which a country club would make, can be insured under transit or mail forms. Wedding gifts, if temporarily held for a member on the club's premises, should be insured for the club's protection.

Almost every movable object on the club's premises can be covered under some form of inland marine insurance. □

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than three hours a day or more than 18 hours a week while attending school. In non-school weeks and during the summer, they are limited to a 40-hour-week. In addition, their work day must fall between 7 a.m. and 7 p.m. These are Federal regulations.

Caddies don't come under the Federal Wage and Hour statute. They are still regarded as independent contractors, according to Robinette. Possibly, this is because the status of the caddie in respect to working regulations has

never been tested in court.

Discrimination

The age discrimination clause of the Fair Labor Standards Act prohibits an employer from refusing to hire a person because he or she is between the ages of 40 and 65. A promotion can't be denied a person in this age bracket simply because of age, nor can he be discharged or retired for the same reason. However, when a person reaches the age of 66, he is no longer protected by this provision of the Wage and Hour law.

In conjunction with discrimination, there can be no differentiation in wage rates because of sex. If a woman does the same job as a man, whether it is in the clubhouse, pro shop or out on the course, she is entitled to equivalent pay.

Copies of the Wage and Hour laws can be obtained from any U.S. Department of Labor regional office. As Robinette pointed out in addressing the Midwest association, it is wise to have a copy of the laws handy for reference and to discuss them with the club counsel or, if possible, a Department of Labor representative. □