



## INSURANCE AT THE GOLF CLUB

John Page offers tips on what areas you could and should cover in the often complex world of insurance.

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John Page wrote the following article some years ago in connection with the GCMA Training Course. A few additions have been made to bring it up-to-date.

### INSURANCE

It is possible that the area of insurance is one of the most neglected areas in Golf Club administration. The reason for this could be that it is what may be termed a "hidden" area. A premium is paid once a year. The dust is blown off the policy and schedule for a short period of time before the premium is due. Under normal circumstances no large claims are made and there is a tendency to become "blasé" about insurance. It is important these days to review the policy at least annually with your Insurance Adviser and see that you are fully covered.

However, it takes only one disaster to ruin a Club, which is not properly insured - and in the few previous words the word "properly" is the important one.

A contract for insurance is simply a contract between parties agreeing that the first party (the insured) will pay to the second party (the insurer) a sum of money and, in return for that money, the second party will pay to the first party sums of money if certain agreed events occur.

The contract is one of "uberrimae fidei" - that is "of the utmost truth". Thus the Insured agrees to tell the Insurer all of the material facts which the Insurer needs to know in order to enter into the contract. It may be worth adding at this stage that, in the case of a dispute, what consists of "all of the material facts" is open to interpretation.

The contract is normally a standard form of contract, which contains sections on all of the insurable areas in the Golf Club. These are:

1. Buildings
2. Stock
3. Fixtures, fittings, plant and machinery
4. Cash and cash equivalent (eg stamps)
5. Trophies
6. Loss of revenue
7. Employer's Liability

8. Public Liability
9. Personal accident
10. Loss of licence
11. Fidelity guarantee

## **1. Buildings**

It is important to include all of the buildings that are the property of the Club for the purpose of administering the business of golf. The provision of a flat for the Steward, which is part of the main clubhouse, will be included in the insurance policy and houses within the boundaries of the course and grounds will also be included. However, a separate policy will have to be made for a house, provided for any other employee, which is outside the Club property.

It is important to specify the building or buildings carefully, since the policy cover is that the insurer will pay the cost of the destruction or damage on all property described in the Specification. When a decision is made on the sum for which the buildings should be insured, it is important that sum should represent the complete cost of rebuilding (including debris removal and site clearing costs) plus a sum to make an allowance for inflation if the reinstatement is delayed.

Some Golf Clubs may deliberately undervalue the buildings in order to save money on the premium. The Secretary should advise against this, because he should realise that it takes only one disaster to ruin a Club.

It is also important to remember that items that are fixed to the building are regarded as parts of the building for insurance purposes. Such items as central heating should be included in the valuation of the building. Fire and burglar alarms are usually regarded as part of the building. When the Club does not own the building, it may be that the actual owner should insure these items. Clarification should be sought on this matter.

## **2. Stock and Materials**

Clubs carry a fairly large amount of stock for the bar throughout the year. The valuation for insurance purposes should be the greatest value in the year. This also applies to any catering stock that may be carried when the deterioration of foodstuffs will be included. Contents of fridges and freezers should be covered by a specific amount in the event of a breakdown in power supplies.

## **3. Fixtures, Plant and Machinery**

Special care must be given to this section, because it is here that the possibility of claims is greater than in any other section.

A quick reference to the Section of the Filing System will show the need for inventories for the bar, catering, house and office. Cups, saucers, carpet cleaning machines and computers, photocopiers, printers, fax machines, tills, etc are all classified as Fixtures, Fittings and all other

Contents. The cost of replacement is quite considerable. If a proper inventory has been taken, it should be possible to arrive at an accurate valuation.

This section includes all of the course implements. In the kitchens it will include the ovens, the freezers and the refrigerators. In the office it will include the computers. The sum insured should represent replacement costs.

It would appear that the course is not included under policies, unless specified in the policy. Some policies include insurance for damage to trees, shrubs, greens, tees and course equipment.

#### **4. Money**

##### **a) In Transit**

It is important to bear in mind the limitations of the amount of money insured in transit between the Club and the bank. In this section the amount usually means cash as opposed to cheques. An amount of £2,000.00 stated in the policy will be £2,000.00 cash.

##### **b) In Clubhouse**

Money in the Clubhouse will be in the following places:

- i) the safe in the Secretary's office
- ii) the safe in the bar area
- iii) the tills in the bar area
- iv) the back and drawers of the fruit machines
- v) the Professional's shop

The amount of money insurable in these areas depends a great deal on the manner in which the areas are protected.

The age and condition of the safes are an important factor in the amount an insurance company will cover against loss. Many Clubs have old free-standing safes, which are classified as removable and easy to break into. Therefore, they are not very suitable for insurance purposes. The result is that the insurance company will not allow a great deal of money to be left overnight in such safes. You need to check carefully with your insurer the amounts covered. When the Secretary banks once or even twice a week, there will be a much larger amount than this in the safe because of the income from bar, fruit machine and green fees. If safes are built into the floor and are classified as non-removable, it is possible to have a much greater amount of money insured. Money left in tills behind the bar should be carefully counted so as not to exceed the insurance limit for money not in the safe or behind the bar. Normally the amount left like this should not exceed the bar float allowed. It must be remembered that the insurance limit for money not in the safe will include any green fees the Professional may be keeping in his/her shop.

#### **5. Trophies**

The Club trophies form a very important part of the Club history and tradition. The names of the winners over the years tell a great deal about the Club and there is an emotional attachment for

them. They are all individual and priceless to the Club, and if they are stolen, the Club has lost things that are irreplaceable as well as a great deal of tradition.

However, a value must be placed on them for insurance purposes. Most of the trophies are of solid silver. It is advisable to obtain a proper valuation of them and photograph of each trophy. Very valuable ones should probably be deposited at the bank and perhaps a cheaper replica made for prize presentations.

Whether or not it is Club policy to allow the trophies to be removed from the Club premises, it is advisable to ensure that the policy does have a clause allowing this to happen.

## **6. All Other Contents**

This term includes such items as Club Records (including computer records) and plans and the cost of rewriting or reproducing them. Some policies also include personal effects of Members and their guests while they are in a building used in connection with golf. However, care should be taken in insuring the personal effects of Members. If theft or a fire takes place, the Club is at the mercy of the Member. The better plan is to ensure that Members have their own personal effects policies.

## **7. Employers' Liability**

Employers' Liability insurance is a statutory requirement and the certificate of insurance must be displayed in a prominent place. The clause insures employers against bodily injury sustained by any employee arising out of and in the course of his/her employment. The definition of the term "course of employment" is open to legal interpretation.

## **8. Public Liability**

This is a very important clause in the contract for Golf Clubs. The normal provision is to ensure the Club against accidental injury to persons who are not employees or damage to property that is not the property of the Club.

## **9. Other Items**

There are several other conditions which are standard to the contract, such as:

### **⌘ Public Authority Clause**

This provides for additional reinstatement costs to be insured if, through the Local Authority, the costs of reinstatement are to be increased.

### **⌘ Alterations**

This clause allows the insured to make alterations to the property without invalidating the insurance policy. However, particulars of the alteration must be given as soon as possible. (The reason for this is that there may be a change in the premium to be paid.)

### **⌘ Automatic Cover**

This clause covers the purchase of buildings, plant and machinery up to a nominated value during the period of the insurance. Particulars must be sent to the insurance company as soon as possible.

⌘ Personal Accident

This clause provides financial compensation for injuries received as a result of robbery or hold-up. Injuries are assessed on a pro rata basis.

⌘ Loss of Revenue

This clause provides against the interruption of business because of loss, destruction or damage to the buildings or contents caused as a result of any of the perils stated in the policy.

⌘ Loss of Licence

This clause concerns the loss of the licence to sell alcohol. It does not cover the failure to apply for the renewal of a licence at the proper time.

⌘ Fidelity Guarantee

This clause gives cover against fraud or dishonesty of an employee who handles Club money.

These are the main provisions of an insurance policy. There are, of course, several clauses with respect to the duties of the insured and exemption clauses for the occurrence of certain events that are not covered by the policy.

## General Conditions

1. The insured must take all reasonable precautions to prevent injury, loss, destruction or damage.
2. The policy shall be voidable in the event of misrepresentation, incorrect description of non-disclosure of any material particulars. As has already been stated, a "material particular" is one that will be determined by the Courts in case of dispute.
3. In the event of a claim arising, the insured must:
  - a. notify the insurer as soon as possible
  - b. inform the police where necessary
  - c. send a written claim within thirty days together with any relevant evidence.
  - d. allow the insurer to enter the building
  - e. deal with any salvage in any reasonable manner
  - f. where the damage is also covered by another policy, the insurer will bear only part of the claim
4. Other Terms
  - a. Cancellation of the policy can be effected by the insurers by giving thirty days' notice.
  - b. Wines and spirits must be kept in a gridded or alarmed bar when the premises are empty or unoccupied
  - c. In the main the insurers will not be liable where:
    - i. a safe has been opened with keys left on the premises while the premises are unoccupied

- ii. property has been stored in the open and damaged by adverse weather conditions
- iii. damage has been done as a result of faulty workmanship
- iv. dishonesty on the part of the insured or his/her employees

## Secretaries and their Legal Relationships with Members

One area of insurance, which does not appear to be covered by insurance policies, is the position of the appointed (ie paid) Secretary. The problem is whether or not a Secretary is insured under any policy if a Member sues him for negligence.

The case of *Robertson v Ridley & Another* (1989 2 All ER 474-478) highlighted this problem. The facts were that Robertson, a member of the Club, was injured when he fell from his motor bike, which hit a pothole in the Club car park. He sued the Committee and the Secretary for damages. It was held that there was nothing in the rules, which showed that the Committee or the Secretary owed any special duty to any individual Members. The Court found for the defendants. In his summing up, the judge referred to *Prole v Alien and others* (1950) 1 All ER 476), in which the steward was held liable for injury to a Member, because he had been appointed and therefore had a duty of care to each individual member. This basically means that where a person is employed (ie paid a salary) he can be liable in negligence to Members.

The standard insurance policy does not appear to cover this element for the Secretary, since it is not public liability (Members are not "public" in the insurance sense). The "appointed" Secretary should give consideration to this problem.

## Conclusion

These are the main elements of the insurance policy. As has been stated above, it is very important not to neglect the policy during the year. Purchases, plant and machinery are made throughout the year. The property may have alterations throughout the year. Indeed, alterations may be of prime importance because of the safety factor. It will be important that materials used conform to the safety regulations in force at the time.

Some changes may be inflicted on Clubs by statute. For example, a number of Clubs have old-fashioned heating systems with the result that the insulating material used may be asbestos. It is against the law to have such insulating material. The settlement of a claim by the insured resulting from damage to health of an employee or a member of the public as a result of the asbestosis may present problems.

The insurance policy is one of the important areas and reference should be made to the insurers to ascertain that what exists is properly recorded in their records and that what is proposed to be done in the future is in accordance with the terms of the insurance agreement.

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