GOLF & COUNTRY CLUB
MID-YEAR MARKET UPDATE
2022

With the world transitioning to a post-COVID environment, it's time for Golf and Country Clubs to assess both the opportunities and challenges brought on by this unique global phenomenon. Though, due to the pandemic, we have seen immediate and abrupt changes that have changed the environment in which Clubs operate, the longstanding implications have yet to be seen. What can Clubs do to take advantage of newfound opportunities while overcoming challenges with seemingly no end in sight?

Golf and Country Clubs witnessed an uptick in demand during the pandemic. Less competition for outdoor activities provided clubs an opportunity to attract new members. Compared to a year ago, most parts of the country have now completely lifted COVID-19 restrictions. Recreational businesses that survived the pandemic have been able to reopen their doors, which means more competition for Golf and Country Clubs. With people resuming pre-pandemic recreational activities, only time will tell if clubs retain newer activity levels and participation rates.

Although there are many opportunities for Clubs, these opportunities are mired in a challenging environment. And opportunities for growth often mean increased exposure to risk. Some challenges are a byproduct of the pandemic – think labor shortages, cyberattacks, and inflation – while other factors, such as social inflation and extreme weather events, predate the pandemic. The unpredictability of the future underscores the importance of risk management in building resiliency strategies that protect Golf and Country Clubs' prospects of long-term success.

EMPLOYEE BENEFITS TRENDS

THE GREAT RESIGNATION

In 2021, the United States saw a record-breaking number of employees quit their jobs, leading to what became known as “The Great Resignation.” In November 2021, 4.5 million Americans resigned. Of the total workforce, 3% quit, but for hospitality, the rate was 6.4% of the industry’s workforce.

Though it’s been difficult to pinpoint the exact causes of this phenomenon, the historic rise in resigning led many employers to consider factors in their recruitment and retainment strategies. Golf and Country Clubs need to evaluate how they can create an employee experience that aligns with changing staff expectations of the workplace.

With the cost of health benefits rising year over year, clubs need to strike a balance between being fiscally responsible while offering competitive salaries and valued benefits that build a positive employee experience. Inflation, supply chain issues, capital improvements, and the rising price of insurance are already straining clubs’ budgets, which is why spending more on employee benefits might prove to be a challenge.

LOOK BEYOND TRADITIONAL BENEFITS

One solution is to look beyond traditional benefits. Staff members want improved work-life balance, predictability in schedule, workplace perks, and better benefits. Golf and Country Clubs that want to compete for talent will need to offer higher pay, better working conditions, and career growth options, as well as a well-rounded benefits package. Creating a workplace culture that resonates with employees can enable Golf and Country Clubs to attract and retain top talent.

ROGERS GRAY
A BALDWIN RISK PARTNER

Workplace perks, like access to club amenities, free meals, and a uniform allowance, are no longer enough to incentivize potential and current staff to be a part of your team. Staff members today want to work for companies that invest in creating a caring employee experience. Long hours, six-day and seven-day work weeks, and feeling unappreciated are key reasons why employees chose to leave their jobs.

When it comes to benefit offerings, employees are asking for more. Workers are seeking support for their career advancement, retirement plan options (401k), and financial support. They also find easy access to wellness resources, like mental health support and employee assistance programs (EAP), valuable.

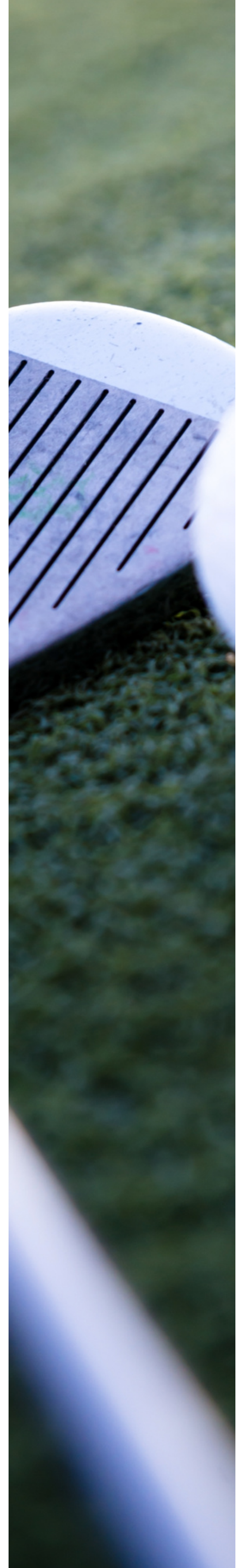
Consider opportunities for your staff to learn from mentors and provide pathways for career advancement. Ask the club's board to invite team members to lunch. Give your staff access to your board to boost engagement, enhance relationships, and provide an opportunity to develop employees who understand and support the club's initiative. Offer benefits that align with and enhance your club's culture.

Before investing money in benefit programs, get a pulse on your staff's needs and interests and leverage data whenever possible to ensure that the benefits you're paying for will be utilized. When was the last time you surveyed your team to understand which benefits they appreciate?

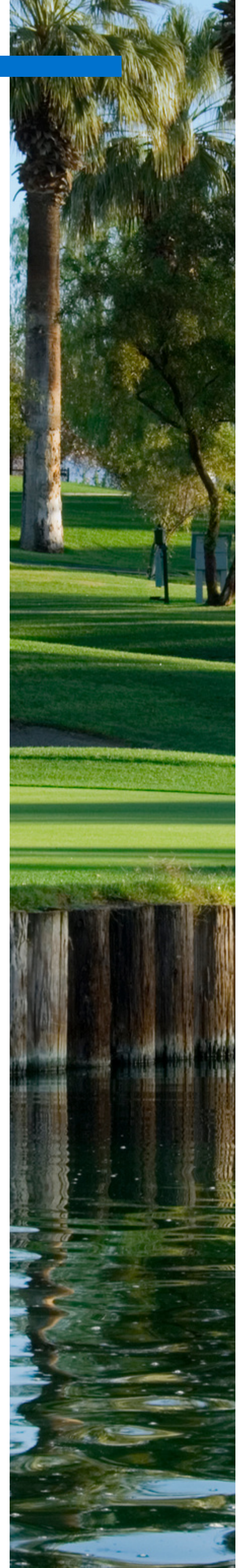
MEDICAL RENEWALS

During the pandemic, many employers saw a large decrease in healthcare claims due to members deferring elective surgeries and care, provider closures, and the avoidance of emergency room visits. However, in 2021 and 2022, we've seen elective surgeries and deferred care resume. The use of medical services is expected to return to pre-pandemic levels. Employer medical costs are expected to increase 6.5% in 2022.

Structuring a robust employee benefits program while containing costs is challenging without the guidance of an experienced partner. There are a lot of variables to consider with any decisions you make about your benefits offerings. Be sure you are working with an experienced broker capable of navigating the complexities of the benefits landscape.



COMMERCIAL INSURANCE INDUSTRY



Commercial Property & Casualty insurance remains one of the top expenses for Golf and Country Clubs in the Southeast and continues to rise, with average increases expected to be 10% to 25% in 2022. We expect these conditions will persist through the next 12-18 months.

Severe catastrophic events in 2021 continued to hammer insurers, with 18 weather related disasters causing $1B or more in damage each. In the United States, the cost of the damages in 2021 reached $42B, which marked a ten-year high. Climate change and unpredictable weather events are the two primary catalysts for rate increases.

As courts resume hearing cases post-pandemic, nuclear verdicts remain a big concern for insurers. Unfortunately, large judgments and settlements are expected to return to record-breaking levels in 2022 and beyond.

A CLOSER LOOK

We attribute increasing insurance costs to current trends – narrow appetite for catastrophic exposed property, supply chain issues, social inflation, economic inflation, and nuclear verdicts. Unfortunately, it seems as though these factors are here to stay, at least in the immediate future.

In an environment stymied by layers of unpredictability, it is crucial your club takes a proactive approach to your upcoming renewal. Begin implementing a plan that can help mitigate the impact insurance and risk management will have on your financials. Your club's approach to insurance can have a profound impact on its ability to endure unexpected incidents beyond the premiums to be paid at renewal. The decisions your leadership team makes this year could impact the club for years to come.

PROPERTY

From the Florida coastline to the beaches in South Carolina, or the hills in Georgia and mountains in Colorado, it seems no one can hide from the major storms and catastrophic disasters tearing through all parts of the country.

2021 was plagued with natural and human-made losses, which caused an estimated **$116 billion in global insured losses, the third highest tally in the last 10 years.** North America alone accounted for 68% of the total losses.

Tropical cyclones caused 35% of the overall losses, followed by thunderstorms at 25%. Two of the most impactful weather events included Hurricane Ida in the Northeast, which caused $37 billion in losses, and the unprecedented cold front that hit Texas, Oklahoma, Arkansas, Missouri, Louisiana, and Mississippi, causing $15 billion in losses.

Climate change is triggering frequent, more extreme, and volatile storms. These are major contributing factors that add difficulty to placing coverage on catastrophic (CAT) exposed properties. Underwriters do not want to take on risks they cannot predict. With profitability diminishing and vulnerability increasing, competitors are electing to not enter the market. Limited motivation to deploy capacity in the marketplace creates significant underwriting scrutiny. Very few carriers are offering Tee to Green and outdoor grounds coverages compared to prior years. In order to gain control over costs, carriers are heavily restricting terms and conditions, leaving clients to absorb more risk with higher retention levels and an overall reduction in limits.

Contact our team today to learn more about how we can help protect your golf and country club with the proper risk management strategy.

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AUTO

Auto rates will increase **5% to 20%** year over year, as the cost of repairing autos continues to rise.

Pressure on auto rates remains in 2022, as 2021 experienced higher incidences of motor vehicle deaths, distracted driving, rising costs for medical care, and vehicle repair cost inflation. The U.S. Bureau of Labor Statistics estimates that prices for motor vehicle parts and equipment are 125.3% higher today than they were in 1977. And so far, 2022 has seen the third-largest price increase for car parts in more than 40 years.

Even clubs with small fleets should implement driver safety programs, incorporate vehicle technology to monitor driver safety, run motor vehicle records, and limit those who can operate motor vehicles on the club's behalf.

CYBER

In recent years, cyber has become an integral component of a club's commercial insurance program, as the frequency and severity of cyberattacks has skyrocketed for all business types. Much like in 2021, 2022 marks another year in which cyber carriers are driving up rates while decreasing premiums in response to continued underwriting losses. Carriers are requiring companies to bolster their IT infrastructure as a prerequisite to binding any cyber coverage. Clubs can expect an elaborate underwriting process while procuring cyber coverage.

Golf and Country Clubs that leverage technology to improve customer experience retain sensitive data about their members. Having an online portal, mobile application, or club website is now the norm. As part of daily operations, clubs handle credit card information for their members and their guests. But the same technology that's crucial for growth also provides potential access points for cyberattacks.

Unfortunately, most clubs do not prioritize cyber security best practices, leaving clubs and their members' personal information vulnerable to attacks. Employees who do not receive ongoing cybersecurity training can fall victim to tactics, such as phishing, which can potentially compromise data stored by a club.

EXAMPLE:
In 2021 a private club experienced a cyberattack in which hackers stole access to members' names, dates of birth, home addresses, email addresses, phone numbers, and the last four digits of their bank accounts used for direct debit payments. This attack caused not only reputational damage for the club, but also a breach of trust with members. This type of attack places the individuals whose data was stolen at higher risk for future email phishing attacks. Hackers will use their bank account information to scare victims into taking action.

While cyberattacks are not entirely avoidable, clubs can take steps to mitigate their likelihood and minimize risks. Many clubs have the opportunity to enhance their cyber protocols and improve their network security.

LIABILITY

In 2022, General Liability exposures worsened, with all signs pointing to the cost of this line of coverage continuing to increase in the years ahead. Carriers will heighten scrutiny on liability coverage for high traffic clubs in Florida, with increases between 5% to 20% (depending on the exposure).

Golf and country clubs offer a place to gather and are a destination where members and guests can socialize while enjoying the various amenities your club offers. All these areas present potential safety concerns that club owners and managers need to be aware of so they can have the proper risk management strategies in place to reduce the likelihood of a claim.

Liquor Liability is becoming an increasing concern each year with rates rising and limits decreasing. Many carriers lowered their Liquor Liability limit offerings to $1 million, causing a gap in coverage, as most Umbrella carriers are looking for $2 million attachment points.

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Abuse and Molestation coverage is becoming extremely difficult to obtain and retain at renewal. Before offering this coverage to clubs, carriers want to see safety controls, written programs, and employee awareness training. This line of coverage is particularly important for golf and country clubs that host camps in the summers or provide youth golf or tennis lessons.

Recently, a club with an inadequate candidate screening process unwittingly hired an employee who was going through litigation on an open sexual misconduct case to run their summer camps. While working the camps for the club, this employee was found guilty of sexual misconduct and became a registered sex offender. This event led to claims which exceeded policy limits and also created massive financial and reputational loses for the club. This example demonstrates why golf and country clubs need this important coverage in place.

EXCESS LIABILITY

Nuclear verdicts and reduced capacity have significantly disrupted the Umbrella market. In 2021, we saw increases between 20% and 100%, which left a wake of financial destruction for many clubs. In 2022, we are still seeing carriers push for an increased rate, but demands have softened slightly with 15% - 45% being the norm. Some of the claims filed for golf and country clubs that breached the Umbrella threshold include golf cart injuries, drowning in club pools, auto accidents related to Liquor Liability and the over-serving of guests, residents injured while on course after hours, and more. Many of us do not hear of these incidents in our local networks, but they are happening at clubs all over the U.S.

DIRECTORS AND OFFICERS

For the most part, excess liability policies are restricted from going over Management Liability and Directors &Officers (D&O) coverages. Clubs are required to build up their own limits for D&O coverage, which often comes with a high premium expense. Most Board of Directors are purchasing between $5,000,000 and $25,000,000 in limit depending on their exposure. We have found that most boards are not comfortable lowering the limits they carry, ultimately leaving the club no choice but to raise insurance expenses.

To get or keep Management Liability coverage in 2022, policy holders need to overcome many underwriting hurdles. Carriers will likely request additional information, a full set of financial statements, and supplemental applications during the underwriting process. They will assess the experience and expertise of the club's Board of Directors (BOD) along with their management staff. Clubs who retain an experienced General Manager and sound BOD will fare well during this process. However, clubs with less experienced leadership will face scrutiny in both terms and pricing.

Clubs that can prove they were able to modify their operations and remain profitable in 2022 are likely to fare better with underwriters. Underwriters will be looking at this history and make predictions about the future stability of club operations. Any insured with a negative history may be impacted by rate increases and/or coverage declinations.

SOLUTIONS FOR YOUR UPCOMING RENEWAL

RISK MANAGEMENT

With increased underwriter scrutiny, taking the necessary steps to implement loss controls at your golf or country club is exceptionally important. Underwriters are looking to see that both proactive and reactive practices are in place.

Proactive loss controls can be demonstrated in operations, such as the hiring process. Deploying adequate due diligence and background checks can be the difference between hiring an employee with a criminal record who is a high risk for a loss, and hiring an employee with a clean history that is low risk for causing a claim and jeopardizing the club. When properly communicated to the underwriters, proactive loss controls display the actions you and your club are taking to mitigate future risks. Underwriters react favorably to these actions and their appreciation amounts to nominal rates and comprehensive coverage terms.

Reactive loss controls are a plan of action the club takes in the event of a claim. Suppose there was a club member who slipped and fell at the club restaurant. What actions is the club going to take in order to limit the potential for an event like this from occurring in the future?

The carrier will see that there was a claim, but when you communicate to the underwriter how your club has implemented slip and fall training, increased signage, and added rugs to high slip risk areas, the underwriter will take these efforts into account when rating your club at renewal. In a market where underwriting scrutiny is at an all-time high, it's vital to have proper proactive and reactive loss controls in place and to properly communicate these strategies to the underwriter at renewal.

THE RISKMAP PROCESS

Working with the right team will put you in a position where underwriters are more likely to see your risk profile in a favorable light. Our golf and country club team is outperforming the market for our clients with our proprietary RiskMap process.

This is the process our team uses to gain an in depth understanding of your business model, corporate culture, and risk management objectives. Our goal is to become an extension of your team and deliver risk mitigation strategies and insurance architecture that align with your goals from day one.

Here is how the RiskMap process works:

1. **Risk Identification:** Our experts identify the risks and exposures your organization faces and analyzes your risk management procedures and processes.
2. **Program Benchmarking:** We will benchmark limits, deductibles, and rates. We perform loss analysis, including stratification, loss pick development, and collateral analysis, as well as run catastrophe models to project potential for property losses.
3. **Insurance Architecture Analysis:** Our program analysis includes an insurance architecture assessment, rate analysis, limits and deductible adequacy examination, and policy coverage review.
4. **Holistic Projection Alternatives:** We will present multiple ideas around how your business can reduce overall cost of risk while continuing to provide appropriate loss protection support.
5. **RiskMap Recommendation:** The final deliverable will conclude our report with a summary of our recommendations and a risk management action plan or suggested timeline for implementation.

Contact our team today to learn more about how we can help protect your golf and country club with the proper risk management strategy.

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