

ASSOCIATION INSURANCE GROUP

Insurance Terms and Definitions

SUMMARY OF LIABILITY INSURANCE TERMS

GENERAL AGGREGATE:

The maximum total limit of insurance that the liability policy will pay in any one year.

EACH OCCURRENCE:

The maximum limit of insurance that the liability policy will pay for any single claim.

PRODUCTS LIABILITY:

Coverage for claims brought against you arising out of the sale or distribution of products sold at your club. Everything from shakes to supplements or fitness equipment items sold out of your club to the general public would be covered under this form. This coverage would not apply if you manufacture or “private label” any products yourself.

PERSONAL & ADVERTISING INJURY:

Better known as Libel and Slander coverage, this coverage protects you from lawsuits arising from allegations that you or one of your staff has defamed a member, a local business, or even a competing club in your community.

PREMISES MEDICAL PAYMENTS:

In the past, many liability insurance policies included premises medical payments coverage. This, so called, “good will” coverage provides payment for medical bills up to \$5,000 if someone is hurt in your facility regardless of fault.

If this coverage is on the policy, the insurance company is often **obligated** to pay. Even if someone is injured due to his or her own negligence, stupidity, or carelessness, the policy will pay and in turn, the claim is posted to your claim record. A majority of our club owners have complained about this “quick to pay” coverage and feel the insurance company should fight these claims.

In some states, if a member or guest is injured on your premises and you HAVE premises medical payments coverage on the policy, you are obligated to tell the person at the time of the incident that you have premises medical coverage and that you will pay the medical bills. Also, if your insurance company does pay the bills under the premises medical payments coverage, they are unable to have the injured party sign a waiver that waives any further legal action. Even if payment is made under the medical payment coverage form, the injured person can **still** sue you under your general liability coverage.

In order to control these types of claims, **we have removed the premises medical payments coverage from the policy.** This will allow the insurance company to better defend you against frivolous claims and not be so quick to pay. Each claim or incident can now be evaluated on its own merit and the decision to pay or not to pay can be better negotiated. Some club owners may still want to purchase premises medical payments coverage. It is available upon request.

FIRE LEGAL LIABILITY:

A limit of \$100,000 is set aside to cover fire damage to a building that you rent or lease if you are determined to be legally liable for that damage. This is not “property” coverage. It merely allows the landlord’s insurance company the right to recover fire damages if you were found negligent for the incident. If you own the building, this coverage does not come into play.

TANNING LIABILITY:

We will cover all injuries that occur from the use of your tanning unit(s) including cancer. We require that you provide your members with goggles and the length of time/exposure must be monitored. We also recommend that you post specific warning signs and obtain a separate “waiver and release” from anyone who uses the tanning facilities.

NON-OWNED AUTO LIABILITY:

This coverage is designed to protect the club against a claim that may arise as a result of an employee using his or her own vehicle to run errands or perform a service within the scope of their job and then becomes involved in an auto accident. The form does not provide coverage for the employee’s auto or the employee’s injuries (work comp), but will provide protection against claims brought by a third party (the person they hit). Even if your employee has their own insurance, a claimant’s attorney will likely bring suit against you if they are aware that the employee was using their vehicle at your request. This coverage will also protect you if you “hire” a vehicle on a temporary basis.

EMPLOYEE BENEFIT LIABILITY:

If you provide benefits for your employees, such as health insurance, it may be a good idea to add this coverage. Should one of your employees become eligible for benefits and because of a clerical error or omission the employee was not covered, you could be liable for their medical bills or their lost revenue if you had a profit sharing program that they were omitted from. This does not cover “intentional” acts.

EMPLOYMENT PRACTICES LIABILITY INSURANCE (EPLI):

This is NOT COVERED under your general liability or professional liability policy. Protection from litigation involving your employees for Wrongful Termination, Discrimination, and Sexual Harassment can be purchased under a separate policy. Call our office for a specific application that will need to be completed and sent for underwriting and pricing.

LIABILITY EXCLUSIONS AND LIMITATIONS:

When reviewing your insurance policy, it is particularly important to read any section that is titled “Exclusions” or “Limitations”. This will let you know what is NOT covered under your policy. Some of the exclusions you will find under the liability policy include but are not limited to: products that you manufacture or private label, pollution, sexually transmitted disease, assault and battery, illegal acts, and any claim involving an Employee vs. Employer. On the job injuries to Employees would be filed under your workers compensation policy. It is important for you to familiarize yourself with the Exclusions and Limitations in your policy and to contact the agency should you have any questions.

WORKERS COMPENSATION INSURANCE:

Workers Comp provides medical insurance and lost compensation/wages for employees who have been injured on the job. This coverage is mandated at both the State and Federal level. Independent contractors who do not provide their own workers comp coverage may be considered your employee and therefore subject to benefits under your policy. You will need to check with your particular State guidelines and statutes.

SUMMARY OF PROPERTY INSURANCE TERMS:

REPLACEMENT COST:

Replacement Value or Replacement Cost is the actual cost to replace your property with new construction and/or new equipment in the event you have a loss due to fire, theft, roof collapse, wind damage, or any other property loss covered under the policy. For example, if you have a treadmill that you paid \$3,500 for in 2000 and it is now only worth \$500 if you had to sell it, you would still need to insure that item as though you are replacing it with a NEW treadmill. In other words, the insurable “replacement” value would be closer to \$6,000. If you have a covered loss and decide not to replace the items or building, the insurance company will then settle the claim based on “actual cash value”. When considering your replacement value, consider any and all items that you have an “insurable interest” in. This would not only include your equipment, but also tenant improvements, office furniture, computers, pro shop stock and inventory.

ACTUAL CASH VALUE:

If the space you occupy was built more than 15 years ago and there have been no updating of the wiring, plumbing, or roof during that time, you MAY be subject to losses being settled on an Actual Cash Value basis. In other words, you would be compensated based on today's market value rather than replacement cost subject to any deductibles or coinsurance penalties.

SPECIAL FORM:

This form is also referred to as "all risk" coverage. It is very broad in scope, but again like the liability policy, you need to read the **exclusions and limitations** to know what you are **not** covered for. Typical exclusions under the property special form are: earthquake, flood, employee dishonesty, heating and air conditioning breakdown and steam boiler damage. You can usually purchase optional coverage such as flood insurance, but it is your responsibility to request this from your agent.

COINSURANCE:

Your property insurance is written with a 90% coinsurance clause. The coinsurance clause is the insurance company's way of ensuring that you provide them with the correct **replacement cost** estimates for the property you are insuring. If you insure your property for less than the stated percentage of replacement value, you will likely be penalized in the event of a claim. For example; if you have a true replacement value of your property of \$500,000 the insurance company will require that you insure your property for a minimum of \$450,000 ($\$500,000 \times .90 = \$450,000$). The only time that this coinsurance clause is tested, is at the time of a claim. Let's say that you have \$500,000 in equipment, furnishings, fixtures, etc. and you elect to save a little premium and only insure your "contents" for \$225,000. Now let's say that you had a water pipe burst inside your facility over the weekend and when you open on Monday morning, you find that you have sustained \$100,000 damage to your aerobics floor, treadmills, and juice bar. Since you have \$225,000 in contents coverage, you may make the assumption that you have plenty of coverage to pay for this loss. Unfortunately, the claims adjuster determines, after a careful inventory of the total replacement value of all of your business property, that you have \$500,000 worth of contents. Your **coinsurance clause** is triggered and the adjuster tells you that you **should have** been insured for \$450,000 to comply with the 90% coinsurance and you only insured your contents for \$225,000. Since you only insured for 1/2 of what you were "required" to insure for, the claim is also settled for 1/2 of what you normally would have received had you been in compliance with the coinsurance limit. In other words, instead of receiving a check for \$100,000 you now will receive a settlement for \$50,000 less your deductible. The moral of the story; insure for your full replacement value and you will never have this problem. We recommend that you insure up to 100% of your business property to protect any loss values.

BUSINESS INCOME AND EXTRA EXPENSE (EXTREMELY IMPORTANT COVERAGE):

Business Income coverage is an extremely important coverage you should consider as part of your overall property insurance protection. This coverage is designed to protect your loss of revenue and your ability to pay your ongoing expenses in the event of a major loss such as a fire or tornado resulting in your business being forced to close its doors for an extended period of time. It is important to ask the question, "How much money would I need each month to continue my normal operating expenses and how much net income would I lose from new sales and suspended memberships". Keep in mind that if you had a serious loss, it would take at least a month to clean up the mess, a month to pull your permits and line up contractors and then several months of rebuilding. It could conceivably take up to six months to get back in business. Calculating the proper amount of coverage can be very difficult. We recommend that you carry enough coverage to replace for to six months of your ongoing expenses and lost profits, but it is up to you to determine your own limit of protection. Your deductible will be 72 hours.

SIGN AND GLASS COVERAGE:

Signs and glass are automatically covered under your property policy if you have an "insurable interest". Therefore, if you need to insure these items, you need to take these values into consideration when determining your replacement cost of all your equipment, furnishing, and fixtures.