

## **Why are Insurance Rates going up and What you can do to control Premium Costs.**

The Health Club industry, not unlike most commercial businesses, has experienced significant insurance premium rate increases over the past couple of years. Insurance companies cite several reasons for this trend. The fallout from 9/11 and the declining returns on premium investments are two of the most widely used excuses. What insurance companies won't tell you is that they ignored sound underwriting practices during the "boom" days of the stock market because they were making enough off of their investment portfolios to off-set their mistakes in underwriting. It is a complicated issue that we won't address in this article. What we will address is the current insurance underwriting climate for 2004 and what we, as club owners, can do to help control our premium costs.

Since insurance companies are now tightening their underwriting standards, now more than ever, they will be looking at insuring businesses that also demonstrate the same attitude toward controlling risk. The health club industry, as a commercial underwriting class, is already deemed to be an insurance challenge due to the exposures that exist in our facilities. The inherent dangers of slip and fall, equipment malfunction, treadmill mishaps, and general premises related incidents all combine to create an environment that most insurance companies would rather not take a chance on. That is why your local State Farm agent won't insure a health club. In fact, the number of insurance companies willing to write health clubs has diminished over the past couple of years and many of club owners have already received their non-renewal notices. The bad news is that insurance premiums continue to rise and your choices of insurance carriers are becoming fewer and fewer.

Even though most businesses have struggled these past few years, the Trial Lawyers Association seems to have weathered storm just fine. In fact, liability insurance suits reached an all time high in 2003 and the party is still on. The term "accountability" has somehow lost its meaning in our legal system. Waivers are seldom upheld, the doctrine of Assumption of Risk, is cloudy and more and more people, in general, are crying out "It's not my fault!" when they are injured in a health club. This translates into a rise in claim activity and significant increases in litigation expense and settlements. Insurance companies are partly to blame for this run-a-way litigious environment. As many of you know, insurance companies will often "settle" a frivolous claim rather than pay costly litigation expense. Insurance companies know that juries often side with the poor injured individual rather than the big bad insurance giant regardless of negligence. Frankly, it makes me sick when an insurance company will write a check for \$50,000 to a member who loses their balance on a treadmill, falls off, and breaks their wrist. At the risk of my own insurance company's wrath, I would have to say that most insurance claim departments are too slow to pay the claims they should and, conversely, pay stupid amounts on the claims that they shouldn't. This, of course, is just my opinion. Unfortunately, the Trial Lawyers Association, know how the "system" works and have no problem taking on a case where very little negligence, if any, is involved. I would love to publish specific examples, but I'm afraid I would just be providing the attorneys with more ideas on how to sue us. They are creative enough as it is. Unless there is

significant change to our legal system, this is just a fact of life that we all have to live with. That being said, we can now focus on the issues that are within our control that will help us manage insurance costs without jeopardizing coverage.

- 1) Make safety and risk management a part of your club's internal operations. As part of a regular staff meeting, club owners should also discuss risk management issues. Some sample topics of discussion would be; equipment maintenance, problem wet areas, and child care procedures.
- 2) Use a separate waiver document. The problem with most waivers is that they are buried within all of the other wording in a membership agreement form. Some waivers are even printed on the back of an agreement or are written so poorly that they wouldn't hold up no matter how conspicuous it looks. By having a separate Waiver & Release Form for members to sign, the club can demonstrate that they have warned their clients of the possible dangers of working out. The form is then simply stapled to the club's membership agreement and kept as a permanent record.
- 3) Go above and beyond the call of duty to make sure that if a member is injured at your club, that you (the owner), personally follows up with that individual to make sure they are O.K. Offer to freeze their membership, send flowers, offer a free personal training session, extend their agreement by two months...whatever it takes to make them happy. Offering to pay for their deductible or medical co-pay does not implicate you in any way. Be sure to document every conversation, act of kindness, and follow up call. Send in an incident report to your agent and let them know your opinion as to client's disposition during and after the incident.
- 4) Fix the small stuff at your club. Roof leaks are a particular problem that can affect your ability to maintain competitive property insurance rates. A club that has backup of sewer & drains, clogged gutters that cause interior damage and roofs that need to be updated, may result in the club's ability to even buy property insurance. Do not use your insurance policy as a "maintenance" policy. Save it for the big stuff.
- 5) Get rid of your "museum" pieces of equipment. Keep your equipment fresh, your cables updated, and your flooring (especially the wet areas) safe. A simple thing like stenciling your club's logo on all of your treadmills can help eliminate the problem of a member stepping on a moving belt because they couldn't see if it was running or not.
- 6) When shopping for a new insurance company or even if you are renewing with your existing agent, be sure to provide a complete application along with your existing membership agreement, club brochure, website, waiver, newsletter, and whatever else you currently utilize at your club. This will not only give the underwriter an accurate picture of the "risk", but it will demonstrate that you are organized and that you have great pride of ownership.

In summary, although there are many legal, economic and social issues that drive the cost of our insurance premiums, there are methods of risk management we can implement to help control our existing and future insurance costs.

Note: For a free copy of Association Insurance Group's "Waiver & Release Form", you can contact Ken via email: [ken@clubinsurance.com](mailto:ken@clubinsurance.com).

Ken Reinig, is the President of Association Insurance Group and owner of the Women's Workout Company in Lakewood, CO.