

# The Burgee Program



## Is your Yacht Club Properly Protected?

By Carter Gowrie, President, Gowrie Group



**Imagine this:** *During a midnight squall, a boat breaks away from its mooring at your yacht club. The boat owner claims damage, saying that the mooring was improperly maintained. Are you covered under your club's current insurance policy?*

**Or this:** *A transient sailor rents a slip from your club for the night. Going ashore for dinner, he falls on the dock, injures his shoulder and sues for medical costs. Is your club adequately insured?*

**Or this:** *After an invitational regatta you discover that one of your club's most treasured possessions, an antique silver tray donated generations ago, is missing. Is your club covered for replacement?*

If you are "unfortunate" enough to be on the insurance committee of your yacht club, you may find yourself making that precarious phone call to your insurance agent asking, "Are we covered". This article is intended to help put your insurance decisions in perspective. These important decisions should not be based on price or politics. After all, when you buy insurance you are not simply buying a policy you are entering into a legal agreement with an insurance company.

### PROPERTY PROTECTION

Perhaps the best way to gain an understanding of property insurance is to imagine driving to your club after getting word that a severe fire has leveled the main building. As you pull into the parking lot, the fire marshal's team is busy trying to determine the cause of the fire. You are horrified to see a pile of charred timbers and debris. Nothing is recognizable. How are you going to reconstruct what was lost? How much will it cost to remove all of this debris, rebuild the entire structure and replace all of the contents that were lost? Here are some examples of questions you can ask your insurer before a loss occurs:

*Q1. Our building is 75 years old, and the roof was updated in 1990. If we had damage to the roof from a windstorm, would our policy pay the full \$30,000 repair?*

Some policies insure buildings on an ACV (actual cash value) basis. ACV is defined as replacement cost minus depreciation for age. If your roof is 15 years old, and you have an ACV policy, the insurance company could depreciate the value of your claim by as much as 50%. Avoid ACV policies. Insist that your buildings as well as personal property are insured on a replacement cost basis without deduction for depreciation.

*Q2. Our yacht club is a beautiful, old, two story frame building. While reading our policy, I noticed that we have replacement cost coverage, but we also have 80% coinsurance. What does this mean?*

Don't confuse this with the type of coinsurance found in health policies. Eighty percent makes the club responsible for carrying insurance on the building equal to at least 80% of what it would cost to build a similar building today. If you fail to do so, you will be a "coinsurer" and pay a portion of any claim, even a partial one. How much you will pay depends on how underinsured you are. For example, if the club's building would cost

\$500,000 to replace, and you only have it insured for \$300,000, then 80% of replacement is \$400,000. If you had a \$100,000 fire loss, the insurance company would only pay  $\frac{3}{4}$  of the loss or \$75,000. The club would pay the rest. Of course if you had a total loss, you would be paid only \$300,000 and would not be able to rebuild your club without assessing the membership.

*Q3. How do we know how much to insure our club for, and how do we avoid being a coinsurer?*

Avoid the guesswork. Ask your insurance company to provide agreed amount coverage and remove the coinsurance penalty from the policy. Your Company should be willing to do this if you have an appraisal done and agree to insure for 100% of replacement cost.

*Q4. Our club owns a number of floating docks which members can rent. To replace the entire dock system would cost in the neighborhood of \$175,000. Should we have insurance on the docks?*

Depending on how exposed your docks are to storm damage, you should be able to purchase insurance for between one and three percent of the replacement cost. Some policies written on docks exclude flood and wave wash and most exclude damage from ice. If you are concerned about hurricane damage, be sure your policy includes flood and wave wash protection.

## **LIABILITY PROTECTION**

Through the normal operation and activities of your club, events may occur which make the club liable for injury to a person or damage to someone's property. For instance, a guest slips and falls on your docks. A member uses his/her own car on club business and causes an auto accident, injuring people and damaging property. Your junior sailors attend a team race and cause serious injury to a member of a neighboring club. If your club becomes responsible for such events due to their negligence, would your insurance policy respond? It is critical that all activities of the club be disclosed to your insurance company. If some members shoot skeet at the club on Sunday afternoons, your insurance company should know this. One club hosted a fundraising regatta which included hot-air balloon rides. If you plan anything out of the ordinary, call your insurer.

Here are examples of questions you should ask your insurer regarding liability coverage.

*Q1. The chair of our race committee uses her own 40' sloop as the committee boat for an invitational regatta. One of the members of the committee, a volunteer from another club, has two Bloody Marys and takes a header down the companionway, severely injuring himself. The club gets a letter from the injured party's attorney claiming damages. "Are we covered?"*

Most liability policies provide coverage for non-owned watercraft (boats not owned by the club) less than 26 ft. in length. If club members use their own boats for club functions, ask your insurance carrier to remove the length limitation from the non-owned watercraft liability coverage.

*Q2. At the end of the season prize giving, a few sailors get overzealous and decide to throw the overall winner overboard. A guest, thinking this activity is dangerous, decides to intervene. In doing so, she is accidentally knocked down and suffers a broken hip. The lawsuit against the club names the club, its officers and the individual members who caused the incident. "Are we covered?"*

Most liability policies cover the club and the officers and directors. As an option, all club members can be named as additional insured. This obligates the insurance carrier to not only defend a lawsuit against the club, but also to personally defend any individual club member who is specifically named in the suit. This coverage is very important and inexpensive.

*Q4. Our club has some paddle tennis courts. One night a guest is seriously injured while playing and brings a lawsuit against the club. "Are we covered?"*

Some liability policies have exclusions relating to participation in athletic events. If your policy has this exclusion, your insurer would not be obligated to pay for injury to any person injured during any athletic activity, and this could include tennis, swimming and even sailing. Check with your insurance carrier.

*Q5. A guest at our club has more than his share of rum and tonics. He weaves his way out of our parking lot and is involved in a serious auto accident on his way home, injuring someone in the process. Our club gets sued for serving him alcohol after knowing he was intoxicated. "Are we covered?"*

If your policy provides liquor liability, your insurer would respond up to the policy limits. Liquor laws vary by state, but your liquor liability limit should be high enough to protect you against a serious accident. If you have an excess liability policy (sometimes called an umbrella), it should cover over the liquor liability policy. Many umbrellas do not.

## MARINE PROTECTION

Marine policies vary in their language and scope of coverage more than property or liability policies. Your club may own boats. You may have slips or moorings that you rent to club members or transients. You may have a two-ton electric hoist for hauling small keelboats. A junior sailing program is perhaps an integral part of your yacht club. All of these are marine-type activities and should be covered by a marine policy. Check the following points with your insurer.

- If your club owns a launch to service moorings, be sure your policy does not exclude any liability in conjunction with carrying passengers for hire.
- Some marine policies limit the navigation of owned boats to a certain number of miles from the club. This restriction could cause a problem depending on where your boats are operated.
- Does your club have frostbiting? If so be sure your marine policy does not have a lay-up warranty requiring that boats are not used between December 1 and April 1.
- Check your policy for warranties relating to your junior sailing programs, such as a policy which says that sailors must wear personal flotation devices at all times, all junior sailors must have passed a swimming test and have signed parental permission to participate in the program.

## LOSS-CONTROL SERVICES

Having proper coverage is critical, and taking steps to control or avoid claims is equally important. Get help from your insurer's loss-control department. Their engineers can visit your yacht club and propose methods of improving your facility to help prevent claims. A good survey will let you know if you are in compliance with the standards of the National Fire Protection Association. It will recommend ways to prevent people from sustaining injury on your property. Your employees can even take a course on how to recognize an intoxicated customer and prevent a liquor liability claim.

## THE BURGEE PROGRAM

In all the above situations, if your club was insured through The Burgee Program, you would have the protection you need. The Burgee Program is the only comprehensive insurance program developed to meet the unique needs of yacht clubs and sailing organizations. The program is managed by the marine experts at Gowrie Group, underwritten by Chubb Group, and endorsed by US SAILING. It is customizable to provide all types of sailing organizations, from year-round clubs to paper clubs, from active One-Design classes to sailing schools, the specific and complete protection and services they need. And, the program is carefully designed to protect not only the club or organizations, but also the board members, flag officers, volunteers, members and employees.

To learn more about The Burgee Program: visit [www.gowrie.com](http://www.gowrie.com), call 800.262.8911, or email [burgee@gowrie.com](mailto:burgee@gowrie.com).



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