

## Test Your Insurance I.Q.

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How much do you really know about fitness club insurance? Grab a pen and find out!

1. Displaying alarm stickers, even if you don't have a security system, can be a deterrent to thieves.  
  
true  
false
2. A standard insurance policy provides proper protection for a fitness club.  
  
true  
false
3. How can you help prevent a member who is injured in your club from suing you?  
  
speak with the member and address all concerns  
avoid speaking with the member  
don't admit fault
4. The best way to avoid internal accounting thefts is to have all banking and accounting managed solely by a club controller or accountant.  
  
true  
false
5. Some of the items most frequently stolen from clubs are...  
  
resistance training machines and dumbbells  
laptop computers and microphone headsets  
food and pro shop merchandise
6. If your club is forced to close for an extended period because of water damage or a fire, one type of insurance your club should have is...  
  
catastrophic event insurance  
business interruption insurance  
liability insurance
7. Any well-established insurance company is able to easily provide insurance appropriate for a fitness facility.  
  
true  
false
8. A very common property insurance claim in fitness clubs is for...  
  
water damage  
fire

theft

9. Having one or more automated external defibrillators (AEDs) in your fitness facility affects the cost of your insurance.

true  
false

10. It is possible to get insurance if your club is unsupervised during certain hours.

true  
false

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**Answers:**

1. **true** In small towns especially, kids sometimes roam the streets at night looking for vulnerable businesses, says Jay Trothen of Sports and Fitness Insurance Canada in London, Ontario. "It's a smash and grab situation," says Trothen. "They're typically looking for stereos, computers and CDs and cash. If there's an alarm system, chances are they'll move on and look for more vulnerable target." His company's research shows that without an alarm system or alarm sticker displayed, a business has a nine times higher risk of being broken into. Several years ago, his company created its own mock sticker for clients who don't have alarm systems and discovered that it effective at deterring thieves. "The illusion works with kids and scares them off, but it's not a substitute for the piece of mind provided by an actual security system." Most security system control panels can monitor three separate zones/functions such as intrusion (e.g., door contacts, motion, glass breakage) smoke, heat or freezing.
2. **false** Many fitness club owners think that all insurance coverage is the same and don't understand the numerous types of coverage they require, says Trothen. For example, clubs need *professional liability* insurance for their full-time and contract employees (since they're giving professional advice), *employer's liability* (especially in Ontario clubs where clubs aren't required to have Workers' Compensation), specialized wordings to include *independent contractors* (e.g. golf pros, trainers, self-defense instructors, yoga teachers, etc.), and a policy that covers abuse and harassment. Beware of policies with exclusions, such as a *participants' exclusion*, he advises. "What good is a policy if it excludes members while they're working out?"
3. **speak with the member and address all concerns** If there is an accident or incident in your club involving a staff person or a member, address the issue immediately. Ask questions about how and where it happened. Trothen recommends taking the person to the hospital, driving his/her car home, picking up minor costs for items like a sling or tensor bandage, automatically putting the member's membership on hold and arranging for personal training or rehab sessions once the member is ready to return. The manager should also check in to see how the member is doing. "If people are treated well and fairly, they're less apt to sue. In fact, they could provide your club with some good PR if you handle the situation well."
4. **false** The person with the greatest opportunity to steal is often the most trusted and autonomous person in your accounting department, says Trothen. Many club owners are more interested in their members and exercise, not bookkeeping and finances. They place their trust in controllers or accountants and trust them to deal with the financial aspects of the business. "When you abdicate responsibility for the financial side of your business by having no checks and balances or no compliance system, you open yourself and your club to potential abuse," says Trothen. "Owners should review bank

reconciliations to see they match statements. As well, they should probably sign cheques themselves or have dual signatures (owner and controller) to be sure they're aware of all company dealings."

5. **laptop computers and microphone headsets** Electronics, such as laptop computers and microphone headsets used by group exercise instructors, and client property from lockers are vulnerable to theft, says Trothen. "Mic headsets are mostly internal thefts, and they're sold to musicians in bands." He advises adopting a sign-out system for headsets or requiring instructors to supply their own and using security cables for laptops.
6. **business interruption insurance** Some companies don't include this in their standard packages for fitness clubs and they should, says Trothen. "It protects a club owner against loss of cash flow if the club has to close for a number of months. Many clubs that experience a major situation like fire or flood never reopen because they don't have the capital to rebuild their businesses while continuing their financial obligations such as payroll, rent and equipment leases." Even if the club is back in operation after one month, members may have been enticed away by other clubs offering them special rates.
7. **false** Not all insurance companies have the knowledge or expertise of a company that specializes in working with the fitness industry, says Trothen. "If you were having a baby, would you choose to go to a regular doctor or an obstetrician? A specialist understands your needs and has the expertise to help you."
8. **water damage** "Water damage is probably our company's most frequent and most expensive claim," says Trothen. A hot water tank leaking, a frozen pipe bursting and sewers backing up after a big rainstorm can all cause water damage. "Fires can cause horrendous water damage when sprinklers discharge or firefighters put out even a minor fire."
9. **false** Having an AED in your club gives an overall indication of professionalism and tells an insurance company that the club cares about its clients. But, with Trothen's company, having one or more on-site won't affect the cost of your policy. "Today's AEDs are pretty foolproof. If they're not properly connected or they don't sense a heartbeat, they don't work. You really can't hurt someone with one."
10. **true** Clubs that aren't always fully supervised normally need to have three systems in place to be insured, says Trothen. They need specially-drafted waivers for their members, an emergency call system that members can activate and a card entry system with a camera monitoring system.

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