

Commercial Risk Summary – Service Businesses



FITNESS CENTERS OR HEALTH CLUBS

Category: Service Businesses

SIC CODE: 7991 Physical Fitness Facilities

NAICS CODE: 713940 Fitness and Recreational Sports Centers

Suggested ISO General Liability Code: 44311, 44315

Suggested Workers Compensation Code: 9063

Description of operations: Fitness centers or health clubs provide exercise facilities, counseling, and sometimes preparation or sale of foods and nutritional supplements for diets, on a day and evening basis with no overnight stays. Facilities may be available on a first come, first serve basis, or may require appointments.

Property exposures consist of offices, recreation facilities, areas for meetings and classes, offices for counseling and consulting, weigh-in rooms, and sometimes shower and sauna facilities. Ignition sources include electrical exercise equipment and wiring, heating, air conditioning, and cooking if food preparation is done on premises. If there are gymnasiums or racquetball courts, there may be flammable liquid storage and fumes may be produced during the application. If there is a pool, there will be chemicals stored which must be handled in a safe manner. Even if smoking is not permitted on premises, customers may dispose of cigarettes improperly, posing a fire hazard. There should be controls and safety devices for cooking equipment. The age, condition, and backup systems of coolers and freezers are also important concerns. All exercise machines must be checked for wear and tear and maintained to prevent fires.

Equipment breakdown exposures are typically light, unless there is large scale food preparation or storage. If the pumps and compressors in the refrigeration or air-conditioning units break down, there could be significant business income or spoilage loss.

Crime exposure is from employee dishonesty, and money and securities. Hazards increase without proper background checks. Personal information in the client files may pose a risk of computer fraud and even identity theft. There should be separation of functions (such as billing and disbursements), regular audits and proper cash handling procedures.

Inland marine exposures are from accounts receivable, computers and valuable papers and records for clients and suppliers. A special property floater may be needed if any items accompany a team taking part in competition or are taken off the premises to demonstrate or promote the operation. There should be duplicates of all important records and software kept off site.

Premises liability exposure is high due to the constant traffic of patrons and visitors to the facilities. Exercise areas and equipment present challenging hazards to manage, as do any swimming, whirlpool, sauna, or tanning exposures. Because of the large number of customers served, a significant although easily avoided risk is the transmission of diseases. The absence of simple hygienic practices like hand washing and proper cleaning of surfaces with disinfectants may indicate a morale hazard. The facility must provide proper support for the patrons: lifeguards for the pool areas, "spotters" for weight lifting, especially with free weights, and, in general, staff with appropriate first aid training and supplies. Any exercise advice provided or program developed must be maintained in the clients' files. Locker areas must be carefully monitored for slip and fall hazards and flooring should have a nonskid surface. Exits

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must be sufficient in number, well-marked, and have backup lighting in case of power failure. Confidentiality is a must to prevent personal injury claims.

Parking lots and sidewalks need to be in good repair with snow and ice removed, and generally level and free of exposure to slips and falls. Security of visitors in parking areas must be a concern. Factors affecting the risks include the exterior lighting, fencing, and any other security measures in place.

Products exposure may exist if food is prepared or sold. Sanitation becomes an issue of high importance to reduce the possibility of contamination. If the fitness center provides any products under its own name, the manufacturing narrative for that product should be reviewed. Exercise equipment and supplies that have been modified by the insured or directly imported may pose a concern and should also be considered as manufactured by the insured since there may be no recourse against the manufacturer.

Automobile exposure is normally limited to hired and nonowned liability.

Workers compensation exposure depends upon the services offered. The more services offered, the more extensive the exposure. Common hazards include back sprains and strains from material handling and from spotting and assisting patrons during exercise. Proper catching and lifting techniques must be in place. If there is food preparation, food service workers may be injured by cuts and burns.

Minimum recommended coverage:

Building, Business Personal Property, Business Income with Extra Expense, Employee Dishonesty, Money and Securities, Accounts Receivable, Computers, Valuable Papers and Records, General Liability, Employee Benefits Liability, Umbrella Liability, Hired and Nonownership Auto Liability, Workers Compensation

Other coverages to consider:

Computer Fraud, Equipment Breakdown, Employment-related Practices Liability, Special Property Floater, Professional Liability, Business Auto Liability and Physical Damage

Source: Rough Notes, Inc.

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Agent: The coverages listed below are suggested for consideration for service operations. After evaluating each of the listed coverages, check the recommended blank by those that apply specifically to this client. Make sure both the exposure and the coverage are explained to the client. Each coverage and option is explained in the Insurance Coverage Definitions document.

Client: For each of the coverages that the agent has recommended, initial whether you have chosen to accept or reject that coverage in the blanks provided.

PROPERTY COVERAGES

| | Recommend | Accept | Reject |
|---|-----------|--------|--------|
| Building and Personal Property Coverage Form | | | |
| Building | _____ | _____ | _____ |
| Business Personal Property | _____ | _____ | _____ |
| Personal Property of Others | _____ | _____ | _____ |
| Improvements and Betterments | _____ | _____ | _____ |
| Condominium Coverage Form | | | |
| Condo-Unit Owners Coverage | _____ | _____ | _____ |
| Commercial Output Policy | | | |
| _____ | | | |
| Building and Personal Property Coinsurance | | | |
| _____ | | | |
| Percentages | None | 80% | 90% |
| | 100% | | |
| Bldg | _____ | _____ | _____ |
| BPP | _____ | _____ | _____ |
| PPO | _____ | _____ | _____ |
| I & B | _____ | _____ | _____ |
| Alternatives to Coinsurance | | | |
| Agreed Value | _____ | _____ | _____ |
| Functional Replacement Cost | _____ | _____ | _____ |
| Peak Season | _____ | _____ | _____ |
| Reporting Form | _____ | _____ | _____ |
| Other _____ | _____ | _____ | _____ |
| Optional Property Coverages | | | |
| Boiler and Machinery | _____ | _____ | _____ |
| Legal Liability | _____ | _____ | _____ |

Commercial Risk Checklist – Service Businesses

| | Recommend | Accept | Reject |
|---|-----------|--------|--------|
| Optional Property Endorsements | | | |
| Additional Debris Removal | _____ | _____ | _____ |
| Ordinance or Law | _____ | _____ | _____ |
| Outdoor Trees, Shrubs and Plants Enhancement | _____ | _____ | _____ |
| Replacement Cost Valuation | _____ | _____ | _____ |
| Spoilage | _____ | _____ | _____ |
| Utility Services-Direct Damage | _____ | _____ | _____ |
| Other Property Options | | | |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| TIME ELEMENT COVERAGES | | | |
| Business Income With Extra Expense Coinsurance Percentage ____ | _____ | _____ | _____ |
| Business Income Without Extra Expense Coinsurance Percentage ____ | _____ | _____ | _____ |
| Extra Expense | _____ | _____ | _____ |
| Leasehold Interest | _____ | _____ | _____ |
| <i>Alternatives to Coinsurance</i> | | | |
| Agreed Value | _____ | _____ | _____ |
| Maximum Period of Indemnity | _____ | _____ | _____ |
| Monthly Limit of Indemnity | _____ | _____ | _____ |
| Premium Adjustment | _____ | _____ | _____ |
| Optional Time Element Endorsements | | | |
| Business Income from Dependent Properties | _____ | _____ | _____ |
| Ordinance or Law Increased Period of Restoration | _____ | _____ | _____ |
| Utility Services | _____ | _____ | _____ |
| Other Time Element Coverages | | | |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

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PROPERTY AND TIME ELEMENT CAUSES OF LOSS

| | | Recommend | Accept | Reject |
|------------|--------------------|-----------|--------|--------|
| | Bldg BPP PPO BI EE | | | |
| Basic | _____ | _____ | _____ | _____ |
| Broad | _____ | _____ | _____ | _____ |
| Special | _____ | _____ | _____ | _____ |
| Earthquake | _____ | _____ | _____ | _____ |
| Flood | _____ | _____ | _____ | _____ |

Other Cause of Loss Endorsements

| | | | |
|-------|-------|-------|-------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

INLAND MARINE COVERAGES

| | | | |
|--------------------------------|-------|-------|-------|
| Accounts Receivable | _____ | _____ | _____ |
| Bailees Customer | _____ | _____ | _____ |
| Commercial Articles | _____ | _____ | _____ |
| Contractors Equipment | _____ | _____ | _____ |
| Difference In Conditions – DIC | _____ | _____ | _____ |
| Electronic Data Processing | _____ | _____ | _____ |
| Fine Arts | _____ | _____ | _____ |
| Goods in Transit | _____ | _____ | _____ |
| Miscellaneous | _____ | _____ | _____ |
| Signs (Neon and Electric) | _____ | _____ | _____ |
| Valuable Papers and Records | _____ | _____ | _____ |

Other Inland Marine Coverages

| | | | |
|-------|-------|-------|-------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

Commercial Risk Checklist – Service Businesses

CRIME COVERAGES

| | Recommend | Accept | Reject |
|--|-----------|--------|--------|
| Money, Securities and Other Property | | | |
| Employee Dishonesty Coverage | _____ | _____ | _____ |
| Including Customer’s Goods | _____ | _____ | _____ |
| Computer Fraud Coverage | _____ | _____ | _____ |
| Extortion Coverage | _____ | _____ | _____ |
| Forgery or Alterations Coverage | _____ | _____ | _____ |
| Lessees of Safe Deposit Boxes Coverage (Securities and Other Property only) | _____ | _____ | _____ |
| Money and/or Securities Only | | | |
| Theft, Disappearance and Destruction | _____ | _____ | _____ |
| Robbery and Safe Burglary | _____ | _____ | _____ |
| Securities Deposited With Others Coverage | _____ | _____ | _____ |
| Property other than Money and Securities | | | |
| Premises Burglary | _____ | _____ | _____ |
| Premises Theft | _____ | _____ | _____ |
| Robbery and Safe Burglary | _____ | _____ | _____ |
| Other Crime Coverages | | | |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

LIABILITY COVERAGES

| | | | |
|-------------------------------------|-------|-------|-------|
| Commercial General Liability | | | |
| Occurrence Basis | _____ | _____ | _____ |
| Claims- Made Basis | _____ | _____ | _____ |
| Optional Liability Coverages | | | |
| Directors and Officers | _____ | _____ | _____ |
| Employee Benefits | _____ | _____ | _____ |
| Employment- Related Practices | _____ | _____ | _____ |

Commercial Risk Checklist – Service Businesses

| | Recommend | Accept | Reject |
|-----------------------------------|-----------|--------|--------|
| Liquor | _____ | _____ | _____ |
| Owners and Contractors Protective | _____ | _____ | _____ |
| Professional/E&O Liability | _____ | _____ | _____ |
| Railroad Protective | _____ | _____ | _____ |
| Special Events | _____ | _____ | _____ |

Other Liability Coverages

| | | | |
|-------|-------|-------|-------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

COMMERCIAL AUTO COVERAGES

| | | | |
|-----------------------|-------|-------|-------|
| Liability | _____ | _____ | _____ |
| Physical Damage | _____ | _____ | _____ |
| Uninsured Motorists | _____ | _____ | _____ |
| Underinsured Motorist | _____ | _____ | _____ |
| Hired Cars | _____ | _____ | _____ |
| Non-Ownership Auto | _____ | _____ | _____ |
| P.I.P./No-Fault | _____ | _____ | _____ |
| Garagekeepers | _____ | _____ | _____ |

Other Auto Coverages

| | | | |
|-------|-------|-------|-------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

WORKERS COMPENSATION COVERAGES

| | | | |
|--|-------|-------|-------|
| Workers Compensation and Employers Liability | _____ | _____ | _____ |
| Stop Gap or Employers Liability Coverage | _____ | _____ | _____ |
| Federal Employers Liability Act | _____ | _____ | _____ |
| Longshore and Harbor Workers Coverage | _____ | _____ | _____ |
| Voluntary Compensation | _____ | _____ | _____ |

Commercial Risk Checklist – Service Businesses

| | Recommend | Accept | Reject |
|--|-----------|--------|--------|
| Other Workers Compensation Endorsements | | | |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| EXCESS LIABILITY COVERAGES | | | |
| Umbrella Policy | _____ | _____ | _____ |
| Excess Liability Policy | _____ | _____ | _____ |
| AVIATION COVERAGES | | | |
| Aircraft Policy | _____ | _____ | _____ |
| Passenger Liability | _____ | _____ | _____ |
| SPECIALTY COVERAGES | | | |
| Environmental Impairment Liability Policy | _____ | _____ | _____ |
| Fiduciary Liability Insurance | _____ | _____ | _____ |
| International/Foreign Operations Insurance | _____ | _____ | _____ |
| Rain or Weather Insurance | _____ | _____ | _____ |
| Terrorism Insurance | _____ | _____ | _____ |
| Underground Storage Tank Liability – UST | _____ | _____ | _____ |
| Other _____ | _____ | _____ | _____ |
| BONDS | | | |
| Bid Bond | _____ | _____ | _____ |
| Contract Bond | _____ | _____ | _____ |
| License Bond | _____ | _____ | _____ |
| Other _____ | _____ | _____ | _____ |
| Other Options | | | |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

Commercial Risk Checklist – Service Businesses

Comments

I certify that I have reviewed my coverage needs in accordance with this checklist with my agent and I have accepted or rejected the recommended coverages as indicated by my initials in the spaces above.

_____ Signature of Client _____ Date

_____ Title

I certify that I have reviewed the coverages outlined in this checklist with my client and that the initials of the client indicate the acceptance or rejection of the coverages recommended.

_____ Signature of Agent _____ Date