Insurance for Ice Arenas: Property Coverage Part I

by Charles H. Cox

Ice arenas, along with virtually all businesses, face challenging times in the insurance marketplace today. The insurance market began to tighten in 2000, and the prospects of a quick turnaround were dim. That was before the tragic events of September 11, 2001. Since that day, the insurance industry has been fraught with turmoil, and policyholders face unknown peril as their insurance renewal dates approach.

What were once readily available policy enhancements are now frequently unavailable, and the cost for coverage has skyrocketed. What does all this mean for insurance buyers? At the very least, coverage expectations must be lowered and budgets must contemplate significantly increased insurance costs. For many insurance buyers, this latest market crunch will mark a new approach to risk retention. Deductibles will likely increase, perhaps two-fold or more, and for those who had none, new retentions can be expected. These new or increased deductibles will not necessarily be implemented by choice or in return for premium savings. Instead, insurers are likely to insist on them.

With this issue of the EDGE, we begin a series of articles on the various insurance coverages maintained by ice arenas. The focus of this initial article is on Property insurance and will take into account the current market conditions. Our intent will be to identify those coverages or coverage enhancements that are essential, those that are desirable, and what steps may need to be taken to achieve them.

Virtually all property insurance policies today are written on a “special perils” or “all-risks” basis rather than the “named perils” basis. The “special perils” or “all risks” basis is preferred since losses are covered, unless excluded, and the burden of proving whether or not the loss is excluded rests with the insurer.

The perils of Flood and Earth Movement should be made available where exposures to loss are reasonably expected. Be assured, however, that in flood or earthquake prone areas, premiums and deductibles will be substantially higher than before as insurers look to collect more premiums for those catastrophic loss exposures. When purchasing coverage for these perils, it is important to be sure that the coverage purchased fills the gaps created by the typical exclusions found in “special perils” or “all risks” coverage forms. For example, many coverage forms may exclude “earth movement” (which serves to exclude both naturally occurring seismic occurrences as well as man-made earth movements caused by such things as heavy equipment used on the ground nearby). When purchasing coverage to fill the gaps created by an earth movement exclusion, such coverage should provide full earth movement coverage and not just earthquake coverage.

Next, look closely at the property being covered by the insurance contract and property that is considered not covered. There are two exposures particularly important to ice arenas in this regard. First, care should be taken to include underground pipes and flues as covered property. In order to do so, you would be expected to declare the value of and pay a premium based upon the value of such property.

Second, you may want to be sure that the definition of Covered Property is broad enough to include ice-resurfacing equipment used on the premises and not used on public roads. This approach to covering such equipment will obviate the need for a separate inland marine policy and should provide for a replacement cost recovery (to be discussed further in the next issue of the EDGE) rather than a depreciated value (Actual Cash Value) recovery. Be aware, however, that off-premises coverage is likely to be limited, which may create a problem for off-site repairs or maintenance or the use of such equipment off-site for parades, etc. Also, you should understand that the deductible under a property policy would likely be higher than a deductible under an inland marine policy.

Finally, if an ice arena happens to purchase separate Property and Boiler insurance policies from different insurers, a Joint Loss Agreement should be added to the Property and Boiler policies. This will ensure that, in the event of a loss where the cause is not clear, the Property and Boiler insurers will pay the loss to the policyholder, and then the insurers will sort out, between them, which insurer has responsibility for the loss. This prevents delayed and complicated loss settlements and the inevitable finger pointing that would otherwise occur.

In the next issue of the EDGE, we will continue our look at Property Insurance for ice arenas by looking at important enhancements to these policies.

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