

5 Hidden Risks in the Sports & Fitness Industry



YOUR INSURANCE POLICY GIVES YOU PEACE OF MIND AND HELPS TO ENSURE THAT YOU CAN STAY IN BUSINESS – EVEN IF YOU ARE THREATENED BY A LAWSUIT OR EXPERIENCE A NATURAL DISASTER. SOMETIMES YOUR POLICY MAY NOT COVER YOU – OR PROVIDE ENOUGH COVERAGE – AGAINST CERTAIN RISKS. WE HAVE EVALUATED MANY FITNESS CENTERS AND FOUND MANY COMMON HIDDEN RISKS. HERE'S YOUR GUIDE TO KNOWING – AND PLANNING FOR – THESE LESSER KNOWN RISKS.

1 Lack of disaster planning is, well, disastrous

You can't predict what will, or won't happen, in the future. But chances are good something will happen. According to recent studies, 60% of U.S. companies are underinsured. That's a big reason why 60% of companies who experience a catastrophic event never reopen for business.



Weather causes more damage than ever – wildfires, floods, earthquakes, and wind damage are all reasons to make sure your business has a disaster plan in place.

What can you do to reduce your risk?

- Create a business continuity plan to help you prepare before a disaster occurs – it's too late to plan when a weather event is imminent. Planning ahead for a disaster can minimize losses and help you reopen sooner. Don't be overwhelmed by disaster planning. Even a simple document containing key contacts and backing up computer files regularly is better than having no plan in place. The Insurance Institute for Business & Home Safety's Open for Business site <link to: <http://www.disastersafety.org/open-for-business>> offers many planning templates.
- Consider your insurance policy an investment in your company's financial health. Saving a few dollars is not worth the risk of being underinsured. Even if you lose power for a week due to a minor flood, the financial cost of closing can be significant. Some carriers even offer special coverage that will refund the unused portion of membership fees if you have to suspend operations for a period of time. Disaster strikes without warning and investing a few extra dollars to properly insure your business will give you the peace of mind that your business can recover if the unexpected occurs.

2 Treadmills accelerate risk

Treadmills are one of the most underestimated risks in fitness and health clubs – and the #1 injury risk. Between texting, talking and watching, many exercisers are dangerous multitaskers, and represent a big liability for owners of fitness and health clubs. The average cost per treadmill incident? \$250,000! That's a big sum for most centers to cover if not properly insured.



What can you do to reduce risk?

- Make sure that your insurance limits are sufficient to cover average injury costs; annually review your policy to ensure it meets a “real world” estimate of injury claims.
- Additionally, check equipment on a schedule recommended by the manufacturer. Repair when needed.
- Train all club members in the proper use of equipment. Document training in individual member files. Document if training is declined.
- Actively monitor treadmill area, and intercede if risky behavior is observed. Require regular sanitation of equipment contact surfaces.
- Whenever a club member reports an incident involving equipment, club conditions or physical injury, take immediate action that includes investigation, documentation and corrective action.

3 Your members' data is one of your most valuable assets

Cyberthieves target smaller companies because they are often easier to breach. Cybercrime is becoming increasingly common: 46% of companies experience a data breach. Yet, only 1 in 10 businesses have cyberliability

coverage. Sports and fitness centers are at particular risk because of the large amount of personal and financial data, including credit card and bank account numbers, kept on file.

What would happen if data was stolen or suspected to be lost, stolen, or accidentally released?

States, including California, require notification if a breach occurs or is suspected to have occurred, which can cost thousands.

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What can you do to reduce risk?

Invest in cyberliability coverage, including data breach coverage, on your insurance policy. This valuable coverage typically includes:

- Data breach services, including consulting, fraud alert, and identity restoration
- Data breach expenses, including cost of notification, forensic analysis, and proactive monitoring services
- Legal services, public relations, data breach ransom, and more

To reduce the risk of cyberattacks:

- Secure data physically. Make sure to secure laptop and devices containing access to member data. Lock file drawers and other places containing hard copies of member data. Shred sensitive documents.
- Train your employees about the importance of information security. Remind them periodically about best practices.
- Lock down your Wi-Fi system and put passwords on everything. Set systems to log out after 15 minutes of inactivity. Thieves look for open systems to hack.
- Use data encryption software such as BitLocker (PC) or File Vault (Mac) to encrypt member data. They are easy to use programs, requiring no special experience to run.
- Keep anti-virus and anti-malware protection up-to-date. Spam emails and malicious websites can create a backdoor into your system if your computer isn't protected.

4 Your trainers could cost you everything

The news has reported a number of liability cases involving fitness instructors. In Texas, a female member accused a fitness instructor of sexual harassment. In New York, a fitness instructor is said to have caused a members' death by recommending a supplement regiment. Another claimed severe back and neck injury due to extreme exercises. In fact, one-third of all small businesses face a liability suit for every 3 years they are in business.

Fitness instructors can pose a liability to you whether they are your direct employee or they are contractors and don't carry sufficient liability insurance.

Contracted fitness instructors are not automatically covered under your liability policy, and you can be held liable, even if they are 1099 employees, if you are acting as an employer, setting appointments, determining dress codes, and taking other employee actions.

33% 
OF
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IN THE PAST 3 YEARS

What can you do to reduce risk?

- Require that fitness instructors and personal trainers carry their own liability insurance. Keep a copy of their current policy on file. This is a first line of defense in case of an incident.
- Ensure that your insurance policy automatically includes "additional Insureds," such as your instructors, trainers, and members.
- Implement strict hiring practices, including full background checks, reference checks, validation of qualification, and distribution of the employee handbook. Some insurance carriers will provide a free background check service as part of your policy
- New member/participant protocol should include a medical/pre-activity questionnaire, liability release and waiver, and equipment orientation.
- Ask trainers to visually scan equipment and workout area for hazards before a participant begins to exercise.
- Develop a policy that trainers and instructors should not provide dietary advice, supplement recommendations, or medical advice regarding injuries, unless they are specifically qualified and certified to do so (e.g. as a registered dietician or physical therapist).
- Trainers and instructors should ask permission before touching members, if necessary, during sessions.
- Implement a protocol for recording all injuries and incidents at the time of the occurrence.

5 Emergencies could be excluded

Though unthinkable, serious emergencies can happen at even at the best managed fitness centers. Explosions, violent acts, shootings, sexual abuse, and disease outbreaks have all occurred at fitness centers across the country. These incidents can not only damage your reputation when they are covered in the regional or national news, but also impact you financially. Did you know that the expenses and loss of income associated with these types of occurrences are traditionally not insurable?

The cost to recover from these incidents and repair your reputation is often significant – hundreds of thousands of dollars.

How can you reduce your risk?

- Review your insurance policy to check whether Emergency Event Management is included. Emergency Event Management typically covers:
 - Public and media relations expenses needed to restore your reputation after an event
 - Loss of business income due to an emergency event
 - Post-Emergency Event Expense — covers medical treatments, counseling, and funeral expenses for individuals who were physically injured during an emergency event
- Develop an emergency plan that clearly outlines who does what and when in an emergency, include violent incidents, threats and weather emergencies in your plan. Regularly inspect evaluation routes to be sure they are clear of obstructions.
- Prepare staff. Provide abuse prevention, safety and security training. Additionally, staff should know the emergency exits and evacuation procedures for incidents. Every employee should know the exact address of the club in case they need to make a 911 call. Let them know they will need to stay on the line until the dispatcher has obtained all the information.
- Consider upgrading security measures by installing surveillance cameras inside and outside the club and emergency panic buttons. Make sure lighting is good, especially in the parking lot.
- Require members and guests to show a government-issued ID upon their first visit.
- Implement a “zero tolerance” policy for violent acts or threats.

**“EXPLOSIONS
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