

# 5 Things to Know About Fitness Club Insurance



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### **1) Including your property interests in your policy is crucial when insuring your business.**



Having property insurance in your insurance policy protects the assets of you and your business from direct loss in the case of a hurricane, fire and other perils that could result in the loss of property. Many gym owners get confused when they insure their business because they are simply not insurance experts and rightfully so. Sadly, the amount of solid advice that is available to business owners is sometimes limited to their ability to find relevant information on Google or Youtube because most agents don't take the time to help the gym owner solve their problems. They simply want to sell them a product. As a result, many gyms are left without any property coverage whatsoever because they were sold a liability only policy.

In addition to the equipment, computers, etc. that need to be covered, many locations need to protect their investment in the improvements and betterments they have made in their location. Just because you don't own your building, doesn't mean you haven't invested money into customizing your space. Tenant improvements and betterments are insurable and truthfully, most lease agreements require that they be insured. Now would be a great time to take an inventory of all that you have spent on equipment, etc.

### **2) Gyms are highly likely to be involved in employee initiated lawsuits.**

Most gyms are so focused on protecting themselves from the general public that they completely miss the boat on protecting the ownership and company assets from their own employees. The fitness industry as a whole is extremely susceptible to law suits from their own employees. Employment Practices Liability Insurance (EPLI) protects a business and its ownership for lawsuits initiated against them for things such as discrimination, harassment, wrongful termination and more.

The good news is that EPLI is extremely affordable. Most policies are rated off of the amount of revenue your company produces annually, the number of employees that you have and also takes into consideration your history with employment related claims. Honestly, for most gyms and studios, it's not a question of if; it's a question of when the lawsuit is going to come.



### **3) Independent Contractors are typically not covered under a gym's liability policies.**

Insurance can be extremely convoluted to those of us in the industry. As a gym owner, you shouldn't be expected to become an overnight insurance sensation simply because you need to insure your business.

One of the biggest areas for a potential issues is how your policies treat personal trainers and instructors that are independent contractors. The short answer is, that in most cases, they are not covered at all. Gym operations are not all the same. Each gym has its own unique culture, membership and operating structure. As a result, each gym must be looked at on an individual basis.

Many gyms today have taken advantage of using independent contractors as personal trainers and group fitness instructors. From a gym owner's perspective, this gives them flexibility and also allows them to keep costs down, unless.....there is an uncovered claim.

If you are using 1099 team members, you must keep accurate records on how they are personally insured. As a 1099, by definition, most gym liability policies will not cover them for their actions while they are in the gym. While the gym may have some level of coverage for the entity itself, it is important that you document the coverage that each 1099 has in place for a couple of reasons:

1) If you can't prove that the subcontractor had their own coverage and paid premium on that coverage during the course of your policy period, you will be required to pay for that subcontractor during your end of the year audit.

2) It makes sure that the 1099 team members actually do have coverage so that they are personally protected. You don't want them to take a position with your company thinking that your insurance policies will protect them when that is not the case.

Set minimum insurance requirements for 1099 team members and maintain accurate files and you can avoid all of the heartburn associated with a claim that is not covered.

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## 4) Document Everything

Nobody wants a messy office, especially when real estate is at a premium like it is at a gym. However, there is no way around making sure you maintain the proper documentation on every client. Having insurance is one thing. It is certainly necessary, but it does not mitigate your risk. Insurance "finances" your risk by paying claims on your behalf in exchange for you paying the insurance companies premiums.

Effective risk mitigation involves risk avoidance, risk financing, risk retention and risk transfer. Gyms are able to transfer a ton of risk just by making sure they have the proper paperwork completed and on file for every member of their facility.

By maintaining proper files, you put your and your company in a defensible position should a potential claim arise. While there can be overkill, there are 4 things that every gym should maintain:

- Copies of any client consultations that are done by employees or 1099 team members
- Waivers of Liability with hold harmless language in favor of the gym
- Copies of any incident reports from members or guests who make you aware of an incident that could give rise to a claim.
- Complete applications on all members including health questionnaires



### **5) Formalize your processes and procedures and train all team members**

Teaching people how to lose weight by working out effectively is the easy part. Motivating people by offering them awesome group fitness classes is the easy part. Marketing your gym and getting people to become members is the easy part. Formalizing best in class processes and procedures, training your team to execute and documenting your efforts is what separates you from the pack.

Gyms have liability. That's a fact. Gyms have fraudulent claims. That's a fact. However, if you spend the time to make sure that you have the correct processes and procedures in place and that your entire team has been trained on them is paramount to your success. That is what provides you with the defensible position necessary should you be involved in a claim that ends up in litigation.

While the following list of items is not all-encompassing, it is certainly a list of "must-haves" for anyone operating a gym:

- Emergency response procedures
- Incident Response Investigation
- Accident response investigation
- Sexual Harassment Policy
- Discrimination Policy
- Accident and Incident Reporting Procedures
- Workers Compensation claims reporting
- Preventative Maintenance - Facilities
- Preventative Maintenance - Equipment

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If you are not sure where to start with these things, it is always advised that you reach out to the professionals that you are paying to handle your insurance and risk management needs. A good firm will have the programs you need ready for you to implement and can even assist you with training your team. You are paying for these services, so make sure you use them. If your firm doesn't have the ability to help, find new representation!

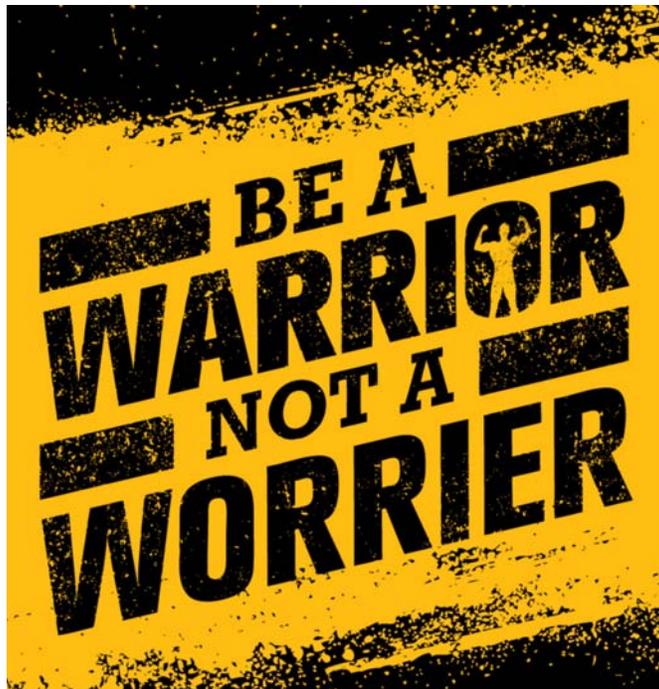
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## In Closing

If you have made it this far, thank you. Thank you for being a responsible gym owner, trainer or instructor. By reading this far, it is obvious that you want to run your business the right way. Much like fitness, running a business is not easy. It requires intentional effort, constant tweaking and striving for perfection on a daily basis. Let's face it, if it were easy, everyone would be doing it!

We published this e-book as a starting point. It is not meant to teach you everything. It is meant to let you know that we know your business. If you ever have any questions at all, please feel free to reach out. We are not in the business of selling you a product. We are in the business of helping you solve your problems.

Experience has taught us that people buy from those they trust. If we are successful in helping you solve your problems with our tools and resources, it stands to reason you would trust our firm to assist you with your insurance needs.



# About the Author

Kevin Guida joined Florida Risk Partners as an intern In August of 2019. During his time at Florida Risk Partners he has had the responsibility of building and developing Florida Fitness Club Insurance. It is his desire and passion to equip people in the fitness industry throughout the state of Florida with the information they need to run a safe, profitable business.

Kevin is currently attending the University of South Florida. He will be receiving a degree in Economics with a minor in entrepreneurship in the Summer of 2020. In addition to schooling he has also taken part in extra curricular activities by doing services hours at Metropolitan and Ministries. Also, from 2015 to 2017, Kevin coached Football and Baseball at Trinity School for Children. During his free time, Kevin enjoys fishing and hunting. Kevin currently resides in Tampa, FL.

