

Initiation Fee Insurance for private clubs



Initiation Fee Insurance

What Is Initiation Fee Insurance?

- Insured reimbursement of resigned and relocated members' initiation fees
- Membership marketing tool
- Allows a refundable initiation fee without debt
- A method to create a pleasant exit experience for a resigning, relocating member

Financial Planning Tool

- Program costs may be passed through
- Relocation attrition risk is transferred to Chubb
- No debt or liability is created
- Cash flow will not be impeded
- Increases the value of a membership

Who Offers Initiation Fee Insurance?

- First introduced November 2001
- Owners & Members National Insurance Services Insurance broker exclusively selling, distributing, and servicing the program
- Chubb Group of Insurance Companies - Insurer based in Warren, New Jersey. 118-year old company consistently earns high ratings for financial stability from A.M. Best, Moody's and Standard & Poor's

Why?

- People request refundability of initiation fees
- People are concerned due to the possibility of relocation
- Existing initiation fee refund programs are clumsy
- Competing clubs may have some form of refund program
- Initiation Fee Insurance should be your sole refund policy

Nationwide Market Research Study

Nationwide Market Research Study of 5,000 Affluent Households...conducted for O&M by OnTarget Marketing, Inc. in August 2001

1. Of those who were not currently members of a private club with an initiation fee of \$5,000 or more, but had considered joining one, 77% said they were concerned about the refundability of the initiation fee;
 2. 52% of these 77% cite "the possibility of relocation" as a specific factor of concern. (Note: respondents were not prompted with options);
 3. 66% of the 77% said they would be more likely to join a club with a membership option that would ensure that they could immediately recover some or all of their initiation fee if they had to resign due to a relocation;
 4. 46% of the 77% said they would be willing to pay more toward their initiation fee to protect their investment in this manner for a period of up to eight years.
- Research was broken down into regional quadrants.

How Does It Work?

- Club purchases the program, becomes the insured, and incorporates the program into its membership documents (sample wording available from O&M).
- Program may be designed to accommodate new members, existing members, specific membership categories and even assessments.
- Club pays premium via ClubExpress® - O&M's online reporting system. Premium for new members is one-time, paid as they join. Premium for existing members may be paid monthly over the coverage period.
- Claims are paid as they occur - club is reimbursed by Chubb promptly after claim papers are collected and signed.

Coverage Options

- National Club Association member clubs receive reduced rates and deposit premiums. Initiation Fee Insurance is NCA-endorsed.
- Consider existing member needs – choose small benefit to reward loyal members without incurring debt, premium payable monthly.

What Does Initiation Fee Insurance Offer?

- Easier to sell memberships
- Immediate reimbursement of initiation fee to resigning members
- Improved cash flow to club
- Increased membership value
- No debt or liability