

AN INVESTIGATION OF LIABILITY INSURANCE
PROGRAMS OF RURAL RECREATION ENTERPRISES
IN SOUTHERN MICHIGAN

Thesis for the Degree of M. S.
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Richard E. Cary

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ABSTRACT

AN INVESTIGATION OF LIABILITY INSURANCE PROGRAMS OF RURAL RECREATION ENTERPRISES IN SOUTHERN MICHIGAN

Richard E. Cary

The surging demand for outdoor recreation facilities has generated interest in the development of commercial outdoor recreation enterprises on privately owned farm and other rural lands in Michigan. When an entrepreneur charges a fee for the use of recreation facilities, he becomes more vulnerable to liability risks. For the protection of guests and for protection against the payment of large awards in the event of a damage claim or lawsuit, the recreation entrepreneur should obtain liability insurance coverage for his business operation. However, many entrepreneurs in Michigan, and across the nation, have reported liability insurance to be a major operating problem because the desired insurance often cannot be obtained or, when it is available, premium costs are often excessive.

From an analysis of liability protection programs of selected rural recreation enterprises in southern Michigan, this investigation attempts to determine the significance of the liability problem, and to identify those factors which

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contribute to the problem. In order to analyze liability insurance programs, the basic concepts of liability and principles of insurance have been investigated. By relating these concepts and principles to current liability protection programs of recreation enterprises, methods have been suggested for reducing liability risk and liability insurance problems.

To obtain an indication of current liability protection programs and problems, data was obtained from selected rural recreation enterprises in southern Michigan. Effort was made to obtain a representation of common types of enterprises, including a wide variety of facilities or activities. In addition to personal interviews with recreation entrepreneurs, data was obtained by the use of a mailed questionnaire. Representatives of insurance agencies and companies were also contacted to provide information about insurance company policy toward writing insurance for recreation enterprises.

The results of the investigation revealed that liability insurance is one of the major problems confronting the recreation entrepreneur. Liability insurance appears to be available from a number of sources. Some entrepreneurs have experienced difficulty in obtaining the desired

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insurance, however the high premium cost is reported to be the major factor of concern to the entrepreneur. Although relatively high insurance costs may significantly reduce profits, most operators will obtain insurance in preference to assuming the liability risk.

Insurance costs were found to vary among insurance companies. Therefore, entrepreneurs could often reduce costs by shopping for the most economical insurance. The liability risk can be reduced by providing safety precautions and by adoption of certain other management policies. Such measures may also reduce premium costs.

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By

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INTRODUCTION

An analysis of liability insurance programs requires a fundamental knowledge of the legal concepts of liability, as well as an understanding of risk management and insurance practices. Therefore, this investigation is divided into two major parts. The first part devotes considerable discussion to develop the background necessary to understand the concepts and principles of liability and insurance.

The second part of this investigation presents the analysis of a survey conducted on liability insurance programs and problems of selected rural recreation enterprises in southern Michigan.

The purpose of this investigation is to relate the results of the survey to the basic principles of liability and risk management in order to draw specific conclusions and recommendations relative to the liability aspects of rural recreation enterprises.

Objectives

The objectives of this study are:

(1) To relate the legal concepts of liability and the business aspects of liability insurance to the commercial



rural recreation enterprise.

(2) To determine current liability insurance practices of selected rural recreation enterprises in southern Michigan.

(3) To indicate whether liability insurance creates a significant problem to the recreation entrepreneur and to identify those factors which contribute to the problem.

(4) To determine probable liability insurance costs and to discover methods available to reduce liability and liability insurance costs.

(5) To draw conclusions and make recommendations applicable to the rural recreation industry.

Justification

A great amount of publicity has been given to encourage the development of privately owned land for recreational use. However, few sources point out the pitfalls and problems that may be encountered in the operation of a recreation enterprise. The liability aspect of a commercial recreation enterprise is one such problem that is seldom given adequate consideration.

Of the studies and reports concerned with private recreation, many have alluded that liability insurance is one of the major problems confronting the farm recreation entrepreneur, and is often a factor in discouraging the development

of private land for recreational use. In spite of the apparent significance of the problem, few studies have been restricted to the exclusive investigation of this particular aspect of the private recreation enterprise.

If liability insurance is creating special problems to the rural recreation entrepreneur, the problem cannot be reconciled until it is more fully studied and understood. In addition to identifying the factors involved in the liability problem, this study will provide entrepreneurs with an indication of the liability risks involved in the operation of a commercial recreation enterprise and the related costs of liability insurance. This study may further guide and encourage safer construction and operation of recreational facilities.

The results of this study should be of some value to those governmental agencies involved in providing advice and assistance to rural recreation enterprise operators. Hopefully, this investigation will encourage insurance companies to recognize the recreation business and also stimulate them to resolve some of the apparent inequities in rating systems and premium costs.

Procedure

A review of the literature was conducted to substantiate the need for the study, to discover any similar investigations, and to provide background material relating to legal



and economic aspects of liability risks to the operation of a recreation enterprise. In addition to standard literature review procedures, supplemental information has been obtained through correspondence with various governmental agencies and selected persons in the insurance business.

Under the stewardship of Professor Twardzik, Department of Resource Development, Michigan State University, a letter was sent to representatives of the Cooperative Extension Service at forty eight universities, plus United States Forest Service Experiment Stations and regional offices of the Bureau of Outdoor Recreation, inquiring whether these agencies had conducted studies or had information related to the liability aspects of private recreation enterprises. In addition to this letter, a questionnaire was sent to ten insurance companies to obtain an indication of insurance company policy toward rural recreation enterprises. These insurance companies were chosen from a list provided by the Soil Conservation Service and from recreation magazines in which the companies advertise.

To obtain information concerning current liability insurance programs, selected entrepreneurs in southern Michigan have been asked to provide specific information about their management practices and insurance programs. The questionnaire was field tested by interviewing recreation entrepreneurs.

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In addition to personal interviews, it was necessary to obtain an additional sample by the use of a mailed questionnaire because of time and expense limitations.

The enterprises chosen for investigation have been selected primarily from an established inventory of rural recreation enterprises in southern Michigan. Effort has been made to include representations from several of the most common types of rural recreation enterprises with emphasis upon the campground and picnic areas which include swimming, boating, fishing, horseback riding, and similar facilities.

From the results of this study, certain conclusions have been drawn for the consideration of potential or practicing entrepreneurs. Recommendations have also been advanced for future study or action to be taken to aid the recreation industry.

Hypotheses

It is the basic premise of this study that liability insurance is one of the major problems confronting the rural recreation entrepreneur. It is hypothesized that:

(1) Because of high premium costs or the unavailability of liability insurance, many entrepreneurs will be found to operate without liability insurance protection, and the development of certain facilities will be discouraged.

(2) It is expected that because the rural recreation

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business is a relatively new development, insurance companies will not be thoroughly acquainted with the nature of the business and the risks involved. For this reason, insurance companies will not exhibit the degree of standardization common to various other types of insurance such as automobile liability insurance.

(3) Entrepreneurs do not take advantage of certain business practices which could reduce legal liability, the risk of accidents, and significantly reduce insurance costs.

Definition of Terms

Accident. An accident is interpreted as meaning an unintended event which could not be considered as a foreseeable consequence of an undertaking.¹

Accident severity. Accident severity is a measurement of the seriousness of the results of accidents.²

Animal parks. In this investigation, animal farms or enterprises which feature wild or domestic animals for observation and feeding have been classified as animal parks.

Attractive nuisance. An attractive nuisance is a dangerous object or condition which may naturally and frequently lure children onto the premise where the object or

¹Lewis E. Davis, Dictionary of Insurance (Patterson, New Jersey: Littlefield, Adams and Company, 1959), p. 5.

²Davis, 6.



condition exists.

Campground. In this investigation, the term campground has been used to designate a recreation enterprise which features tent and/or trailer camping, but may also provide auxiliary facilities such as swimming, picnicking, and boating, with the exclusion of horseback riding.

Campgrounds with horseback riding. This term refers to enterprises considered as campgrounds as defined above with the addition of the horseback riding facility. Because the horseback riding facility may create special liability insurance problems, it was necessary to distinguish between enterprises that provide horseback riding and those that do not.

Claim. A claim is a demand by an individual for payment of damages covered by a policy held by the insured. It may also be a demand by the insured to recover for loss which is covered under an insurance policy.³

Common Law Liability. This term was interpreted as meaning the responsibility of one individual to another based upon custom and usage as established by the courts. It is distinguished from liability which is prescribed by statute law.⁴

³Davis, 44.

⁴Davis, 50.

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Comprehensive General Liability Policy. This term is a liability insurance policy designed to fit conditions in a policy holder's business which are likely to give rise to liability.⁵ The policy provides comprehensive coverage for all risks not specifically excluded in the policy.

Contributory Negligence. Contributory negligence is the failure of the person injured by the negligence of another to use due care for his own protection. Conduct on the part of the plaintiff which is legally a contributing cause of the accident.⁶

Damages. This term means the monetary compensation which the law awards for damage or injury sustained.

Defendent. A defendent is the individual against whom a legal action or suit is brought.

Entrepreneur. As used in this investigation, an entrepreneur is a person who operates a rural recreation enterprise for profit.

Exposure. As used in this investigation, an exposure refers to any individual activity or facility which may expose the guest to the risk of injury.

⁵C. D. Leedy, Liability Protection for Outdoor Recreation Enterprises (New Mexico State University: Cooperative Extension Service, 1966), p. 4.

⁶American Law Institute, Negligence, Vol. II, Restatement of the Law of Torts (St. Paul, Minn.: American Law Institute Publishers, 1934), p. 122.

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Farmers Comprehensive Personal Liability Insurance.

This term refers to a modified comprehensive personal liability policy covering risks associated with farming. This policy does not usually provide protection for the operation of a recreation enterprise.⁷

Fee Fishing Areas. Private ponds or lakes where a fee is charged for fishing have been classified as fee fishing areas. Fishing is the dominant feature of these enterprises although boat rentals and picnic facilities may be provided. In this investigation, fee fishing areas are primarily trout ponds.

Hazard. A hazard is a condition which may create or increase the probability that a loss will occur.⁸

Hunting Area. An enterprise which charges a fee for the privilege of hunting native or stocked game has been classified as a hunting area in this investigation.

Insurance Coverage. Insurance coverage is the total amount of protection provided to the purchaser of a liability insurance policy. The policy states the exclusions and limits of coverage.

⁷ John D. Rush and Ralph R. Botts, Liability and Insurance Protection for Farmers Who Have Income-Producing Recreational Facilities, U. S. Department of Agriculture, Economic Research Service - 120 (Washington, D. C.: Farm Production Economics Division, 1963), p. ii.

⁸ Davis, 100.

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Insurance Premium. The charge made by an insurance company to the purchaser of the insurance policy is the insurance premium.

Invitee. An invitee is a person invited or permitted to enter upon the land of another for a purpose directly or indirectly connected with business dealings between the two parties. The landowner usually receives a monetary or other direct benefit from the presence of the invitee.

Legal Action. The ordinary court process by which one seeks the enforcement or protection of a right is legal action.⁹

Liability. Liability is the condition of being subject to an obligation which may be enforced in the courts. Usually liability is a financial responsibility for restitution of damages incurred by the plaintiff.¹⁰

Licensee. A person who enters the land of another, by permission, for his own benefit and not for the purpose of bestowing any benefit to the landowner, is a licensee.

Litigation. Litigation is the act of carrying on a lawsuit.

Negligence. Negligence is failure to act as a reasonably prudent and careful person would act under the circumstances to avoid exposing others to unreasonable danger or

⁹Howard C. Leibee, Liability for Accidents in Physical Education, Athletics, Recreation (Ann Arbor, Mich.: Ann Arbor Publishers, 1952), p. 2.

¹⁰Davis, 123.

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risk of injury. It may be an act of commission as well as omission.¹¹

Occurrence. An occurrence is a continuous or repeated exposure to a condition which results in injury over a period of time.¹²

Operator. As used in this investigation, an operator is the same as an entrepreneur.

Owner's, Landlord's, and Tenant's Policy. This term is a liability insurance policy designed specifically for someone operating a business to serve the public.¹³ When properly written, it may provide suitable coverage for recreation enterprises.

Picnic Grounds. This term is used to classify enterprises which provide primarily picnic facilities with associated day use activities such as swimming, boating, and fishing. Overnight camping is not permitted at a picnic area.

Plaintiff. One who initiates legal action for the recovery of damages or the enforcement of a right is a plaintiff.

Policy Limits. Policy limits are the financial limits that the insurer will agree to pay for damages under a

¹¹Leibee, p. 2.

¹²Davis, 152.

¹³Leedy, 5.

contract or insurance policy during the contract period.

Products Liability. Products liability may be defined as responsibility for damages arising from the condition of any product handled, sold, or distributed by an individual.

Risk. Risk is any chance of loss or the doubt concerning the outcome of a given situation.

Skeet and Rifle Range. This type of enterprise features firearm target shooting. Hunting is excluded.

Ski Areas. Enterprises which feature snow skiing with associated winter sports such as tobogganing and sledging have been classified as ski areas.

Statute. A statute is a law enacted by the legislative branch of government.

Tort. A tort is a breach of duty giving rise to a damage action. A tort is also a civil wrong for which the court will afford a remedy through legal action.¹⁴

Trespasser. A person who enters the premises of another without permission is a trespasser.

¹⁴Leibee, p. 3.

CHAPTER I

REVIEW OF LITERATURE

It is the purpose of this chapter to present, from the literature review concerning rural recreation, the significance of the liability problem, the need for studies related to liability insurance, and action that has been taken to date to relieve the landowner of the burden created by liability and insurance protection problems.

Effect of Liability on Private Recreation Enterprises

The landowner who is considering the possibility of developing a commercial recreation area should be cautious of the number of articles and publications now available that oversimplify the nature of the recreation business. As typical of many articles aimed at encouraging development of private land for campgrounds and other recreation areas, Agnew states that:

Circumstances peculiarly fit the small entrepreneur to constructing and operating a campground... he may own land with suitable recreation resources -- he only needs to develop these and make them available to the public.¹

¹C. R. Agnew, Jr., "Don't Sell Free Enterprise in Recreation Short," American Forests, LXVII (January, 1961), p. 56.

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Unfortunately, in reality, development and operation of a campground or other recreation area is not usually done with as much ease as such simplifications indicate. There is more to the establishment and operation of a rural recreation business than simply "opening the gates" to make an area available for public use.

As soon as an entrepreneur makes his land available for public use, he is creating many problems with which he must effectively cope in order to be successful. One problem which he must immediately face is the threat of a law suit or payment of damages resulting from injuries incurred by guests while they are on his property. Although liability risks are always involved in ownership of property, the owner is in a more vulnerable position when he operates for profit.

The United States Department of Agriculture, the most enthusiastic promoter of fun as a farm "crop", warns that such sidelines can be fraught with risk. Their aim is not to discourage a possibly profitable recreation enterprise, but to alert the operator that he will incur special legal responsibilities of which he may not be aware.²

Prior to engaging in a commercial recreation or tourist enterprise, a farmer, or other landowner, should carefully

²Roy A. Golden, "Check Your Liabilities," Successful Farming, LXII (August, 1964), p. 36.

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consider the possibility of injury occurring to an invitee upon his premises. The average farm operator who desires to increase his income by operating a recreation enterprise should be aware that he may be held liable for accidents resulting in injury, and that an award in court in favor of the plaintiff may be enough to take all of the profit from the enterprise, plus the operator's life savings and his property. The recreation enterprise operator should protect himself against these judgments.³

Because of the constant threat of a liability claim, an increasingly claims conscious public, and a spiraling upwards of claim settlements awarded by courts in recent years, it is evident that the entrepreneur cannot afford to risk operating any business without protection against such claims. Special liability insurance will provide legal aid if the enterprise or operator is sued, and will pay any judgments awarded by the courts, up to the limits of the policy. The United States Department of Agriculture warns that the ordinary personal liability or "farmowner's" policy does not cover such income producing recreational facilities. Additional insurance is needed to provide financial protection

³James Frank Crews and Ronald Bird, Liability Risks in Operating a Farm Recreation Enterprise in Missouri, Agricultural Experiment Station Bul. 801, University of Missouri (U. S. Dept. of Agriculture cooperating, July, 1963), p. 2.

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for such commercial activities.⁴ It therefore behooves the recreation operator to not only contact local insurance agents to obtain adequate protection, but to also consult with a lawyer regarding state laws and other legal aspects of his operation.

It would at first seem that the liability problem and threat of payment of large awards is one operational problem that could be solved with relative ease simply by transferring the risk to a reputable insurance company. However, a review of the literature which discusses insurance in any depth, indicates that the recreation entrepreneur has a difficult time locating a company which will provide the desired insurance, and in many cases, the cost of such insurance may be prohibitive, especially for the small enterprise.

Concerning the problem nationally, the Farmers Home Administration alludes that because recreation for a fee on farmland is a comparatively new development, few insurance companies have had experience with this type of enterprise. In such cases it seems to be general practice to

⁴ John D. Rush and Ralph R. Botts, Liability and Insurance Protection for Farmers Who Have Income-Producing Recreational Facilities, U.S. Dept. of Agriculture, Economic Research - 120 (Washington: Farm Production Economics Division, 1963), p. ii.

charge rather high premium rates in lieu of actuarial data.⁵ Cornwell also indicates that it is extremely difficult to secure commercial insurance of satisfactory quality, because most insurance companies do not regard the outdoor recreation business as a good risk. Therefore, where policies are written, the rates are often prohibitive. As a result, some entrepreneurs choose to operate their establishments without insurance and with their fingers crossed.⁶ Munson also concurs that the cost of liability insurance is a major factor in deciding whether a recreation development can operate profitably and there is widespread difficulty for the recreation enterprise owner to obtain adequate coverage.⁷

A study of outdoor recreation facilities prepared for the Outdoor Recreation Resources Review Commission by the United States Department of Agriculture, which admittedly had a small sample as a basis for a nation wide analysis, did not indicate that liability and insurance protection was a particular problem of campground operation. The study

⁵Farmers Home Administration, Handbook of Outdoor Recreation Enterprises in Rural Areas (Washington: U.S. Government Printing Office, 1966), p. 11.

⁶George W. Cornwell, "The Private Outdoor Recreation Industry - Its Management," American Forests, LXIX (October, 1963), p. 39.

⁷Letter from Karl Munson, Program Leader, Outdoor Recreation Education, U.S. Dept. of Agriculture, Washington, July 2, 1966.

did reveal that:

High, relatively fixed costs that vary little in relation to the number of guests are a burden on some types of recreation enterprises... Liability insurance is almost prohibitively expensive for beach and ski enterprises and those involving use of horses or wild animals.⁸

In a publication by the Farmers Home Administration, it is reported that, although some prospective recreation entrepreneurs have avowed they were kept from entering the recreation business by the cost of liability insurance, this complaint is not justified because the cost is not really that high if the entrepreneur shops around. By shopping around, many operators found that they could obtain insurance at half the cost. If the cost is high, the operator can do what other businessmen do--pass it on to the customer by charging higher user fees.⁹

Some operators of recreation enterprises have discussed the possibility of organizing a state wide or even a nation wide cooperative insurance company to serve the recreation business and bring about considerable savings.¹⁰ Cornwell has recommended the formation of an insurance commission along

⁸U.S. Dept. of Agriculture, Private Outdoor Recreation Facilities, Economic Research Service, Outdoor Recreation Resources Review Commission, Study Rpt. 11 (Washington: U.S. Government Printing Office, 1962), p. ii.

⁹Farmers Home Administration, p. 11.

¹⁰Ibid.

with a government program of shared costs, if necessary, to help resolve the burden placed on the entrepreneur by insurance problems.¹¹

Two associations, the Association of Illinois Rural Recreation Enterprises (AIRRE), and the Michigan Association of Rural Recreation Enterprises (MARRE), are known to have been developed for the purpose of obtaining liability insurance and resolving other problems common to the recreation business. In 1966, the Michigan Association of Rural Recreation Enterprises held meetings with interested members to start action toward resolving liability insurance problems. A reputable insurance agent has offered to assist the association with this program, and to help locate insurance for entrepreneurs who experience difficulty in obtaining the desired insurance.

A review of the literature reveals that there is ample concern about liability and insurance protection for the recreation enterprise. However, in view of the apparent significance of the problem, few investigations have seriously attempted to analyze the liability insurance aspects of the recreation enterprise. Correspondence with representatives of the Cooperative Extension Service across the country and other governmental agencies concerned with private recreation

¹¹Cornwell, LXIX, p. 52.

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has revealed that the experience of these agencies indicates that liability insurance is a limiting and complex problem to the recreation business. However, few of these agencies have actually studied the situation in depth.

The Great Plains Resource Economics Committee has proposed a project to be conducted in ten Great Plains States to provide sufficient information for dealing with specific problems of limiting liability and the related costs when land is used for recreation purposes.¹² Although this will be the most comprehensive investigation discovered by the author regarding economic and legal aspects of limiting liability when land is used for recreation, it will not attempt to discover or analyze the associated problems of individual enterprises.

It is evident that there is an ample concern and lack of study about liability and insurance protection in the recreation business to warrant further investigation of the subject. As Cornwell points out, the private outdoor recreation industry is one of our least studied and little known business communities. Of the studies available, most seem to be surveys concerning the user--how much he spends

¹² Great Plains Resource Economics Committee, "Economic and Legal Aspects of Limiting Liability When Land is Used For Outdoor Recreation," a project proposal submitted to the Great Plains Agricultural Council, July 13, 1966.

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and on what, where he is from, and what his preferences are. More effort is needed toward gaining knowledge about the operator's success and studying individual problems that confront the recreation entrepreneur.¹³

The United States Bureau of Outdoor Recreation also regards the area of liability as one aspect of the recreation business which needs to be more fully studied and understood. Because recreation as a private commercial enterprise is a relatively new development, little information is available on liability insurance with respect to such enterprises. There is certainly a need for information on liability insurance and other aspects of the recreation enterprise.¹⁴

Progress in Liability Relief

Recreationists are denied the use of thousands of acres of potentially good recreation land owned by farmers, industry, and other private owners. Many large blocks of land that otherwise would be available to the public are posted and unavailable because of many unresolved questions about landowner's liability towards persons using their land, even when no fee is charged, for hunting, fishing,

¹³Cornwell, LXIX, p. 38.

¹⁴Letter from A. Heaton Underhill, Assistant Director, Bureau of Outdoor Recreation, U.S. Dept. of the Interior, Washington, D.C., July 1, 1966.

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picnicking, and other purposes.¹⁵

Many state and federal conservation agencies, forest industries, and sportsmen's clubs have been vitally concerned with disadvantageous liability laws affecting recreational use of private land. The American Forest Products Industries, Inc., spokesman for the nation's forest industries which jointly own 62,382,000 acres of commercial forest, adopts the policy that "use of forest land for recreational purposes is an important part of the multiple-use management program which forest industries are following".¹⁶ However, the problem of liability from the use of private lands by recreationists must be fully assessed if the American Forest Products Industries, Inc., is to embrace or develop this multiple-use concept on forest land. In deciding whether to make land available for public use, forest industries are reported to be primarily concerned about the liabilities incurred by opening lands for general public use and by the even greater liability incurred if facilities are developed and a modest fee charged on their use.¹⁷

¹⁵Wildlife Management Institute, "States Move on Model Liability Relief Law," Outdoor News Bulletin, XIX (December 3, 1965), p. 2.

¹⁶James C. McClellan, quoted in "Recreation on Forest Industry Lands," results of a survey by American Forest Products Industries, Inc., Washington, 1960.

¹⁷A. W. Nelson, cited by Wildlife and Recreation Committee, Liability - A Problem in Public Use of Forest Lands, (American Forest Products Industries, Inc., 1964), p. 3.

In spite of the surging pressures for farmers and other landowners to open their land for recreational purposes, they too have been reluctant to do so because of uncertain liability responsibilities. Recognizing the problem, many states, in recent years, have adopted liability relief laws to free landowners from responsibility arising out of accidents to persons using their lands for recreational purposes without charge.

A partial solution to the problem was presented in the draft act "Public Recreation on Private Lands: Limitations on Liabilities" approved by the council of state governments and published in its 1965 "Suggested State Legislation". Copies of this suggested legislation, designed to limit the liability of private owners who make their premises available for public recreation use at no cost, were sent to all state legislatures in 1965 for possible adoption.

The Wildlife Management Institute reports:

States in 1965 that enacted the model liability relief law included Arkansas, Georgia, Idaho, Nebraska, North Carolina, West Virginia, and Wyoming. Missouri and Utah passed similar laws. States now having a liability relief law on their books, in addition to those already named, are California, Florida, Illinois, Indiana, Louisiana, Maine, Michigan, Montana, Nevada, New Hampshire, New York, North Dakota, Ohio, Oregon, Pennsylvania, Tennessee, Texas (possibly), Virginia, and Wisconsin.¹⁸

¹⁸Wildlife Management Institute, p. 2.

The American Forest Products Industries, Inc., with assistance from the Wildlife Management Institute, was instrumental in developing the model liability relief law. Prior to 1964, the Wildlife and Recreation Committee of the American Forest Products Industries, Inc., examined the various liability relief laws that had been passed in sixteen states. None of the liability relief laws examined was considered to be appropriate. It was, therefore, the opinion of the committee that the American Forest Products Industries, Inc., should take the initiative and develop a model liability relief law rather than to hope that such state laws would be satisfactory. With assistance from the Wildlife Management Institute, they developed the model law which subsequently was submitted to the Conservation Law Society of America and eventually adopted by the Council of State Governments.¹⁹

A copy of the model liability relief law is included in Appendix A. It should be emphasized that this law limits the liability only to those landowners who do not charge fees for recreational use of their land. Therefore, this liability relief law is not applicable to the commercial recreation enterprise with which this report is primarily

¹⁹Wildlife and Recreation Committee, Liability - A Problem in Public Use of Forest Lands (American Forest Products Industries, Inc., 1964), pp. 8-9.

concerned, and for this reason, no further analysis of the law will be provided in this report.

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CHAPTER II

LEGAL CONCEPTS OF LIABILITY

It is the purpose of this chapter to present the basic concepts of liability and negligence law. Because the subject is complex and strict interpretation of the law dependent to a large degree upon jury decisions, all that is attempted within the scope of this report is to present, on a general level, the basic doctrines upon which liability is founded. The concepts presented herein are based on common law, not statute, so it is not inferred that Michigan courts would necessarily uphold these general laws unless specifically indicated.

Negligence, the Basis of Liability

Negligence is the essential element which must be proved before a person can be legally held liable for unintentional injury to others. The law of negligence is based on judicial precedent established from previous court decisions in our courts and by the courts of England from which much of our country's basic law originated.

Kulp regards negligence law as being unusual because of the extent to which it continues to be drawn from common

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law, or a set of general legal principles, rather than having been incorporated into statute law like other branches of civil law. Essentially, this is because the principles of the negligent act usually do not readily fit the category implied by statutory treatment. One of the most remarkable characteristics of the common law is its capacity to accommodate itself into new legal situations through re-interpretations and re-emphasis, and thus reducing the need for new statutes.¹

Negligence is generally considered to be the omission by an individual to do something which a reasonable man would do under similar circumstances, or doing something which a reasonable and prudent man would not do. The standard used to determine negligence then, is that an individual behave like a reasonable and prudent man.

In general, neither the court nor the legislature lays down explicit rules of conduct as a standard of required care. The law only creates this hypothetical "reasonable man" against whom the defendant's action is measured. As instructed by the court, it is then up to the jury to determine if the individual has acted in agreement with this standard of the reasonable and prudent man. If the jury

¹Clarence Arthur Kulp, Casualty Insurance (3rd ed.; New York: The Ronald Press Company, 1956), p. 55.

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decides that the defendant's behavior does not measure up to that action expected of a reasonable man under similar circumstances, the individual will almost certainly be held liable.²

Concerning the importance of the jury in decisions regarding negligence, James declares that the function of the jury has been expanding even more in recent years. He reports:

There has been a trend away from the fixing of standards of care as a matter of law, by the court, and a consequent expansion of the role of the jury in determining what is negligence or contributory negligence. This is significant because judicial statistics show that by and large, juries tend to resolve doubts in accidental cases in favor of compensating the injured victim.³

As has been indicated, the law of negligence deals with conduct, either omission or commission, of an act which results in injury to another or damage to his property. In legal terminology, such acts of wrong and damage constitute a tort. Negligence from unavoidable accidents is distinguished from intentional torts such as assault and battery.

Generally, when injury is a result of conduct which was not intended to cause injury, and if that injury could

²William L. Prosser, Handbook of the Law of Torts (2d ed.; St. Paul, Minn.: West Publishing Company, 1955), p. 124.

³Fleming James, Jr., "Practical Changes in the Field of Negligence," Michigan State Bar Journal, XXXVII (August, 1958), p. 11.

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not have been foreseen nor prevented by reasonable precaution, the law will regard the result as an unavoidable accident, and impose no liability for damages caused.⁴

Negligence is gauged by the ability of one to anticipate danger, thus the foreseeability of danger is an important factor in such tort cases. If the danger causing the harm is of such nature that it could be foreseen by a reasonable man, and thus avoided, the person who failed to see the danger or failed to act, may be held liable for damages because of negligence. When a jury decides that a danger resulting in damage could not have been foreseen by an ordinary man, usually there will not be any liability because pure accidents do happen, and where there is no negligence, such accidents do not form the basis for a cause of action.⁵

It becomes evident that negligence in the law is not necessarily based on mere carelessness, but on conduct or behavior involving unreasonable risk or danger to others. That negligent action may be a result of an individual's apathy, ignorance, or forgetfulness is clear. But it is

⁴Howard C. Leibee, Liability for Accidents in Physical Education, Athletics, Recreation (Ann Arbor, Mich.: Ann Arbor Publishers, 1952), p. 4.

⁵Donald B. Deyer and J.G. Lichtig, Liability in Public Recreation (Appleton, Wisc.: C. C. Nelson Publishing Company, 1949), p. 5.

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also possible that negligence may be found even where the acting individual has taken careful consideration and precaution in conformity with his best judgment, if that judgment is not in accord with the jury's judgment of what a reasonably prudent person would have done under similar circumstances.⁶

Elements of Negligent Action

The successful maintenance of a negligence suit requires consideration of more than just conduct. Most legal sources concur that there are four general elements necessary for support of a negligence suit. These requirements are (1) a legal duty to conform to a standard of behavior for the protection of others from unreasonable risks, (2) a breach of that duty by failure to conform to that standard, (3) a sufficient close causal connection between the conduct and the resulting injury, and (4) actual injury or loss to the interests of another.

The element of duty in a negligent action is recognized by the courts as an obligation of the defendant to use reasonable care to prevent exposure of the plaintiff to unreasonable risk of injury when the relationship between the defendant and the plaintiff is of a nature to warrant

⁶Leibee, p. 5.

such duty.

A breach of duty is failure to conform to that standard of a reasonable man. There is no negligence unless there is a duty to use care and a breach of this duty. The breach of duty may consist of an omission as well as an act of commission, but one is not liable for failure to do the impossible. Therefore, not every accident occurring on a recreation area means that liability exists, for injury or damage alone is not support for action.⁷

The causal connection between the defendant's conduct and the plaintiff's loss is usually divided into proximate or legal cause, and cause in fact. It is the cause in fact element of negligence action which seeks to determine if it was the defendant's conduct that caused the loss or injury to the plaintiff. It is an essential element of the plaintiff's cause of action for negligence that there be a reasonable connection between the act or omission of the defendant and the damage or loss suffered by the plaintiff. The defendant's act of commission or omission will be regarded as a cause in fact if such act is a substantial factor in bringing about the damage to the plaintiff. Ordinarily, it will have to be such a substantial factor that the damage

⁷Stanley E. Beattie (ed.), Michigan Law and Practice Encyclopedia, Vol. XVII (St. Paul, Minn.: West Publishing Company, 1957), p. 403.

or loss would not have occurred without it. The defendant will not be liable for damages unless it has been proven that he has in fact caused the injury to the plaintiff.⁸

The other causation factor, proximate cause, is the limitation the courts have put upon the defendant's responsibility for his conduct. Once it has been established that the defendant's conduct was one of the causes of injury to the plaintiff, it remains to be determined whether this behavior was significant and important enough to be held legally responsible. The term "proximate cause" is applied to this more or less undefined consideration which limits liability even where the fact of causation may be clearly established.⁹ In a theoretical sense, proximate cause means that there must be an unbroken chain of events. If there are intervening acts or events, such as an act of God or the negligence of a third person, that make the causal connection between the defendant's act and the plaintiff's harm seem too remote, then there will be no liability. Under what circumstances the connection will be regarded as too remote, remains to be a rather obscure question.¹⁰

⁸Prosser, p. 218.

⁹Ibid., p. 252.

¹⁰Spencer L. Kimball, "Nature of the Liability Hazard," Property and Liability Insurance Handbook, ed. John D. Long and Davis W. Gregg (Homewood, Ill.: Richard D. Irwin, Inc., 1965), p. 454.

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The fourth element which must be proved in negligence action is that actual damage or injury occurred to the plaintiff. Damages cannot be recovered from negligence action without proof of such damage or loss, except in some cases of libel and slander where it may be possible to bring about a law suit without actual physical damage or loss.

Degree of Care Owed to a Visitor

According to old common law, the responsibility for persons entering the land of another was not on the side of the landowner. This was due to the theory that all landowners held their land as a grant from the King and it was subject only to certain feudal duties. This law has changed. In the United States, laws have developed which impose definite duties on the owner or occupier of land, and these duties differ, depending on the status of the person coming onto the land.¹¹

To determine liability for negligent injury, the law classifies a person going onto the premises of another as a trespasser, licensee, or an invitee. The degree of care required by the landowner is determined by the classification each visitor comes under at the time of injury.

¹¹James F. Bell, "You and Trespass Laws," Sports Afield (April, 1959). Reprinted in Liability - A Problem in Public Use of Forest Lands (American Forest Products Industries, Inc., 1964), p. 4.

Trespassers

A trespasser is one who enters the property of another, without either express or implied permission for his own purpose, and not for any business of the owner. In general, the landowner owes no duty to a trespasser except to refrain from willful or wanton injury to him. A trespasser therefore enters the premises of another at his own risk and takes the property as he finds it. The owner is under no obligation to keep his premises in a safe condition or to warn trespassers of an unsafe condition.¹²

An exception to this rule of nonliability to the trespasser is that when a trespasser is actually discovered, the landowner is under duty to exercise reasonable care to protect him from any existing dangers the same as he would for a licensee.

In Michigan, this common law has been affirmed in several cases. The Michigan court attitude is well illustrated in the case of *Lyshak v. City of Detroit*, which upholds that a possessor of land who knows, or should know from facts within his knowledge, that trespassers constantly intrude upon a portion of his land is liable for bodily harm caused there to them from his failure to carry on with reasonable

¹²Ibid., p. 5.

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care those activities involving risk of injury to them.¹³

Another Michigan case, *Polston v. S. S. Kresge Company*, also summarizes, in a similar manner, the duty of the landowner to a trespasser once the presence of the trespasser is known. In this case, the court stated that:

After the occupier of premises is aware of the presence of trespassers or licensees, or if in exercise of ordinary care he should know of their presence, he is bound to use ordinary care to prevent injury to them arising from active negligence.¹⁴

Another exception to the general rule of nonliability to the trespasser is found in the "attractive nuisance" doctrine which is applied by the courts of some states to extend the duty to include reasonable care in the case of trespassing children. This doctrine applies when children are induced to come upon property as a result of something on the property which, by its nature, is unusually attractive to children.

If a child is old enough to recognize the hazard, or if the dangerous object is so common or the danger so obvious that the child should have recognized it, most courts will

¹³John F. Rice, "Cumulative Pocket Part, 1965," Callaghan's Michigan Digest, Vol. XIII, ed. J. M. Henderson and William Q de Funiak (Chicago: Callaghan and Company, 1941), p. 205.

¹⁴Ibid.

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not apply the doctrine of attractive nuisance. When the doctrine does apply, the children, even though trespassers, have the same rights as invitees, and the property owner may be held liable for any injuries to them that are a result of his negligence.¹⁵

As do many authors, Kulp indicates that interpretation of the attractive nuisance doctrine often causes confusion, even within the same state. As he explains, however, the doctrine may be regarded in two ways: (1) as an exception to the general negligence rules that apply to the liability of a landowner to trespassers; or (2) as an application of these rules to a special class of persons - children - for whom certain private property is so dangerous as to justify the reasonable standard of care, even for the trespasser. The doctrine, which is entirely a judicial invention, may be applied to objects of every sort likely to lure children onto private property. When allowed, the rule therefore imposes on the owner of the nuisance the standard of reasonable care usually awarded to invitees. The question of what is an attractive nuisance is for the jury to decide. This is the reason for most of the confusion of the present law on the subject.¹⁶

¹⁵Allen L. Mayerson, Introduction to Insurance (New York: The Macmillan Company, 1962), p. 126.

¹⁶Kulp, p. 73.

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The attractive nuisance doctrine is most often applied in cases involving dangerous machines and as a general rule does not apply to natural conditions. It has been held by several courts that bodies of water, either natural or artificial, are not attractive nuisances unless some other unusual or artificial feature other than the water is present. There have been many decisions to the effect that the doctrine is not applicable to ponds or reservoirs, pools of water, streams, or canals. A body of water is not an attractive nuisance by the fact that there are fish in the water and children fish there.¹⁷

Although the attractive nuisance doctrine is recognized in Michigan, it is conservatively applied and has not been permitted to severely impare the rule that property owners owe no duty to protect trespassers, adult or infant, from other than wanton or willful injury.¹⁸

Michigan courts, in the past, have upheld that owners of private property leaving a dangerous place unguarded are not responsible for consequent injuries to a child having no right or business there.¹⁹ However, a more recent case, *Lyshak v. City of Detroit*, 1958, has overruled cases holding

¹⁷Bell, p. 5.

¹⁸Beattie, p. 405.

¹⁹Ibid.

that a landowner owes no duty to a trespassing child.²⁰

Thus, it appears that in Michigan, one might now be more easily held liable in circumstances involving an attractive nuisance.

Licensees

A licensee is one permitted on the premises by virtue of the owners consent. He is distinguished from the "invitee" by the fact that he is on the premises by permission only. He is there primarily for his own benefit and not for reason of any business which would be of benefit or interest to the landowner.

Social guests are usually considered licensees as would be hunters or other recreationists using private property, with landowners permission, when no fee is charged for the use thereof.

The duty of the property owner to the licensee is to refrain from intentional injury, and to warn of any known concealed dangers which the licensee would not know about nor could reasonably be expected to discover himself. In fact, once a licensee has discovered a danger, he may not later complain of injuries resulting from it.

The landowner is under no obligation to inspect the

²⁰Ibid., p. 76.

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premises to discover dangers unknown to him, nor is he obligated to make the premises safe for the reception of the licensee. If a danger is known, the landowner must exercise reasonable care to see that the licensee is aware of the danger. If a danger is obvious, or made known to the licensee, he must assume the risk and there is no further obligation.²¹

Invitees

An invitee is a business visitor invited or permitted to enter the property of another for purposes connected with the owner's business, or for the mutual advantage of both parties. All guests who pay a fee for the use of recreational facilities would therefore be considered invitees. To them, the landowner owes the greatest degree of care to prevent injury. By failure to exercise the care that circumstances may demand, the landowner may be liable for certain acts of negligence which result in injury to the invitee.

Whereas the landowner usually receives no specific benefit from the entry of a licensee, the visit of an invitee bestows a definite benefit to the landowner. Therefore, the invitee is legally entitled to expect the added duty of the landowner to exercise reasonable care to make the land safe for his visit, or at least to ascertain the

²¹Prosser, p. 450.

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existing conditions of the land so that he may warn the visitor of any danger.

The landowner is liable for injuries resulting from a breach of this duty. The landowner will not, however, be liable if he warns the invitee of known dangers, or if the dangerous conditions causing injury is such that a reasonable inspection of the premises by the landowner would not have discovered it. This general rule regarding this duty to an invitee has been upheld in the case of *Bradly v. Burdik Hotel Company* and other court rulings within the state of Michigan.

Usually a landowner cannot relieve himself of his duty to the invitee by means of a contract or release. Some recreation entrepreneurs believe they relieve themselves of this obligation by obtaining releases from paying guests or by using signs that imply the invitee uses the facilities at his own risk. In most states, such practices will seldom serve as defense in case of litigation, although they may tend to discourage the filing of suits.²²

The implication of this duty upon the private recreation enterprise is evident. In dealing with the legal liabilities

²²John D. Rush and Ralph R. Botts, Liability and Insurance Protection for Farmers Who Have Income-Producing Recreational Facilities, U.S. Dept. of Agriculture, Economic Research Service - 120 (Washington: Farm Production Economics Division, 1963), p. 2.

for injuries arising from the maintenance and operation of a recreation enterprise, it should be kept in mind that the safety of patrons depends to a great extent upon the condition of the premises and appliances provided and the conduct of the person responsible for its operation.²³ It is imperative that the prudent operator not only warn or instruct the patrons of danger, but he must make periodic and thorough inspections of the premises and equipment and promptly make any necessary repairs. The operator who fails to exercise such ordinary care could not expect to have a good defense against any legal action which may arise from injury caused by an instrumentality under his exclusive control and management, if it can be determined that exercise of reasonable care would have prevented the injury. Failure to exercise such care constitutes negligence and the operator would be legally obligated to respond in compensatory damages for resultant injuries.²⁴

Before concluding a discussion of the duty owed to an invitee, it should be noted with particular attention, that the special obligation toward invitees is limited to the area of invitation; that part of the premises which has

²³Reginald V. Spell, Public Liability Hazards (2d. ed.; Indianapolis, Inc.: The Rough Notes Company, Inc., 1949), p. 89.

²⁴Ibid., p. 91.

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been open for the purpose which makes him an invitee. This area extends to the entrance and safe exit from the property and to all parts of the premises to which the business may reasonably be expected to take the invitee, plus those areas so arranged that the invitee could reasonably think they are open to him.²⁵

Where it is common for patrons to be free to go to certain parts of the premises, the patron will be considered an invitee unless the proprietor exercises reasonable care to notify the patron that the area of invitation is more narrowly restricted. If the patron then goes outside the area of his business invitation, he becomes either a trespasser or a licensee depending whether he goes with or without the permission of the proprietor. If the proprietor should intentionally or negligently lead the visitor into reasonable belief that that particular area was part of the business area, then the visitor is entitled to the protection owed an invitee.²⁶

Defenses to Negligent Action

In order for a defendant to be held liable in a negligent action case, it must be proved that the injury or loss

²⁵Prosser, p. 458.

²⁶American Law Institute, Negligence, Vol II, Restatement of the Law of Torts (St. Paul, Minn.: American Law Institute Publishers, 1934), p. 941.

was a result of his negligence. Once negligence has been established by illustration of a breach of duty or causation, the defendant has three principle defenses to negligence action. These three major defenses are (1) contributory negligence, (2) assumption of risk, and (3) immunity.

Contributory Negligence

Basically, contributory negligence is conduct on the part of the plaintiff which contributes to his own injury. In such a case, the plaintiff is also negligent because his conduct does not conform to the standard required for his own protection. As a result of such action, the law will deny the right of the plaintiff to recovery for damages. The law requires everyone to behave in a reasonable and prudent fashion. Therefore, if the plaintiff does not meet this standard and injuries result which are partly his fault, and partly the defendant's fault, he may not hold the defendant responsible.

Essentially, the test of contributory negligence is the same as for negligence, except that there is no element of duty owed to another. In most cases, the common law holds that any degree of contributory negligence is sufficient to bar recovery. Thus, this doctrine has proven to be harsh, particularly in cases where the plaintiff's

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negligence is very slight while the defendant's negligence is great. As a result, there have been attempts to modify the law, but most such attempts have met with little success.²⁷ Apparently, this would be true in Michigan since this state does not usually recognize degrees of negligence; one is either negligent or not negligent.²⁸

Assumption of Risk

The defense of assumption of risk means that the plaintiff has consented to relieve the defendant of his duty to protect the plaintiff from harm of a particular risk. This consent may be given either by express agreement or by implication. In all cases, the assumption of risk must be free and voluntary. If it is clear that the plaintiff does not consent to relieve the defendant of the obligation to protect him, the risk will not be assumed.

In the majority of cases, the consent to assume risk is implied from the conduct of the plaintiff under the circumstances. By entering into situations which involve obvious danger, the plaintiff, assuming the risk, will look out for himself and relieve the defendant of responsibility. This generally applies to those participating in contact

²⁷Leibee, p. 11.

²⁸Beattie, p. 408.

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sports or to spectators at sports such as baseball or hockey, where there is obvious risk of being hurt.

In another situation, if the plaintiff is aware of a risk created by the negligence of the defendant, but proceeds to voluntarily encounter it, he cannot then hold the defendant responsible for damage caused by the negligence. The doctrine that no wrong is done to one who consents, will bar him from recovery of damages from a risk which he has accepted and brought upon himself.

It is quite possible for one to expressly agree that there shall be no responsibility for negligence. No public policy prevents the parties involved from contracting as they see fit. However, such agreements will not be upheld by the courts if one party is put at such a disadvantage in bargaining power that, in effect, he is put at the mercy of the other's negligence. In such cases, the courts uphold that one may not contract away his responsibility.²⁹

Immunity

Immunity from liability for tortious acts probably originated from the common law that "the King can do no wrong" established in the sixteenth century. This immunity is not an applicable defense to a negligence action against

²⁹Prosser, pp. 303-311.

a private enterprise. However, certain defendants are provided immunity from legal action without consent.

Generally, neither the federal government nor any of the states may be sued without consent. This extends to state and municipal agencies as long as their function is regarded as governmental rather than proprietary. The higher administrative officers of these governmental agencies are extended the same protection in performance of their duties. Lower officers may not have such absolute immunity and there seems to be much uncertainty as to where the precise line is to be drawn. In many jurisdictions, charitable organizations are also provided immunity, at least from nonliability to recipients of the charitable benefits.³⁰

³⁰Ibid., p. 770.

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CHAPTER III

THE NATURE OF RISK AND INSURANCE

It is the purpose of this chapter to provide a fundamental concept of risk and insurance in general. This will embrace the nature of risk, risk management, and insurance as a risk management tool, plus a brief description of the types of liability insurance policies most applicable to the rural recreation enterprise.

Concept of Risk

Risk has been defined in many different ways, but most simply, it can be expressed as the possibility of an unfortunate experience or the chance of loss. Risk may be further classified into several categories, but the important distinction is between speculative risk, and pure risk.

A speculative risk is one in which the consequences may result in either a gain or a loss. Gambling or wagering creates this kind of risk, for those who gamble have a chance of a gain, or they may lose. Pure risks, on the other hand, can result only in loss or no loss, and will in no case hold forth any promise of gain.

Pure risk has been further divided into personal, property, and liability risks. Personal risk involves a chance of loss or damage to the person, property risk is the chance of loss or damage to personal property, and liability risk is the possibility of becoming legally obligated to pay for damages to another person or his property.¹

Risk Management

Influence of Risk

As Willett explains, uncertainty generally exercises a repellant influence in economic life. Further, it is evident that the same degree of risk does not have the same amount of influence on all men. This may be because different men place different values on the degree of risk involved in any undertaking; or it may be because of differences in the mental and moral natures of the men. Adventurous, self-reliant men may not hesitate to assume a risk which timid men would tend to avoid. By the same token, one with little prudence and foresight will more readily incur a risk which would be avoided by a more rational man. In some cases, the gambling instinct overcomes what, in contrast, may be called the business instinct. Finally, the difference in influence

¹James L. Athearn, Risk and Insurance (New York: Appleton - Century - Crofts, 1962), p. 46.

that a risk may have on men may be due to inequalities in the amount of wealth possessed by the men.²

The way in which a man deals with risk may depend on the above factors. However, each man has a choice of using several means in coping with the problem. The method of risk management used will depend on the nature of the risk and the attitude or financial condition of the business.

The risk element influences management decisions in family and personal affairs as well as in the business world. Large business corporations have probably developed the concept of risk management to the greatest extent. However, the concepts and tools of risk management followed by large firms have definite application to small businesses as well.

Basic Steps in Risk Management

The control of pure risks, with which this discussion is concerned, is limited in scope to several basic steps. This process of dealing with risk is known as "risk management". Most authorities agree that there are three fundamental steps involved in risk management. These are (1) discovery of the risks from which losses may arise, (2) measuring

²Allen H. Willett, The Economic Theory of Risk and Insurance (Philadelphia: University of Pennsylvania Press, 1951), p. 24.

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the impact that these losses would have upon the business, and (3) selecting the various tools or alternative solutions to deal with the risks.

Risk discovery is the first function in the process of risk management. The business manager should make a complete inventory to discover potential risks that may arise through operation of the business. It is important that the manager keep abreast of new risks that may be created through expansion and addition to the enterprise.

Once the risks have been identified, the next step in risk management is to evaluate the impact these losses would have on the business should they occur. Included in this evaluation is the probability that the loss will occur, the impact the loss would have on the financial affairs of the business, and the ability to predict the proportion of losses that will actually occur within a given period.³

After the risk has been identified and measured, it is then the manager's responsibility to determine the most efficient method of treating the various risks. The manager may have several alternatives or a combination of methods at his disposal.

³C. Arthur Williams, Jr. and Richard M. Keins, Risk Management and Insurance (New York: McGraw-Hill Book Company, 1964), pp. 14-15.

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Methods of Dealing With Risk

A man face to face with various risks has four basic tools with which he can handle the problem. These are:

(1) avoidance, (2) retention, (3) loss prevention and reduction, and (4) transfer of risk. Some authorities have extended this list to include two other alternatives; neutralization and combination of alternatives.⁴

A risk may be avoided simply by refusing to assume it. A business may choose not to enter into a certain activity in order to avoid the risk associated with it. Naturally, this method may impose severe limitations because the business may have to give up certain activities which produce considerable auxiliary benefits. In some situations however, this may be a desirable method of dealing with the risk.

Risk retention is the failure to take positive action to provide for the losses incurred by a risk. Assumption of a risk may occur when a manager is not aware of the risk and therefore, does not attempt to handle it, or he may actively decide to assume the risk and pay any consequential losses from his own resources. This method may be necessary if other means of handling the risk are not available.⁵

⁴Ibid., p. 40.

⁵Ibid., p. 41.

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Prevention is another means of meeting risk. This method differs from other methods of handling risk in that it is aimed at eliminating or reducing the factors that may cause a loss. In some cases, this minimizes the severity of loss when it does occur. This method of risk management is most effective and most common in connection with losses from particular perils, such as fire, wind, and theft, over which the exposed person or business can exercise some degree of control to prevent loss.⁶ Also, this may have some application to reducing liability by the fact that care has been exercised to reduce the chance of an accident, but this method is not a complete solution to the problem.

Finally, one who is subject to a risk may induce another to assume the risk. This is known as transfer of risk. Risk may be transferred by giving personal surety bonds, underwriting of security issues, stock options, and real estate options. However, the most commonly used method of risk transfer is insurance.⁷ It is with this latter method of risk management that this study is particularly concerned. Therefore, subsequent sections of this chapter will be devoted to discussions of the fundamental concepts of insurance.

⁶Robert Riegel and Jerome S. Miller, Insurance Principles and Practices (4th ed.; Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1964), p. 88.

⁷Ibid., p. 20.

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The Nature of Insurance

The Function of Insurance

It is clear that risk cannot normally be avoided in life. In every day life, man is influenced in his decisions by the presence of risk. Regarding this basic concept, Loman has aptly stated:

There is probably no more important factor than the element of uncertainty in human and business affairs. If there is any other element which vitally affects and frequently even dominates decision making to so great extent, it has not been recognized. Therefore, the rate of progress in the world of business and social affairs is dependent on ways and means of dealing with uncertainty. This is the function of insurance.⁸

Insurance can never prevent loss, but it can transfer the risk of economic loss from one less able to bear it to one who is able to shoulder it. In essence, insurance replaces the uncertainty of a possible large economic loss by the certainty of a small economic loss, namely the premium paid for insurance protection.⁹

From the legal viewpoint, insurance is a contract. The insurer agrees to make restitution for any financial loss the insured may suffer, within the limits of the

⁸Harry L. Loman, "Insurance and Society," Property and Liability Insurance Handbook, ed. John D. Long and Davis W. Gregg (Homewood, Ill.: Richard D. Irwin, Inc., 1965), p. 15.

⁹Allen L. Mayerson, Introduction to Insurance (New York: The Macmillan Company, 1962), p. 5.

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contract, and the insured agrees to pay a consideration, or premium.

Essential Requirements for Insurance

It is generally considered that there are four basic conditions which must be met before a pure risk is ideally insurable.¹⁰

(1) There must be a large number of units exposed to the risk. This requirement is necessary in order that the insurance company can statistically predict, with fair accuracy, what proportion of the units will suffer losses. Thus, it is necessary for an insurer to accept a large number of risks in order to operate safely.

(2) Further, the insured must be subject to a definite risk determinate in time, place, and amount. The insurance contract is based upon some actual possibility of loss.

(3) The chance of loss occurring over a reasonable period should be capable of approximate mathematical calculation. This is necessary in order that insurance companies can set premium rates at a level which will produce reasonable, but not excessive, profit to the company.

(4) Finally, the loss insured against must be accidental from the viewpoint of the insured. It is obvious that,

¹⁰Williams, pp. 52-53.

from a business viewpoint, it would be unwise to insure against an intentional loss.

Economics of Insurance

Insurance reduces uncertainty. By obtaining insurance, one substitutes a known loss for an unknown loss. In budgeting business operations, this becomes important because loss costs for a year will be known and more efficient use of production facilities can be made. If insurance is not available to the entrepreneur, uncertainty may lead to less efficient use of his capital, or even to the complete abandonment of the project.¹¹

To avoid staggering losses, insurance is indispensable. The shock loss from a large judgment may destroy the financial foundation of any enterprise. If an enterprise should be uninsured and has no cash reserve, a judgment may completely destroy the business. Even if a business is insured, it is conceivable that the same result could occur if the judgment were to exceed the maximum limit of the insurance policy. According to Morris, the answer that the entrepreneur theory gives to justify such harsh results is that the entrepreneur should have adequately funded or insured the enterprise in the first place. "The entrepreneur who does

¹¹Loman, p. 6.

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not make provision for this cost should fail, just as one who does not provide for his labor cost or for interest on his borrowed capital will be put out of business."¹²

Another important benefit of insurance is the protection it provides against legal costs incurred from being a defendant in a law suit. Even though the defendant in a negligence action case is not proved negligent, he may be faced with paying high lawyer and court fees. Any injured person may start a law suit to recover damages whether there is negligence or not. It is up to the court to decide if the case is justified. Therefore, even the most careful and prudent man should not assume that he will not be a defendant in a law suit for damage which the plaintiff asserts was due to negligence.¹³

As Spears points out, the cost of a trial and defense may, in some cases, even exceed the final settlement. He adds that people are more apt to start litigation now than they were a few years ago, and verdicts not only usually favor the plaintiff, but final settlements are becoming

¹²C. Robert Morris, Jr., "Enterprise Liability and the Actuarial Process - The Insignificance of Foresight," Yale Law Journal, Vol. LXX (New Haven, Conn.: Yale Law Journal Co., Inc., March, 1961), p. 556.

¹³Spencer L. Kimball, "Nature of the Liability Hazard," Property and Liability Insurance Handbook, ed. John D. Long and Davis W. Gregg (Homewood, Ill.: Richard D. Irwin, Inc., 1965), p. 451.

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increasingly high. By obtaining liability insurance, the defendant will not only be spared such high damage payments, but in many cases, the defendant may even be spared the inconvenience of appearing in court. If possible, the insurance company will usually try to settle out of court because of the high awards common today. If the case goes to court, the insurance company will usually represent the defendant so that he may not necessarily have to appear in court. In fact, he may not even know what costs were incurred, or the amount of the final settlement.¹⁴

As has been indicated, many authorities reveal that liability claims are more prevalent today, verdicts tend to favor the plaintiff, and settlements tend to be higher than common a few years ago. Kimball agrees also, that people are more claim conscious today and the risk of unjustified claims is becoming constantly higher. This is largely because of the prevalence of liability insurance which makes the public ever more claims conscious. The development of liability insurance has taught the public that there is a ready source of funds against which judgments can be collected. Therefore, the public is more conscious of the possibility of success in winning lawsuits and thus, more

¹⁴Interview with Robert Spears, Lansing Insurance Agency, July, 1966.

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ready to initiate them. "Liability insurance is plagued by a problem that is an inevitable result of its own successful development. An insurance buying public is a claims conscious public."¹⁵

In addition to the high cost that may be incurred in defense of an unjustified law suit, the business manager should consider that, because of difficulties in the fact finding process, the courts may not decide that the claim is unjustified, even when the facts would seem to dictate such a result. Often, many factors are introduced to distort the jury's perception of the facts. Also, legal uncertainty may appear because of the fine line in deciding whether a rule of law applies to the given set of facts.¹⁶

Spears mentioned that another technique used to the advantage of the plaintiff is that often people will not sue until near the end of the time limit allowed for initiating legal action. This may be a year or more, so the trial comes at a time when memory has begun to fade. He emphasizes that this is why it is imperative that all accidents be reported to the insurance company immediately so investigation can be made before the facts become obscure.¹⁷

¹⁵Kimball, p. 458.

¹⁶Ibid., p. 459.

¹⁷Interview with Robert Spears.

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These risks inherent in the legal process are quite different from the risk of liability created directly by the law. These are risks that may also result in high costs, so should be insured against. Fortunately, they are included in the standard liability insurance policy, but it is important to understand these peripheral risks to more fully understand the nature and operation of liability insurance.¹⁸

Liability Insurance

The Insurance Contract

The liability insurance contract agrees to pay the insured, up to the limits of the policy, all sums that the insured may be obligated to pay as a result of accidents resulting in bodily injury or property damage to others. In addition, the insurer will pay expenses incurred by the insured for immediate medical treatment at the scene of the accident. This payment includes items such as first aid and ambulance fees, and will be made whether or not the insured is negligent. The insured may also elect to purchase medical payment coverage which will pay for additional medical or funeral expenses incurred within one year from the date of the accident. In the event of a law suit, the insurer agrees

¹⁸Kimball, p. 460.

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to pay all expenses incurred in investigation, defense, and settlement of the accident, even if the suit is groundless or fraudulent.¹⁹

Some contracts are written on the basis that recovery may be made per "occurrence" rather than per accident; the reason being that some courts consider that an event is not an accident unless it is sudden. Damage that occurred over a longer period of time would therefore, not be an accident, but it would be an occurrence. Also, some courts argue that deliberate acts which have unintentional and unexpected results are not accidental; but they are undoubtedly occurrences.²⁰ Thus, it appears that the simple substitution of the word occurrence, in place of accident, may somewhat extend the coverage of the policy, in some cases.

Liability insurance contracts may be either comprehensive or selective in nature. The comprehensive policy insures against all liability hazards arising from operation of an enterprise, whereas the selective, or schedule, contract provides protection against specified hazards. The two kinds of policies which most often apply to protection of recreation enterprises are the comprehensive general liability policy and the owner's, landlord's, and tenant's

¹⁹Williams, pp. 279-280.

²⁰Williams, p. 276.

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policy (O,L,&T), a schedule type policy.

The Schedule Liability Policy

The schedule insurance form allows the insurance buyer to select those segments of liability coverage that apply to his business. Standard liability sources for which coverage may be included in the schedule policy are: (1) premises and operations, (2) elevators, (3) products, (4) structural alterations, and (5) contractual liability or save harmless agreements.²¹

The owner's, landlord's, and tenant's policy will provide coverage for liability hazards arising from the ownership, maintenance, or use of the property. It is this schedule policy that is commonly issued to provide protection for operations such as theaters, hotels, department stores, and may likewise be applied to recreation enterprises. In addition to the coverage for liability resulting from premises operation, the recreation entrepreneur may, in certain cases, want to include coverage for products liability and for structural alterations.

Recreation entrepreneurs who operate concession stands, snack bars, or stores, should consider their liability for damages resulting from goods which they have sold to guests.

²¹Williams, pp. 275-276.

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The damage may be a result of the product or the container. The products liability coverage will protect the insured against such accidents which may occur away from the premises as a result of the product. Damage caused by the product while it is still on the premises, or under control of the insured, will be covered by the premises operations section of the policy.²²

The structural alteration coverage may need to be included to provide adequate coverage for recreation enterprises undergoing further development or improvement of facilities. Without special addition of this coverage, the owner's, landlord's, and tenant's policy will not cover liability from structural operations which involve a change in the size of a structure, new construction, or the demolition of existing structures.

The premium rate that the insured will have to pay is based on the type of risk. The principal basis for rate making in owner's, landlord's, and tenant's policies is the square foot area of floor space insured on the premises. This basis is applicable to stores, and other buildings, but for certain other risks, different units must be used as the basis of charge. These methods include a charge made

²²Ibid., p. 276.

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for each one hundred persons admitted in a year, a percentage of receipts collected, or a flat charge made per acre, or for each object such as a boat or swimming pool.²³

The Comprehensive General Liability Policy

The comprehensive general liability policy is designed to provide a business with protection for all exposures, including products liability, unless specifically excluded. Generally, the comprehensive general liability contract is considered to provide more complete protection than the owner's, landlord's, and tenant's policy because there is less chance that an unknown hazard will not be covered.

A major advantage of the comprehensive general liability insurance policy is that any hazards or exposures which are added during the policy year will automatically be covered without notifying the insurance company. At inception of the insurance contract, a survey of all existing hazards is made by the insurance company representative. At the close of the policy period, an audit is made which reveals the addition of any other sources of liability that were not present at the inception of the contract. At this time the insured will be required to pay an additional premium for any exposures added since the beginning of the

²³Mayerson, p. 172.

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policy term. Basically, the premium is the sum of the premium for the various sections provided under the schedule liability policy to the extent that the insured has developed liability under each source. The premium charge will reflect any exclusions such as products liability, or certain projects or locations, which the insured elects to exclude.²⁴

²⁴Williams, p. 282.

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CHAPTER IV

ANALYSIS OF INSURANCE COMPANY POLICY

The discussion thus far has presented a general treatment of the fundamentals of insurance. To better understand liability insurance as it applies specifically to the recreation enterprise, it was felt that additional information should be obtained to reveal the policy of insurance companies involved in providing this type of insurance.

To obtain this information, a questionnaire was sent to ten insurance companies believed to write insurance for such enterprises. The names of these insurance companies were obtained from a list provided by the Soil Conservation Service plus a selected few companies who advertise in recreation magazines.

Questionnaires were sent to ten insurance companies and six replies were received. Two of the responding companies did not provide liability insurance, and a third declined to answer the questionnaire because it was not licensed to solicit business in Michigan. The remaining three respondents each elected to write a letter discussing most of the issues presented in the questionnaire in order to

avoid any possibility of giving misleading information that might result from direct answers to the questionnaire.

A copy of the questionnaire is included in Appendix C. The following discussion related to the questionnaire is synthesized from comments received from these three insurance companies which provide liability insurance for commercial recreation enterprises. Because the names of the persons responding are not relevant to this study, the following discussion will not be identified with any particular individual or insurance company. Analysis will proceed in the order in which questions appeared in the questionnaire.

Policy and Attitude

Some general comments revealed two principles of insurance applicable to insuring such enterprises. One is the necessity to insure a large number in order to obtain a "spread" of homogeneous risks. The second consideration is that unusual risks do not produce predictable results, and since they do have high severity potential, they do produce large losses.

All three respondents did write liability coverage for recreational facilities such as camping, fishing, swimming, boating, and horseback riding. One company indicated that this was subject to careful underwriting and that most

insurers would prefer not to insure such hazards. Children's amusement devices, riding academies, and saddle animals will be insured only when they are incidental to the operation of other insured activities. These exposures have been found to be unprofitable for insurers.

Whether a company will insure a specific risk, and what the premium will be, will depend largely upon the type of facility, the degree of protection and safety provided with the facility, and the operator's experience and background. A survey of facilities will generally be made and each risk judged on its own merits and the rate established on a custom basis.

The basis of the premium is as varied as the activities involved. For example, playgrounds are rated on an acreage basis. Bathing beaches and ski lifts or tows for which no admission is charged are rated on a unit basis. If admission fees are charged at the beach or ski tow, the premium is predicted on the amount of receipts. Other objects such as floats, boats, docks, and saddle animals will be rated on a unit basis, whereas snack bars and stores are rated on the basis of square foot area.

Two companies declined to recommend a minimum coverage because they believe that this decision is largely a matter of personal preference and what the individual can

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afford. The other insurance representative recommended \$25,000 per person and \$50,000 per occurrence as a very minimum. The new standard policy of this company is on an occurrence basis instead of an accident basis. A Comprehensive General Liability policy was also recommended by this company, although the standard owner's, landlord's, and tenant's policy is very satisfactory in situations where little change is expected in the premises or in the operations, assuming it is properly written.

One company specifically provided for a possible premium discount after a period of safe operation. General liability risks are experience rated by this company if they produce an annual premium of \$250 or more. Thus the experience of all exposures will determine whether a policy holder receives a credit or debit modification. The experience period may be from one to five years.

Only one response was received which indicated anything about availability of insurance in the future. This respondent felt that quite possibly premium rates would decrease for recreational facilities on the farm. This might happen if their rating bureau established a classification and rating system for such facilities based on data gathered over several years. However, there will probably continue to be a wide variance in the rating of these exposures by

various companies.

It is not surprising that all three companies did not feel their premium rates were high. This is a very relative question and would be difficult to answer objectively in any case. There seems to be no doubt that recreation areas have a high loss potential because many enterprises will be new with inexperienced management, and a wide variety of exposures. One company alluded that the current rate was probably not due to a lack of evaluation, but rather reflects the fact that persons injured through almost any cause want to recover whatever they can. Also, attorneys are very willing to institute a suit with the minimum hope of recovering at least the nuisance value of the claim plus a contingent fee. The fact that there is a relatively small demand for this insurance may have some tendency to cause higher rates. The variance of premium rates between companies is due either to the knowledge, or lack of knowledge, about the enterprise, or because their experience with such enterprises has been poor.

The most common type of injuries appear to be falling from equipment or stumbling over objects and equipment. Water, of course, has the risk of drowning, plus injuries from conditions in and about the swimming area. The horse-back riding exposure also has produced injuries for many

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years.

None of the companies responding had a complete record of the range of payments made for suits incurred, but one company estimated the most common range to be from \$5,000 to \$10,000.

Regarding the question of whether it would benefit the Michigan Association of Rural Recreation Enterprises to adopt a code of safety standards, all three respondents stressed the need for safety precautions. It seems evident that insurance companies feel it would be a great benefit if the Association prescribed standards to help the recreation entrepreneur. One company emphatically stated that recognition would be given to prospective policy holders who adopt and follow recognized standards of safe operation. This recognition might be in only accepting risks that might otherwise be rejected, but quite likely, lower rates would also be granted. Another respondent went on to warn that the mere fact that rules are set up would not necessarily mean rates would be reduced. The rate reduction would have to be based on the actual results of the rules.

The insurance companies queried do not seem to have specified minimum standards, but underwriting personnel will inspect the risks and make recommendations for improvement or acceptance. In the inspection of enterprises,

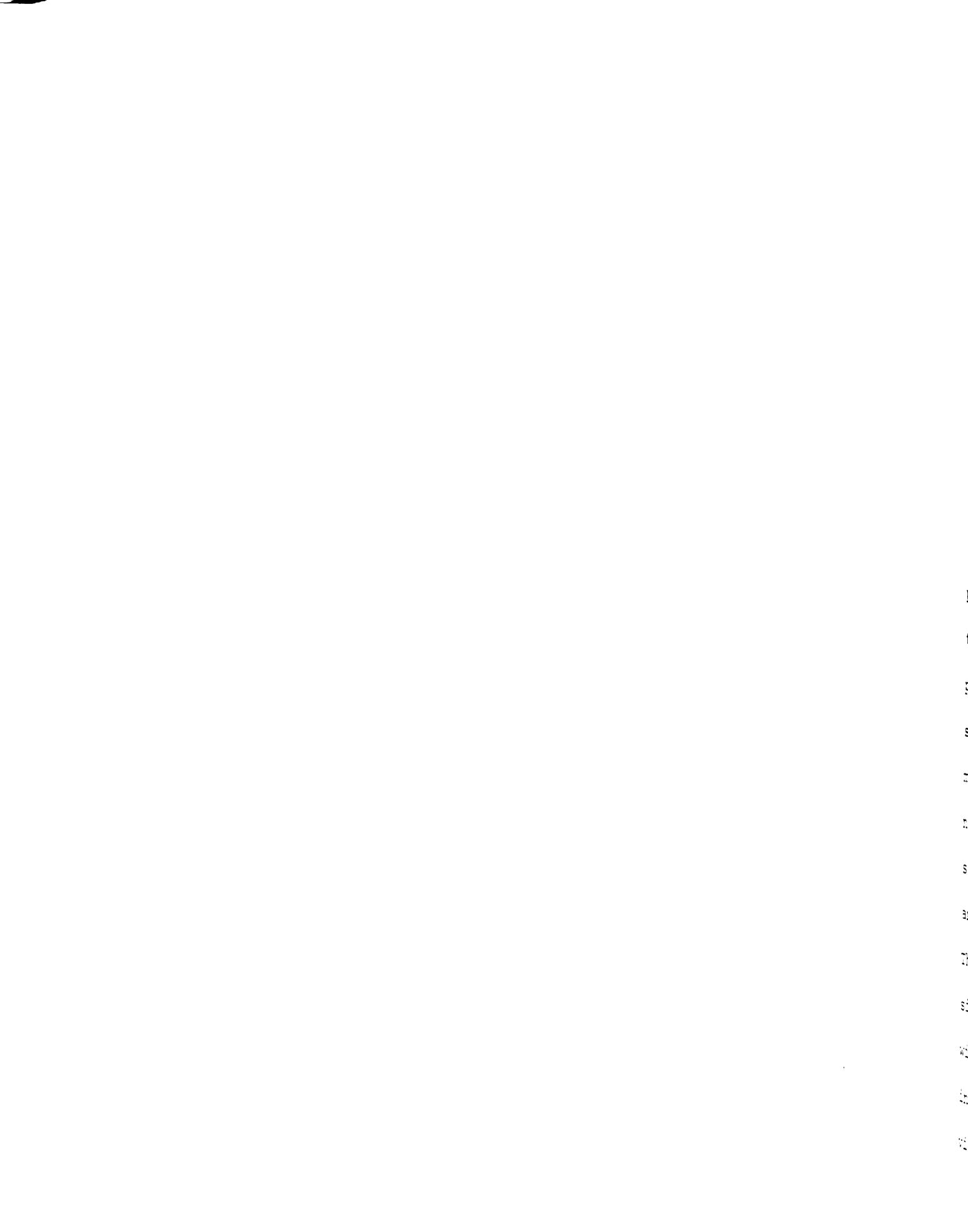


management attitudes and cooperation is a very important consideration.

The three companies apparently were all licensed to do business in Michigan. One respondent emphasized that it did not wish to be considered as a company who would readily provide insurance for recreational enterprises, but it will accept all high quality operations.

Recreational enterprises do apparently create special and unique problems and are usually considered special risks. Writing insurance for such risks involves additional personnel to provide the necessary control by inspection of the enterprises and for making recommendations. This additional man power creates added expense which must be passed on to the insured.

These insurance companies are not concerned about the method used to collect fees. One respondent indicated that in the case of an organization permitting members only, and no guests or new members, liability may be reduced because the members would then be considered to have assumed the risk which would void their right of recovery. This would be true only if the member was part of a truly mutual organization and his use of the grounds over a period of time would make him familiar with the existing hazards. A member only program, for any other reason, probably would not have



any effect on the premium.

Accident Prevention

In addition to the above comments, correspondence with another insurance company produced a speech given to an association of swimming pool operators by James A. Dabney. In this speech, particular emphasis was placed on prevention activities, and although this was addressed to swimming area operators, many of the comments are applicable to recreation enterprises in general.

As emphasized by other insurance companies, Dabney places much importance on reducing the chance of accident through an effective safety program. An effective safety program for any recreational facility can be divided into several parts. These are: (1) study of the area to determine what can be done to eliminate the hazard through engineering and lay out of the facilities into an effective safety scheme, (2) personnel should be trained in first aid and rescue as well as in methods of accident prevention. The operator must have an attitude of awareness and a desire to prevent injury. (3) The enterprise must be equipped with all necessary safety equipment, and employees trained in a plan of action in event of injury. Over all supervision should be provided to assure that operating schemes

work properly. (4) Emergency medical services should be available if possible. Communications between recreation areas and medical assistance is too often neglected. The legal aspects of not doing this prior planning are worthy of attention. (5) Regulations as to the use of the areas should be set up and posted to provide reasonable safeguards for those who may use any recreation area.¹

In too many cases involving injury, the accident could have been prevented. Conditions were such that injury had to occur sooner or later -- it was only a matter of time. A study of many accident cases points out the importance of surveying the entire lay out with the idea of anticipating what accidents may occur and then taking steps to prevent them. The operator will have a difficult time defending a claim or law suit if there is a lack of proper safety precautions, even though the absence of safety precautions may not be the actual cause of the accident.²

The insurer will be most interested in an operator's accident prevention program. An engineer representing the insurer should work with the operator as much as possible in

¹James A. Dabney, Superintendent of Casualty Underwriting Staff, Nationwide Insurance Company, "A Frank Discussion of Accident Control and Liability Insurance," Paper read before an Association of Swimming Pool Operators, Columbus, Ohio, November 19, 1965.

²Ibid.

the design and make up of the recreation area. All accidents should be reported promptly and the names of any witnesses should be secured.³

Finally, the operator should be certain that the insurance agent understands the nature of the operation and all of the exposures and hazards. If any changes are made in the premises or operations, the insurance company should be one of the first to know about it. The insurance agent's job is to help protect the operator's business so he should be made a partner in this endeavor.⁴

³Dabney.

⁴Ibid.

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CHAPTER V

AN INVESTIGATION OF INSURANCE PROGRAMS AND PROBLEMS OF RECREATION ENTERPRISES

Design and Scope of the Study

The purpose of this survey is to obtain an indication of the extent of liability insurance programs and practices in rural recreation enterprises in southern Michigan, and to determine the nature and significance of any liability related problems encountered by these enterprises. This study is limited to an investigation of liability programs and problems of enterprises for which a user fee is charged. Other types of insurance programs will not be analyzed in this study.

Information for this analysis was obtained by contacting selected recreation entrepreneurs in southern Michigan by either direct interview or by means of a mailed questionnaire. The selection of enterprises to be contacted was based primarily upon an inventory of private recreation enterprises compiled by Dr. Van Nierop of the Michigan State University Department of Resource Development and the State Soil Conservation Committee. Five entrepreneurs represented in this survey were not listed in this inventory, but were

later discovered by the investigator while traveling to known enterprises. From the listing, effort was made to select a representation of several common types of operations such as campgrounds, picnic areas, fee fishing ponds, and hunting areas. Emphasis was placed on campgrounds and picnic areas which provided other facilities such as swimming, boating, fishing, and horseback riding. Effort was also made to obtain representation from as many counties in southern Michigan as possible.

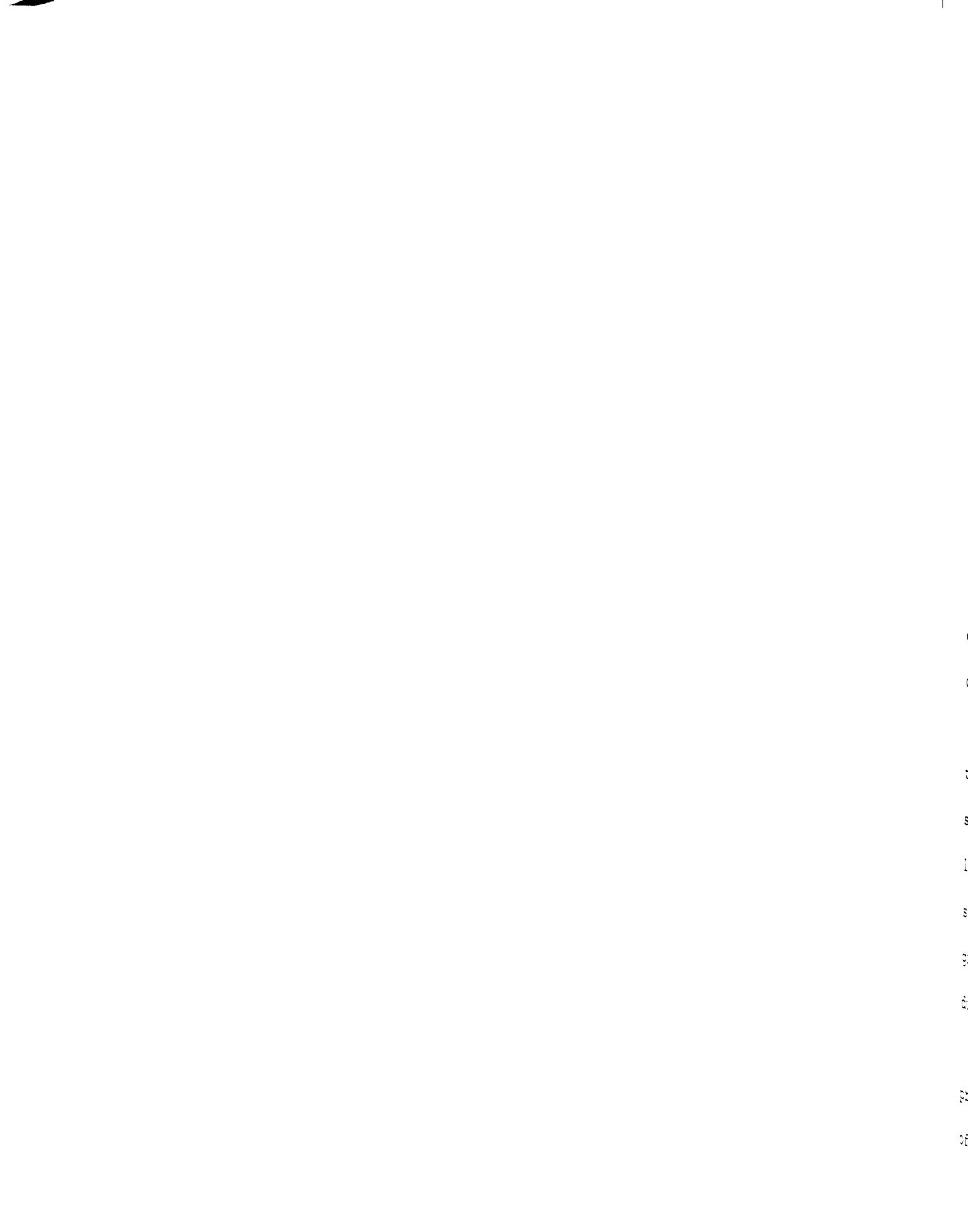
To provide a larger base for investigation, this selection was not limited to farm recreation enterprises, but the selection did emphasize those types of facilities most readily and frequently adopted as auxiliary use of farm land. Enterprises that have been excluded from this investigation include motels, cabin rentals, vacation farms, day camps, resorts, and golf courses.

It was recognized that personal interviews with the proprietors of recreation areas would be the most desirable method of assessing insurance programs and difficulties. On site evaluation of an enterprise reveals much more than a mailed questionnaire. However, because of time and expense limitations, it was further recognized that the number of enterprises which could be personally visited would be less than the minimum desired representation of thirty enterprises.

Thus, it was estimated that fifteen to twenty enterprises could be visited personally, and the remaining contacts would be by mailed questionnaires. In actuality, eighteen entrepreneurs were personally visited and a questionnaire was mailed to forty two additional enterprises. All entrepreneurs were asked the same questions. Because the desired representation of thirty enterprises was obtained, follow-up letters were sent to only two non respondents from whom the investigator particularly wanted information. These still produced no response.

The questionnaire was divided into essentially four parts. One portion was designed to provide a general indication of the nature of the enterprise including facilities provided, and land use characteristics. Another portion was devoted to determining common management practices, particularly those which may effect the liability aspects of a commercial recreation enterprise. The remaining two sections of the questionnaire are related more specifically to the liability insurance program. Questions in these sections were designed to provide an indication of the difficulties experienced by entrepreneurs in obtaining liability insurance and to provide specific information about the insurance policy itself.

On the basis of information obtained from this study,



conclusions have been drawn and implications for the rural recreation business, in general, have been described. Recommendations for further action and study have also been suggested.

Limitations of the Study

The limitations in the scope of this study have been indicated above. However, it should be noted that an investigation of this nature has certain inherent limitations which may have an effect on the final results and conclusions as they apply to the recreation industry as a whole.

From a strictly scientific viewpoint, the sample of entrepreneurs investigated may not be statistically significant.

Of even more importance, the investigator may have introduced bias through the selection method used. From a statistical viewpoint, this sample was not made on a strictly random basis. Although the respondents included in the survey were essentially chosen at random from a selected group, the initial selection of the group could have introduced bias.

There is no way of knowing how many prospective entrepreneurs were prevented from entering the business because of liability insurance problems. Therefore, this investigation

will reveal only those problems encountered by persons presently engaged in the operation of a recreation enterprise. Thus, this study may not provide a true indication of the discouraging effect liability insurance might have on the development of recreation enterprises.

Then too, there is always the possibility that the respondents to a mailed questionnaire will, in fact, represent a biased group if the percentage of return is relatively small. As noted in the data analysis, only a thirty eight percent (38%) return was received from the mailed questionnaire. One may conjecture the nature of the non respondents. It is conceivable that many of those not responding did not wish to reveal their own shortcomings. On the other hand, it could be expected that those responding would, for the most part, have liability insurance protection, or at least have made a reasonable attempt to obtain the necessary coverage. The inference is that a larger return from the questionnaire might have revealed a larger percentage of entrepreneurs operating without insurance.

The sample included more campground operators than any other group of entrepreneurs. Thus, more complete analysis can be made for this enterprise than for ski areas and other enterprises which have been represented by only one respondent.

In view of the above limitations, the reader should keep in mind that the results of the investigation are not conclusive, and must be used only as an indication of the liability problems and programs of rural recreation enterprises as a whole.

CHAPTER VI

DATA ANALYSIS

Nature of Recreation Enterprises

Types of Facilities Represented

A total of thirty four respondents to the questionnaire was obtained representing enterprises from nineteen counties in southern Michigan. The counties represented and the number of respondents from each county is shown in FIGURE 1 and TABLE 1. Of those enterprises represented in this study, eighteen were visited personally, and sixteen provided information in response to forty two questionnaires mailed to additional enterprises. This represents a thirty eight percent return of mailed questionnaires.

TABLE 1

REPRESENTATION FROM COUNTIES INCLUDED IN THE SURVEY

County	Enterprises Visited	Mailed Question- naire	Question- naire Returned	Total Representa- tion
Allegan	4	2	1	5
Barry	3	4	0	3

TABLE 1--Continued

County	Enterprises Visited	Mailed Question- naire	Question- naire Returned	Total Representa- tion
Bay	0	1	0	0
Berrien	0	2	1	1
Calhoun	3	1	0	3
Cass	0	3	1	1
Clinton	0	1	0	0
Genessee	1	4	1	2
Ionia	1	0	0	1
Kalamazoo	0	1	1	1
Kent	1	0	0	1
Lapeer	1	2	0	1
Macomb	0	2	1	1
Midland	0	1	1	1
Muskegon	0	2	0	0
Oakland	1	1	1	2
Saginaw	0	2	2	2
Shiawassee	0	3	2	2
St. Joseph	0	5	2	2
Tuscola	1	2	0	1
Van Buren	0	1	1	1
Washtenaw	2	2	1	3
Total	18	42	16	34

The types of enterprises represented in this investigation have been grouped into nine general categories based on the major activity provided by the operation. These categories include:

(1) Campgrounds which are considered for the purpose of this analysis to be areas which feature tent and/or trailer camping, but may also provide additional facilities such as swimming, boating, picnicking, and other auxiliary facilities with the exclusion of horseback riding.

(2) Campgrounds with horseback riding are considered as campgrounds as defined above with the addition of horseback riding facilities.

(3) Riding ranches which specialize in horseback riding, instructions, boarding, and hayrides. Picnic areas may be provided, but camping facilities are not. None of these enterprises responded to the questionnaire.

(4) Picnic grounds which cater to day use activities. Fishing, swimming, boating, and similar activities may be included.

(5) Fee fishing only in private ponds or lakes. These are primarily trout ponds in this survey.

(6) Hunting areas in this study are classified as premises where fees are charged for the privilege of hunting native or stocked small game species.

(7) Skeet and target ranges are enterprises featuring firearm target shooting and excluding hunting.

(8) Ski areas are enterprises specializing in snow skiing and associated winter sports.

(9) Animal parks or animal farms are enterprises which display wild and domestic animals for observation and feeding.

A summary of the number of enterprises represented in each category is shown in TABLE 2. Since each category may

TABLE 2
NUMBER AND TYPE OF ENTERPRISES REPRESENTED
IN THE SURVEY

Type of Enterprise	Number of Enterprises			
	Visited	Mailed Questionnaire	Questionnaire Returned	Total Representation
Campgrounds	13	18	5	18
Camping and Riding	3	3	1	4
Riding Ranch	0	4	0	0
Picnic Grounds	2	2	2	4
Fee Fishing	0	7	4	4
Hunting Area	0	4	1	1
Skeet and Target Ranges	0	1	1	1
Ski Areas	0	1	1	1
Animal Parks	0	2	1	1
	—	—	—	—
Total	18	42	16	34



actually include several supporting facilities or exposures in addition to the primary basis for operation, TABLE 3 summarizes the total number of each reported kind of facility included in this study.

TABLE 3
TOTAL NUMBER OF FACILITIES PROVIDED
BY ALL ENTERPRISES

Facilities	Number
Picnicking.	24
Swimming.	24
Tent Camping.	22
Trailer Camping	18
Boat Rental	19
Lake or River Fishing	19
Pond Fishing.	12
Refreshment Stand	16
Horseback Riding.	4
Hayride	3
Ice Skating	3
Dance Hall.	2
Skiing and Winter Sports.	1
Target Shooting	1
Hunting Small Game.	1
Animal Park	1

All of the campgrounds and picnic areas were associated with some type of water activity such as swimming or boating. The frequency with which water activities and other facilities are provided by four types of enterprises is shown in TABLE 4. This table indicates the distribution of the various facilities among the major types of enterprises

included in the study.

TABLE 4
FACILITIES PROVIDED BY FOUR TYPES OF ENTERPRISES

Enterprise	Total Number Represented	Facilities								
		Picnic	Swimming	Pond Fishing	Lake Fishing	Boat Rental	Hayride	Dance Hall	Refreshment Stand	Boat Ride
Campground	18	16	16	5	14	14	..	..	8	..
Camping & Riding	4	3	4	2	2	3	2	2	3	..
Picnic Area	4	4	4	3	1	1	..	..	3	1
Fee Fishing	4	1	..	3	1	1	..	..	..	..

Land Use

In order to have a larger base from which to obtain information, this study was not specifically limited to farm recreation enterprises. However, a large percentage of rural recreation enterprises are a supplemental land use of operating farms. Of the thirty four recreation enterprises represented, twelve were a supplemental business of operating farms. An additional five respondents indicated that they had given up farming and have devoted all of their land to recreational

use. A summary of land use practices by represented farms is provided in TABLE 5.

TABLE 5

LAND USE CHARACTERISTICS OF FARM
RECREATION ENTERPRISES

Number of Farms Represented.	12	
Number of Operators Converting Farm Acreage to Recreation	5	
Type of Farming		
Grain and Vegetable.	9	
Beef	1	
Fruit.	2	
Farm Area		
Range (acres).	80-600	
Average (acres).	220	
Farm Area Devoted to Recreation		
Range (acres).	2-200	
Average (acres).	52	
Range in Percentage of Farm Land Devoted to Recreation.		3-51%
Average Percentage of Farm Land Devoted to Recreation.		26%

The most common type of farming represented is general grain and vegetable production. Two farms specialized in fruit production and one farm specialized in beef. None of the farms responding conducted any dairy farming.

The average farm size is 220 acres of which an average of fifty two acres or twenty six percent is devoted to recreational use. A summary of the acreage devoted to recreation by each type of enterprise, farm and nonfarm, is provided

in TABLE 6. This analysis provides an indication of acreage involved by certain recreation enterprises. In general, the number of acres of an enterprise has little effect on liability insurance premiums for most enterprises investigated.

TABLE 6
AVERAGE AREA OF RECREATION ENTERPRISE
AND AVERAGE ANNUAL ATTENDANCE

Type of Enterprise	Range of Area (acres)	Average Area (acres)	Attendance Range	Attendance Average
Campground	4-165	35	300-15,000	3,360
Camping and Riding	40-200	140	4,000-18,000	9,250
Picnic Grounds	16- 80	43	1,800-40,000	16,600
Hunting Areas	284	284	100	100
Animal Park	18	18	170,000	170,000
Skeet and Target Range	30	30	2,000	2,000
Fee Fishing	2- 80	31	250- 800	500
Ski Areas	60	60	40,000	40,000

Of more importance to insurance rate comparisons is the seasonal attendance at each enterprise. As will be discussed later, premium rates are more frequently based on attendance or a percentage of receipts, than on an acreage

basis. Occasionally, campgrounds are rated on the basis of a charge per camp site, but this seems to be an exception rather than general practice. The question regarding attendance revealed that few operators have any record of yearly attendance and providing an estimate of attendance proved to be difficult for most respondents. Many could offer no estimate at all. TABLE 6 includes these estimates of attendance, but as indicated, the accuracy of these estimates is doubtful.

It is quite evident that rural recreation is a relatively new business. All campgrounds responding, with one exception, have been in operation for seven seasons or less. One enterprise, classified as a campground, has been operating for twenty seven seasons, but the camping facility was added only six years ago. Seventy nine percent of all responding enterprises have been in business for seven seasons or less, and thirty eight percent have been developed in the last three season period of 1964-1966. One picnic ground, restricted to members only, has been operating for thirty five years. The other enterprises that have had nine to eighteen years of experience include two fee fishing ponds, one animal park, and one skeet and target range. One campground operator did not indicate the number of seasons he had been in business. The number of seasons that

enterprises have been operating has been summarized in
TABLE 7.

TABLE 7

NUMBER OF SEASONS RECREATION ENTERPRISES
HAVE BEEN IN OPERATION

Number of Seasons (including 1966)	1	2	3	4	5	6	7	9	13	17	18	27	35	?
Number of Enterprises	3	3	7	3	1	3	7	1	1	1	1	1	1	1

Few operators have developed their facilities to the maximum potential. Most prefer to take development a step at a time, or operate with minimum facilities until experience indicates that additional development and capital outlay is economically feasible. Fifteen operators did indicate that they planned further expansion of their recreation business, twelve were undecided about future plans, and seven operators did not anticipate any expansion or addition of facilities.

Management Practices

The questionnaire was designed to identify common management practices which might have a reflection on liability problems encountered by recreation enterprises.

The type of ownership is important primarily because

the liability of corporations is usually more limited than it is for individually owned businesses. Of the thirty four enterprises in this study, six are corporations, two are partnerships, and the remaining twenty six are owned and operated by individuals. The corporations included the animal park, one picnic area, two campgrounds, and two camping and riding enterprises. One picnic ground and one fee fishing enterprise are partnership businesses.

The method of charging varied according to the type of enterprise. Generally, campers and picknickers pay a daily fee which includes use of the recreation area and facilities provided, with the exception of boats, for which an additional charge is made. Picnic and campground operators do not generally provide public swimming areas. Those using swimming facilities enter primarily for picnics, camping, or some other major activity to which swimming is incidental. Three operators believed that admitting guests for the primary purpose of swimming would considerably increase liability because the swimming area would then have to conform to standards required of a public beach. However, the legal aspects of this have not been substantiated by the investigator.

In some instances, liability can be legally reduced by limiting the use of the area to members only. In this study,

only two picnic grounds and one fee fishing area were found to be operating in such a manner. One campground was considering the possibility of limiting use to membership only. The operator of one of the picnic grounds limited to members only, indicated that there were several advantages to this practice. First of all, he reported that insurance premiums decreased by more than \$100.00 upon inception of the limitation to members only. From a management viewpoint, the operator is relieved of many responsibilities usually encountered in dealing with the public and less time is required for supervision and administration.

Because it was felt that many recreation areas are developed without full knowledge of managerial problems involved or concepts of design and facilities best suited to the topography, questions were asked to indicate the amount of prior planning and investigation given to consideration of these factors. Of the twenty six enterprises having liability insurance, only five had obtained an estimate of this cost during the initial planning stages. Of the eight enterprises not having insurance, one had obtained an estimate of insurance cost prior to development. Sixteen enterprises having insurance provided for this cost in an operating budget, seven did not. The three remaining enterprises having insurance did not respond to this question.

Eighteen of the respondents indicated that they had obtained some sort of assistance or advice in development of their enterprise. The total number of mentions for each source of assistance from the eighteen enterprises is indicated in TABLE 8.

TABLE 8

SOURCES OF ASSISTANCE IN DEVELOPMENT OF RECREATION AREAS
REPORTED BY EIGHTEEN ENTREPRENEURS

Source	Number of Mentions
Soil Conservation Service.	6
County Agent	4
State Health Department.	3
Conservation Department.	1
Farmers Home Administration.	1
Private Engineer	1
Another Recreation Operator.	1
Winchester Company	1
Y.M.C.A.	1

It is thought that liability might in some measure be reduced by specifically delineating the recreation area to be used by the guests. Fourteen respondents indicated that guests were restricted to a specific area, and twenty respondents did not restrict guests to use of any particular portion of the property. Related to this, twenty three respondents indicated that property and recreation boundaries are well marked. There may be considerable conjecture about

the accuracy of this latter response because of individual interpretations of what constitutes a "well marked" area. The intent is that boundaries be marked in such a manner that a user could reasonably determine when he was leaving a recreation area or entering upon adjacent property. Experience has indicated that some operators may consider boundaries well delineated by such means as a rusted barbed wire fence that often is not readily visible or well maintained.

Quite frequently, businesses which cater to public use display signs or use contracts indicating that guests use facilities at their own risk and that the management assumes no responsibility for injury or damage. In this survey, eleven operators, or thirty two percent, reported that they used such signs, but only two of these were not aware that such notices probably would not relieve them of any legal responsibilities. Those using such warnings, did so primarily to discourage patrons from initiating any claims or legal action.

As an indication of the degree of care exercised in keeping recreation areas and facilities in a safe condition, operators were asked to indicate the frequency with which they conducted safety inspections of the premises. Here again, there may be speculation as to the accuracy of this

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response since there would undoubtedly be a tendency for those responding to indicate that some care was taken to inspect safety conditions. Also, it could be expected that what one might consider a safety inspection would to another mean only a cursory glance around the premises. Interviews with operators revealed that in general, safety inspections "per se" of all facilities are not regularly made, but through the course of maintenance activities, any hazards will be discovered and repaired. Fourteen operators, however, indicated that inspections were conducted daily, three reported weekly inspections, and two made inspections once a month. Seven operators did report that no regular inspections were made, whereas the remaining eight respondents reported that safety inspections were more or less regular in conjunction with maintenance activities.

Operators of recreation areas may have added risks because of products liability through the sale of food, or the use of alcoholic beverages may cause added problems in the event of guests becoming intoxicated. It therefore is of interest to determine how many enterprises sell food and permit alcoholic beverages on the premises. Fifty three percent of the enterprises reported that they sold food. This included small refreshment stands, snack bars, or grocery stores. Eighty percent of the respondents permit

alcoholic beverages on the premises, but only one respondent was known to actually sell it. Most operators seemed to feel it was poor policy to restrict alcoholic beverages because so many guests wish to bring beer with them. However, such guests are carefully watched to be certain that they do not disturb other guests or litter the area with bottles. Use in moderation is permitted, but beer parties are not usually allowed.

A failure to comply with constituted state safety and sanitation laws could unquestionably result in liability in some instances. Of all operators included in the study, eighty two percent stated that they were familiar with such laws. Once again, it should be considered that many respondents would not be likely to admit ignorance of these laws. To what degree operators are familiar with state laws can only be conjectured. Since the Health Department will usually, sooner or later, inspect campgrounds and similar operations, it is probable that many operators have become aware of sanitation regulations by this means.

Attracting customers has been reported to be a problem to some enterprises, particularly campgrounds. Thus, effective advertising can be an important factor in the success of an enterprise. Theoretically, advertising could substantially increase the attendance of an enterprise,

resulting in higher income which may subsequently reduce the burden of insurance premiums, depending upon the rating system. Twenty, or fifty nine percent, of the recreation operators advertise to some degree. Four enterprises that advertise, do so by signs only. Of the other methods used, printed brochures and local newspapers appear to be the most frequently used methods. TABLE 9 shows the number of mentions for each method of advertising used by respondents.

TABLE 9

METHODS OF ADVERTISING

Advertising Medium	Number of Mentions
Signs only.	4
Brochures	10
Newspapers.	9
Camping and Travel Magazines.	5
Travel Guides and Atlases	5
Radio	4
Direct Mail	1
Television.	1

Another means of gaining recognition, as well as management ideas, is through affiliation with recognized recreation and outdoor associations. It was therefore considered relevant to determine the frequency with which entrepreneurs maintain interests in related associations. Because the Michigan Association of Rural Recreation Enterprises is

especially interested in resolving problems related to the recreation business, it is particularly important to determine how widely known this organization is and the trends toward membership in this organization. Twenty respondents, or fifty nine percent, knew of the Michigan Association of Rural Recreation Enterprises, but only ten were members. Two non members indicated that they had been members in the past and one non member hoped to join in the next year. Four non members of the Michigan Association of Rural Recreation Enterprises were associated with one or more other associations. Also, three members of the Michigan Association of Rural Recreation Enterprises were associated with one or more other associations. The associations represented are indicated in TABLE 10.

TABLE 10

MEMBERSHIPS IN RECREATION ASSOCIATIONS

Association	Number of Memberships
Michigan Association of Rural Recreation Enterprises.	10
American Camping Association.	1
Central Ski Areas Association	1
East Michigan Tourist Association	1
National Camping and Hiking Association	1
Southeastern Michigan Tourist Association	1
Southwestern Michigan Tourist Association	1

Liability Insurance Programs and Problems

Insurance Practices of Recreation Enterprises

Of the thirty four recreation entrepreneurs queried, twenty six, or seventy six percent, had liability insurance against any suits or claims that might arise from injury or damage incurred by guests. When asked if liability was a major problem, forty one percent responded in the affirmative. Nine of those regarding insurance as a serious problem carried liability insurance and five did not have insurance. TABLE 11 shows the proportion of enterprises reporting liability insurance to be a particular problem.

TABLE 11

ENTERPRISES REPORTING LIABILITY INSURANCE
TO BE A PARTICULAR PROBLEM

Enterprises	Number of Enterprises			
	Insurance a Problem	Insurance not a Problem	Total Represent- tation	Enterprises with Insurance
Campgrounds	4	14	18	12
Camping and Riding	4	0	4	3
Picnic Grounds	2	2	4	4
Fee Fishing	2	2	4	3
Skeet and Target Ranges	1	0	1	1
Ski Areas	1	0	1	1
Hunting Areas	0	1	1	1
Animal Parks	0	1	1	1
Total	14	20	34	26

As has previously been pointed out, the results of the mailed questionnaire may not be realistic of the business in general, because it is suspected that those having insurance would be most likely to respond whereas, those not having insurance would have less tendency to respond. It therefore, is of interest to note that of sixteen returned questionnaires, fifteen respondents had insurance and six regarded insurance as a problem. In contrast, of the eighteen enterprises randomly visited, only eleven had insurance and eight of them regarded insurance as a problem.

It is important that the reader also realize that whether or not liability insurance is a major problem is a relative question. Undoubtedly, there are some respondents who experienced some difficulty with insurance, but did not report liability insurance to be a major problem. Among those who did not regard insurance to be a problem, it was discovered that some really had relatively low insurance costs but also had inadequate coverage.

All entrepreneurs having insurance, and regarding it as a major problem, cited the high premium cost as the reason. Of the eight respondents not having insurance, four cited the reason to be because they had been refused insurance or because suitable insurance could not be obtained. Two cited excessive cost of insurance as the reason, and two

did not believe liability insurance was necessary.

Only five respondents reported that the cost of liability insurance precluded any future expansion of their recreation facilities. Eight respondents were apparently undecided, for they declined to answer this question. The remaining twenty one operators stated that the cost or unavailability of insurance would not prevent future development.

Other operational problems considered to be as much or more of a problem than liability insurance are listed in TABLE 12. Irresponsible behavior of guests, attracting customers, and financing appear to be significant problems.

TABLE 12

OPERATING PROBLEMS CITED BY RECREATION OPERATORS

Problems	Number of Mentions
Liability Insurance.	14
Guest Behavior - Vandalism - Littering	3
Advertising - Getting Customers.	3
Financing.	2
Labor.	2
Safety and Sanitation Laws	2
Threat of Law Suit	1
Competition.	1
Maintenance.	1

A total of nine respondents reported that they had difficulty finding someone who would sell them liability

insurance. Four of these were operators having insurance, and five were non insured.

Few operators shop for the most economical insurance. Those who did go to more than one insurance agency usually did so out of necessity because they had been turned down or ignored by other insurance agencies or companies. It was not apparent that any entrepreneurs went to more than one agency for the primary purpose of comparing premium costs.

Fourteen operators sought insurance from two or more insurance agencies, including three respondents who sought insurance through agents in other states. TABLE 13 shows the number of insurance agencies contacted by each type of recreation enterprise investigated.

Four of those operators who visited only two agents indicated that they did so because they had received no response from their regular agent when his assistance was sought for locating insurance. Several others alluded that agencies were not anxious to write insurance, but did so primarily because the agency carried all the other types of insurance which the operator carried. Three respondents specifically reported that the agent, from whom insurance was obtained, was not acquainted with this type of enterprise and was not used to writing insurance coverage for this type of business.

TABLE 13

NUMBER OF INSURANCE AGENCIES CONTACTED
BY EACH TYPE OF ENTERPRISE

Enterprise	Number of Agencies Contacted									Total Number of Enter- prises	
	0	1	2	3	4	5	6	10	15		
Campground - Insured		9	3								12
Campground - Non Insured	3		2	1							6
Picnic Area - Insured		2	1						1		4
Ski Area - Insured							1				1
Hunting Area - Insured		1									1
Camping - Riding - Insured		2	1								3
Camping - Riding - Not Insured								1			1
Fee Fishing - Insured		2			1						3
Fee Fishing - Non Insured				1							1
Rifle and Skeet Range - Insured							1				1
Animal Park - Insured			1								1
Total	3	17	8	1	1	1	1	1	1	1	34

In most instances, the insurance company issuing insurance will send a safety engineer to inspect the enterprise before it is accepted. However, it would not be necessary

for the insurance agent to personally visit the enterprise. Being aware that insurance agents often are not familiar with what is involved in a recreation enterprise, it was considered important to find out how often the insurance agent personally visited the enterprise to be insured. Encouragingly enough, of the twenty six enterprises having insurance, twenty three reported that the agent personally visited the enterprise.

Accidents and Claims

Ten enterprises, or twenty nine percent of the enterprises, reported accidents. Most accidents were minor bodily injuries and one small property damage claim. Only one law suit for \$20,000, was reported and five claims for which medical payments were made ranging from \$25.00 to \$150.00. This survey tends to support the fact that horseback riding is considered to have a high severity potential. Of the four enterprises providing riding facilities, each one reported accidents associated with this particular exposure. This includes the one property damage claim and the law suit, which has not been settled at this time. Only one respondent did not notify the insurance company of an injury. Some operators have indicated a fear that in the event of an accident claim, the insurance company would

not renew the policy. Two operators in this study are known to have had their policies cancelled because of poor accident records. TABLE 14 lists the types of accidents reported and the frequency for each.

TABLE 14

TYPES OF ACCIDENTS REPORTED BY NINE ENTERPRISES

Accident	Number of Enterprises Reporting
Cut on broken glass.	4
Horseback riding	4
Swimming area	
Diving board	1
Slide.	1
Drowning	1
Miscellaneous minor cuts and accidents	3
Broken nose - cause unknown.	1

Liability Insurance Programs

Most insured owners seemed to feel that their present insurance policy gave them adequate protection. Only three out of twenty six insured reported that they were not satisfied with the present insurance coverage. One was not satisfied with the limits of the policy regarding maximum payments allowed per person. The other two had inadequate protection because a certain exposure was not included. There were, however, other insured owners who indicated that they could not obtain insurance for certain exposures. One campground

reported it was unable to obtain insurance coverage for boats which could be equipped by motors supplied by the renter. One picnic area provided a small paddle wheel boat for rides on a canal for which coverage could not be obtained, at least not for less than \$300.00 per year. Another campground had a cave open to public exploration; the insurer was not willing to accept this exposure. The one ski area included in the survey had some difficulty insuring the ski exposure itself, but insurance coverage for tobogganing and sledding could not be obtained. One camping and riding enterprise did not have insurance for its camping and boating exposures, but this was more a matter of choice rather than the fact that insurance could not be obtained.

It should be noted that experience showed that many owners were not completely familiar with the limitations and exclusions of their policies. For example, one camping and riding operator believed the horseback riding exposure was covered until he was faced with a claim from this activity and found that horseback riding had been excluded from the policy. A more thorough analysis of each individual policy than was attempted in this investigation would have to be made in order to ascertain just how completely the enterprises were covered.

As shown in TABLE 15, this investigation did not reveal

any significant trend toward liability insurance being supplied by any one particular company. The Farm Bureau was the most frequent insurer mentioned. One owner who had obtained Farm Bureau insurance stated the rates were very reasonable, but he felt that insurance coverage was granted because all of his other farm insurance was covered by this company. A total of fourteen insurance companies was represented by twenty insured enterprises responding to this question. Six respondents either did not answer this question

TABLE 15

INSURANCE COMPANIES PROVIDING LIABILITY INSURANCE
FOR RURAL RECREATION ENTERPRISES

Name of Insurance Company	Number of Enterprises Insured
American States.	1
Auto Owners.	2
Citizens Mutual.	2
Continental.	1
Farm Bureau.	3
Hartford Accident and Indemnity.	2
Hastings Mutual.	1
Mobile Insurance of Ohio	1
Motorists Mutual	1
Nationwide	1
Reserve.	1
State Mutual Cyclone	2
Travelers.	1
West Michigan Mutual	1
Insurance Company Unknown.	6
Total Insured Enterprises	26

or supplied only the name of the insurance agent.

The comprehensive general liability policy is the most frequently used policy to provide liability coverage for recreation enterprises. Eleven owners indicated they had a comprehensive general liability policy; seven operators had coverage provided by an owner's, landlord's, and tenant's policy. The remaining eight insured owners did not answer this question.

Premium rates were found to vary considerably. Of course, this is influenced by the limits of coverage, type of enterprise, and other factors. The range of insurance costs for all insured enterprises in this study is shown in TABLE 16.

TABLE 16

RANGE OF INSURANCE COSTS
FOR ALL ENTERPRISES

Insurance Costs	Number of Enterprises
less than \$50	2
\$50 - 99	5
100 - 149	4
150 - 199	1
200 - 299	4
300 - 500	3
over \$500	5
insured, cost unknown	2
not insured	8
Total	<u>34</u>

TABLE 16 has been further analyzed in TABLE 17 to show the range of insurance costs and the average insurance cost for each type of recreation enterprise responding.

TABLE 17

PREMIUM RATES FOR TYPES OF ENTERPRISES

Enterprises	Premium Cost Range in \$	Number of Enterprises	Average Cost
Campgrounds	\$ 25 - \$ 554	11	\$ 164
Camping-Riding	148 - 850	4	487
Picnic Grounds	208 - 250	3	236
Fee Fishing	50 - 75	2	63
Ski Areas	1,200	1	1,200
Skeet and Target Ranges	500	1	500
Hunting Areas	75	1	75
Animal Parks	\$1,700	1	\$1,700

Response was poor to the more specific questions regarding the policy, such as policy limits and rating basis for each facility. This was due largely to the fact that in some cases, insurance policies were not readily available, or respondents did not wish to take time to look up the requested information about the specifics of their policies.

Of the twenty six insured respondents, fifteen were able to supply information regarding the policy limits. Of these fifteen respondents, seventy three percent had insurance which would provide payment of \$25,000 or more per

person and \$50,000 or more per accident or occurrence. Two respondents stated that their policies were on an "occurrence" basis. TABLE 18 and TABLE 19 show the policy limits reported. Five enterprises had policies which provided for maximum payment of \$100,000 per person in event of bodily injury.

TABLE 18

LIABILITY INSURANCE POLICY LIMITS REPORTED
BY FIFTEEN INSURED OPERATORS

Policy Limits Per Person	Policy Limits Per Occurrence or Accident	Policy Limits Property Damage	Number of Enterprises
\$ 500	\$ 25,000	\$ 250	1
10,000	20,000	5,000	1
10,000	25,000	5,000	1
10,000	..	..	1
25,000	50,000	5,000	2
25,000	..	..	1
50,000	100,000	..	3
100,000	200,000	5,000	1
\$100,000	\$300,000	..	4
Insured, policy limits unknown			<u>11</u>
Total			26

TABLE 19

MAXIMUM PAYMENTS ALLOWED PER PERSON REPORTED
BY FIFTEEN POLICY HOLDERS

Limit per person	Number of Enterprises
\$ 500	1
10,000	3
25,000	3
50,000	3
\$100,000	<u>5</u>
Total	15

A further analysis of this data has been summarized in TABLE 20. This table shows both the range in policy limits and the range in cost for each specified policy limit according to enterprise classification. This analysis does not, in all cases, indicate an increase of cost with an increase in the limits of the policy. However, a summary such as this does not reveal individual circumstances that could effect premium rates. It does, nevertheless, provide a guide which could indicate to a potential operator what costs he could expect to incur for insurance coverage.

It is surprising to note that insurance costs for picnic grounds appear to be higher than for campgrounds. However, data is insufficient to state that this is generally so. The investigator has no indication of why this might be, but it can be speculated that perhaps the user of picnic areas is considered less responsible than a camper who intends to make a recreation area his home for a day or more. Conceivably, the rating system for such areas may be out of line since, as indicated by some owners, insurance companies tend to view such areas as playgrounds or even amusement parks. Costs for fee fishing areas also appear to be relatively high, considering that attendance at such areas is generally substantially less than at picnic areas or campgrounds. It is not surprising that insurance for

TABLE 20

INSURANCE COSTS FOR SPECIFIED LIMITS OF POLICIES

Enterprise	Policy Limit		Premium Range	Number of Enterprises
	Per Person	Per Accident		
Campgrounds	\$ 10,000	\$ 20,000	\$40- \$73	2
	25,000	50,000	255- 320	2
	50,000	100,000	50- 120	2
	100,000	200,000	114	1
	..	..	25- 554	4
Campgrounds and Riding	500	25,000	350	1
	100,000	300,000	850	1
	..	..	148- 600	2
Picnic Grounds	10,000	25,000	250	1
	100,000	300,000	249	1
	..	..	108	1
Fee Fishing	25,000	50,000	50	1
	50,000	100,000	75	1
Ski Area	100,000	300,000	1,200	1
Skeet and Tar- get Ranges	..	..	500	1
Animal Parks	\$100,000	\$300,000	1,700	1
Hunting Area	..	..	\$75	1

campgrounds with horseback riding facilities is considerably higher than for campgrounds without the riding exposure. The higher cost indicates the economic significance of adding this additional exposure. Data is insufficient to

determine whether insurance costs for incorporated enterprises is significantly less than for individually owned enterprises.

The investigator might have included in the questionnaire a question inquiring whether the entrepreneur had been granted a premium discount after a safe period of operation. Some of the entrepreneurs personally interviewed were asked this question, but only two reported they had obtained slight premium discounts. The discount in one case, was reported to be about \$10.00 per year. Most policies appear to be written for a term of one year. One operator reported that he did, in effect, have a policy term limited to the length of his operating season. The insurance company automatically initiates the policy with the opening of business in the spring and then cancels it at the close of the operating season.

Because different insurance companies have different rating bases, and no two enterprises have the same combination of exposures, a summary of costs per enterprise as has been presented can only be used to indicate the range in cost that a prospective operator could expect to pay. These insurance costs have been further analyzed in TABLE 21, which shows, as much as possible, the rating basis and costs of individual facilities. Information about these

TABLE 21

PREMIUM RATES AND RATING METHODS FOR VARIOUS
FACILITIES AT DIFFERENT POLICY LIMITS

Facility	Premium Rate (\$) and Rating Basis*			
	Policy Limits			
	\$10-\$25 or less	\$25-\$50	\$50-\$100	\$100-\$300
Camping	\$37 (R) (.18/\$100)		\$34 (R)	\$40 min. (R) 12.40 (R)
Commercial Picnic Ground (as part of campground)	30 (E)	\$36 (E)		
Swimming Pool	27 (E)			
Swimming Beach		45 (R)		31 (E) 55 (R) 168 .. 2.74/100 (R)
Row Boat	.27 (E)			1.27 (E)
Dock or Floats				4 (E) 7.74 (E) 4.95 (E)
Saddle Animals	20.20 (E)	17 (E)		19.21 (E)
Hay and Sleigh Ride	30 (E ve- hicle)			34.46 (E ve- hicle)
Dance Hall	22 (E)			
Fishing Pond	35 (E)			39.64 (E)
Playground	15 (E)			22.86 (A)
	20 (E)			46 (..) 60 (..)
Refreshment Stand	25 (A)			7 (A)
Store - Delica- tessen				85 min. (S)
Ice Skate		.18/1.00 (R)		

*A = area, E = each, R = percentage of receipts, S = rate based on sales, min. = minimum charge

rates is not as complete as desired, however, nine operators were able to supply some information from which the table has been synthesized. Others were unable to supply this information either because these component rates were not indicated on policies or because policies were not available for reference.

The letter in parentheses after the premium rate indicates the method upon which the premium is based. The rate for camping facilities is most frequently based on a percentage of receipts. Therefore, the premium actually paid will reflect the attendance or use of that facility. In most cases, a minimum charge will be made. On the other hand, picnic areas in connection with campgrounds are rated on the basis of a minimum charge for each picnic area. Swimming areas are rated on either the basis of receipts, or a flat charge for each. Other facilities involving objects such as boats, docks, and horses are most commonly based on a charge for each object.

On the basis of this information, it cannot be concluded that the difference in premium rates between a policy with a \$10,000 per person limit, and a \$50,000 or \$100,000 limit would, under normal economic conditions, preclude choosing a policy with the higher coverage. The premium certainly is not in direct proportion to the amount of

coverage, and the peace of mind from having a higher coverage should be well worth the few extra dollars.

Additional Comments

Space was left at the end of the questionnaire in order for the respondent to add any comments he desired regarding liability insurance aspects of his recreation enterprise. Few respondents had any comments to add, but some of those received, appear below.

"Very much aware of the need for liability coverage, but have not had any real problem with injury claims."

"If the government wants people to develop land for recreation, laws should be made to relieve the owner from threat of law suits. Laws are not right. The only ones making money are lawyers. Therefore, they are not anxious to change laws."

"Agent not used to writing this type of insurance policy."

"Agent does not understand the situation. He pictures a recreation area as a playground with swings, slides, and similar hazards."

"Government agencies at county level have not provided satisfactory assistance. They also do not know about financial assistance which magazine articles indicate is

available."

"Discovered there was a great difference in rates asked by different companies."

"It is very possible we may not open next summer due to insurance costs."

"Lots of luck! This study is very much needed."

CHAPTER VII

SOME CASE EXAMPLES

Because a summary of the data as presented thus far does not identify individual circumstances or attitudes, this chapter will be devoted to briefly describing the experiences of some entrepreneurs investigated. No attempt will be made to discuss each enterprise included in the study. The following examples have been selected from those about which a more complete history is known.

Insured Enterprises -- Insurance Not a Problem

The largest percentage of respondents fell into the category of enterprises having liability insurance, but not regarding insurance as any particular problem. Some of the responding operators in this category did not regard insurance as any particular problem because they had no difficulty finding insurance and were able to obtain very reasonable rates.

(1) The operator of one such campground, open for two seasons and still in the process of development, was able to obtain insurance for his campground for a flat rate of \$50

a year, for two years. This rate was based on the present number of campsites and will increase as the area is developed. This enterprise also had a pond with boating and swimming, and a playground with swings and slides. Whether these other exposures are also covered is questionable, but the owner has assumed that they are covered.

(2) Another campground operator reported a somewhat similar experience. When he requested insurance through his regular agent, he found the agent was reluctant to write a policy for him and the estimated cost was over \$100. The entrepreneur, not wishing to pay this much for insurance, was later able to locate insurance at a cost of \$40 for \$10,000/\$20,000 coverage. All incidental exposures appeared to be covered by this comprehensive policy.

(3) One small campground operator reported that he felt that he had adequate protection for his enterprise which included a store and the sale of alcoholic beverages. The business had been in the family for many years and the insurance cost was \$100, including products liability. Although most premises operations were covered, further discussion with the owner revealed that he had been unable to obtain insurance for his boat rental liability. Swimming beach liability also was not covered. This is one of the few campgrounds which operated a public swimming beach. A

charge of \$.10 was made for each swimmer, and posted signs warned guests that they were to swim at their own risk. The operator believed that these signs would relieve him of any liability connected with swimming accidents.

(4) Another operator of a large, well developed, campground obtained complete comprehensive coverage for his recreation complex for \$150. The operator alluded that he may not have been able to obtain insurance from this agency if it were not for the fact that all other farm insurance had been obtained from the same source. This operation did not have horses for riding, but the owner reported that horseback riding was the only exposure excluded from the policy.

(5) A satisfied picnic ground operator reported that his insurance cost had been substantially reduced when he restricted admittance to members only. This operator did not know off hand the policy limits of his comprehensive coverage. Prior to the membership regulation, the insurance cost was \$375. The cost was later reduced to \$208 when the membership regulation was introduced. This operator recommended that other entrepreneurs consider a similar type of operation. Not only is the insurance cost reduced, but much less supervision is necessary which subsequently results in more time to devote to farming. This particular picnic ground has been in operation for thirty five years.

Guests were carefully observed and those responsible persons who frequently used the area were invited to become members when the decision had been made to limit the use to members. Now, this operator has built up a clientele of 400 member families. The operator reports that because these families have a specific interest in the area, there is little vandalism, littering, or other problems with which he had to cope while the picnic area had been open to the general public.

Insured Enterprises -- Insurance a Problem

Three of the four campgrounds with horseback riding facilities represented in this study considered liability insurance to be a serious operating problem because of excessive cost.

(1) One of these campgrounds had a wide range of facilities including a dance hall, barbeque pit for large groups, hayrides, plus the usual swimming, boating, and fishing facilities. Insurance cost for this enterprise is \$850 for \$100-\$300 coverage which includes products liability and manufacturers and contractors insurance for the construction and development activities presently being done on the premises. The operator commented that the insurance agent was not used to writing a policy of this type and he felt that he was having to pay for several exposures which

did not exist. Next year the operator intends to revise the policy. Only one claim has been made during three years of operation. This involved a cut head as a result of a guest falling from a horse. The insurance paid ambulance and hospital costs amounting to about \$50.

(2) Another campground with riding facilities reported insurance costs of \$350, which covered all exposures except camping and boating. This enterprise, which is a corporation, elected not to insure the latter in order to reduce costs. This enterprise has apparently had poor experience with the horseback riding exposures. After several minor accidents, this corporation's first insurer cancelled its policy and refused to write further insurance for the enterprise. Another insurer was then located with little difficulty, but now this insurer is faced with a law suit resulting from another horseback riding accident. The suit has not been settled at this time, but the injured person allegedly is suing for \$20,000. Litigation has been delayed because the injured party initiated suit against the manager, rather than against the corporation. Therefore, a new suit has to be filed because the suit must be against the corporation, not an individual stock holder. The manager of this corporation seemed optimistic that there would not be any liability because he did not believe there was any grounds

for negligence. The rider fell from their "most gentle" horse. However, the manager did express a fear that insurance would once again be cancelled as a result of the accident.

(3) A third campground with riding facilities reported a horseback riding accident which involved a \$35 claim for property damage resulting when a rider fell onto the hood of a car. The operator was forced to pay this cost himself when he discovered too late that the horseback riding exposure had been excluded from his insurance policy. Coverage will be obtained for horseback riding before horses are rented again. Another claim is still pending as a result of an accident occurring on a slide in the swimming area where a boy fell and lost a tooth. The insurance limits for this enterprise are unknown, but the premium cost is reported to be \$148, which is considerably less than comparable enterprises usually must pay. Of course, when the riding exposure is added, the cost will be increased, placing an even greater burden upon the operator who felt that the \$148 was already too much to pay.

(4) The owner of a fee fishing enterprise reported that he paid \$50 for \$25,000 - \$50,000 liability insurance coverage. Insurance was indicated to be a concern because the premium cost "took too great a part of the income."

Attendance at this enterprise was estimated to be 800 persons per year, although the enterprise had only been open since June, 1966. It is of interest to note that the operator experienced considerable difficulty in locating a company which would write insurance for this enterprise which involved only fee fishing and boat rental. At the time the operator received the questionnaire, he reported he had been refused insurance by his regular agent and would have to shop further for insurance. He finally was able to obtain insurance after a total of four agencies had been contacted. From this experience of "shopping around" for insurance, the operator found that "there was a great difference in rates asked by the different companies."

(5) The owner of the one ski area included in this investigation evidently had considerable difficulty obtaining liability insurance. He reported that he had contacted six insurance agents and still was unable to find a company willing to provide coverage for the toboggan and sled exposure. Insurance was reported to be a major problem to this owner because it is expensive. His premium of \$1,200 is based on a percentage of receipts obtained from an estimated 40,000 visitors.

(6) The owner of the Skeet and Rifle Range reported that he also had difficulty finding someone who would sell

him liability insurance at reasonable cost. He indicated that five insurance agencies were contacted before he was able to obtain the desired insurance for approximately \$500.

(7) The spokesman for a picnic ground corporation indicated that considerable difficulty was experienced in obtaining the desired insurance. The only facilities indicated were picnicing and swimming. Average attendance was reported to be 40,000 persons. Only one injury, a broken nose, was reported for which the insurance company paid costs amounting to \$150. In shopping for insurance, fifteen agencies were contacted, but no insurance estimate had been obtained prior to development of the enterprise. This respondent indicated that high insurance costs may prevent this enterprise from operating next season. Unfortunately, no other details about the insurance policy and costs were obtained for this enterprise.

Uninsured Enterprises -- Insurance a Problem

It is often a moot question whether insurance was not obtained because it was not available or because the cost was excessive. In most cases, insurance can be obtained if the operator is willing to pay the cost. Below are some brief examples of entrepreneurs who do not have insurance because of this availability -- cost factor.

(1) One owner of a trout pond reported that he has been in operation for three seasons without insurance. Average attendance during his operating season is estimated at about fifty people a week. Two reasons were cited for not having insurance. In one case, the operator was refused insurance coverage by his regular insurance agent. Another agency was willing to write insurance, but the operator felt the cost was prohibitive. This experience apparently discouraged the owner from looking any further for insurance. As an alternative, he has assumed the risk himself.

(2) The owner of a campground reported he did not have insurance because he could not find an insurance company that would provide suitable coverage adopted to this type of business. Insurance can be obtained, but the operator feels proposed policies are designed more for trailer parks or playgrounds, and thus do not readily adapt to the needs of a campground which includes swimming and boat rentals. As the operator reported, "Agents have not been able to come up with the type of insurance wanted. They do not really understand the situation."

(3) Another campground operator reported that he has had to delay opening his campground because he has not been able to get insurance. The campground was partially opened in 1965, but still is not completely developed to the extent

the operator desires. Because he has no liability insurance, the owner has been asking patrons to contribute a donation toward defraying operational costs. At the time of questioning, this operator indicated that only two insurance representatives had been contacted. His regular agent has reportedly ignored his request for several months. At the time of questioning, he was hoping to negotiate with an agency, but there was, at that time, no indication whether insurance could be obtained from this source or what the cost would be.

The owner of this latter campground was quite apprehensive about operating without insurance coverage. He was quite concerned about the difficulty in controlling behavior of guests. Parents seem to exercise little control over their children. Therefore, the owner had to spend a great amount of time supervising the children to be certain they would not be subjected to any hazards. The threat of a law suit or accident claim appeared to be of utmost concern to this operator. Because of the difficulty in controlling visitor behavior, this operator expects to operate on a membership basis once the business becomes more fully established.

(4) Another campground operator has elected to do business without liability insurance coverage because the

cost would be excessive. This particular campground has had difficulty in attracting customers. Until such time that attendance is sufficient to justify the expense of liability insurance, this operator will do without insurance and spend more money for advertising. Three insurance companies refused to write insurance for this enterprise for less than \$300. One particular hazard on the premises seemed to account for the hesitation of insurance companies to write insurance. Patrons using the campground have to cross a single track railroad line which separates the campgrounds from the main entrance. The operator also reported that the railroad had requested \$160 for insurance and build up of the crossing.

(5) One respondent reported a particularly poor accident record, including one drowning. Other accidents involved several minor riding accidents and miscellaneous cuts such as stepping on broken bottles. Consequently, the insurer cancelled the insurance policy although claims were reported to total only \$100 and no law suits were indicated. Since then, the operator reported that he has contacted nine insurance agencies but he has not obtained additional insurance because coverage was refused or cost was excessive. Being highly discouraged at this point, he has indicated a desire to sell the business.

Uninsured Enterprises -- Insurance Not a Problem

Only three enterprises were found to be uninsured because the operators did not desire insurance.

(1) In one case, it was discovered that the campground operator did not want insurance, largely because he did not want to pay the cost of insurance. It was revealed that he had, in fact, had liability insurance during his previous three years of operation. The policy had not been renewed in the 1966 season because he had gone into considerable debt providing capital improvements to the recreation area. Therefore, he did not wish to pay the added cost of insurance. During his first season, the operator had provided horseback riding facilities for his patrons, but this proved to be too much nuisance. By eliminating the horseback riding exposure, this operator also reported that his insurance was reduced by over \$200 a year. He had paid \$550 for insurance, including the horseback riding exposure which was later reduced to the \$320 rate which he had paid until the 1966 season.

Only two campground operators indicated that they did not feel liability insurance was necessary. These were both relatively small enterprises.

(2) One of these campgrounds had been open to the public for three seasons. Space was provided for fifteen

campers plus picnic and boat rental facilities. The owner of this enterprise had not attempted to obtain insurance because he felt that liability insurance was not needed for such a small business.

(3) The other example is somewhat unique. Although it is not strictly a commercial operation, it has been included in this study. In this example, the campground had been in operation for six years on what the operator referred to as a "donation basis". At the entrance to the recreation area was a can in which to deposit the donation. Next to the can was a sign clearly stating "Please leave \$.50 per car donation in can for upkeep. Boats \$1.00. Not Responsible for Accidents." Also, along the highway leading to the campground, was a rather elaborate sign advertising the campground and scenic area.

The owner alluded that this campground was not developed by a profit motive. He was fortunate to have a unique resource which people enjoyed using. He felt that he could obtain some reimbursement from the users of this area and at the same time, relieve himself of any liability, by asking for a donation only and warning patrons that he will not be responsible for any accident that might occur.

The investigator's opinion is that this particular operator has subjected himself to a greater risk than he

realizes. It seems highly probable that under these circumstances, a visitor would be regarded as an invitee rather than a licensee as the operator seems to assume.

CHAPTER VIII

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary

The recreation entrepreneur must exercise reasonable care for all persons entering his property. Legally, he owes the greatest degree of care to the patron who has paid a fee for the privilege of using the facilities. For this patron, legally classified as an invitee, the entrepreneur must exercise reasonable care to prevent injury and to maintain the premises in a safe condition for the patron's use.

An injury to an invitee as a result of the entrepreneur's negligence, or breach of duty to exercise reasonable care, could result in a law suit or damage claim. For protection against shock losses, the entrepreneur should obtain liability insurance which will pay all fees including emergency medical treatment and legal charges connected with an accident claim.

Authorities concur that, in general, law suits are becoming more frequent as a result of a "claims conscious" public. Also, court decisions are most often in favor of

the plaintiff and there seems to be a trend toward higher claim settlements being awarded by the courts.

The accident and claims records of those entrepreneurs investigated indicated that the threat of law suits was more apparent than real in connection with the operation of a recreation enterprise. Seventy nine percent of the enterprises have been operating for seven years or less. The majority of accidents reported during this period have been of a relatively minor nature. One unsettled law suit for \$20,000, and five injury claims ranging from \$25 to \$150 were reported. Injuries from broken glass and falls are the major causes of these minor accidents. The more serious injuries have been in connection with swimming areas and horseback riding exposures. All enterprises having horseback riding facilities reported injuries resulting from this activity.

Most entrepreneurs are aware that there is considerable liability risk in operating a recreation area. Of the thirty four enterprises investigated in southern Michigan, seventy six percent carried liability insurance. Only two entrepreneurs had made no attempt to obtain insurance. The most common coverage was provided by a Comprehensive General Liability insurance policy, and the majority of policies provided coverage of \$25,000/\$50,000 or more for bodily

injury. The policy term is usually on a one year basis, regardless of the length of the operating season. Most of the insured entrepreneurs were of the opinion that they had satisfactory coverage for their enterprise.

The high cost of insurance is generally regarded as the major problem in connection with insurance. Although some entrepreneurs reported difficulty insuring certain exposures or enterprises, suitable insurance can generally be obtained if the operator is able and willing to pay the price.

Liability insurance appears to be less burden to campground operators than to operators of other types of enterprises included in this investigation. Camping and riding areas, fee fishing ponds, ski areas, and skeet and rifle ranges experienced the greatest difficulties in obtaining insurance coverage.

Insurance is available from a wide selection of insurance companies, although premium rates vary considerably between companies. There is no evidence that any one company or particular group of companies is providing a majority of this type of insurance. Some farmers are able to obtain the necessary insurance through the Farm Bureau, but there is no indication that this agency will readily insure all farm recreation enterprises.

Entrepreneurs have reported that insurance agents are

usually not familiar with writing liability insurance policies adapted to recreation areas. There is also a widespread reluctance of companies to provide this type of insurance if the entrepreneur has obtained his personal and other business insurance through the same company.

Rural recreation entrepreneurs are not generally good business and risk managers. Few entrepreneurs obtain insurance cost estimates prior to developing a recreation area or facility. Nor is it common practice for an entrepreneur to shop for the most economical insurance. Many of the liability problems could be significantly reduced by making maximum use of basic precautions which could reduce legal liabilities and the risk of accidents, and subsequently discount premium rates.

Although problems related to liability insurance do not appear to be as significant as it had been expected, it is clear that liability insurance does create a problem to many entrepreneurs. Liability insurance was reported to be a major problem to forty one percent (41%) of the entrepreneurs. Problems associated with liability insurance accounted for forty eight percent (48%) of the nine types of operating problems cited by entrepreneurs. A closer analysis of the data reveals that liability related problems have caused some degree of concern to nearly all the

entrepreneurs. It appears that some satisfied entrepreneurs may be operating under a false sense of security because it is dubious whether they have adequate protection.

Liability risk is evident to nearly all entrepreneurs. The degree to which this risk effects an individual entrepreneur will depend largely upon his interpretation of the risk, his moral character, and his economic condition.

Conclusions

The results of the survey support the premise that liability insurance is one of the major problems confronting the rural recreation entrepreneur. Liability insurance is of more concern than any of the other operating problems cited by entrepreneurs in this investigation. The data does not indicate liability insurance to be a significant factor in limiting or discouraging the development of a recreation enterprise, but it does create a problem of major concern for forty one percent (41%) of the entrepreneurs investigated.

The data does not strongly substantiate the assumption of the first hypothesis, that many recreation entrepreneurs will operate without liability protection because of high premium costs, or the unavailability of insurance. Twenty four percent (24%) of the enterprises investigated did not have insurance protection against liability. From

the data collected from both insured and non insured enterprises, it can be concluded that insurance protection is available from a number of sources. The cost, rather than unavailability, of insurance, is the limiting factor in determining whether an entrepreneur will obtain adequate insurance protection. Although high premium costs may substantially reduce profits, most entrepreneurs will obtain insurance rather than assume the risk of a catastrophic loss.

The data and comments by individuals substantiate the second hypothesis. It has been revealed that there is a widespread reluctance of insurance companies to write insurance for recreation enterprises. This is largely because they lack experience with this type of business, and the associated risks have not been thoroughly evaluated. As a result, insurance rates appear to vary considerably among different insurance companies.

The investigation has indicated that the recreation entrepreneur may reduce legal liability and possibly insurance costs by adoption of certain management practices. The third hypothesis, that entrepreneurs do not generally make maximum use of such management practices, is supported by the findings of this study. Recreation entrepreneurs do not generally illustrate characteristics of good business managers. Some management practices which the entrepreneur

should consider are indicated in the following conclusions which are provided for the consideration of potential and operating entrepreneurs.

(1) Few entrepreneurs can afford to self insure against the liability risk. Therefore, all recreation entrepreneurs should obtain liability insurance protection regardless of the volume of business expected. A policy with a minimum of \$25,000/\$50,000 bodily injury coverage is recommended. A policy limit of \$100,000/\$300,000 is preferred.

(2) The availability and cost of insurance will depend upon the type of enterprise and the individual circumstances involved. Insurance can be obtained for most exposures, although the cost of such insurance may impose severe limitations and subsequently reduce profits. The liability burden can be reduced considerably by maximizing business practices which may minimize liabilities and the probability of accidents as well as reducing insurance costs.

(3) Potential entrepreneurs must consider all factors that will effect the success of the planned enterprise. Liability insurance is a fixed cost that should be carefully considered in any feasibility study. Estimates of insurance should be obtained before a recreation area is developed or before any additional exposures are added to an existing enterprise. A lawyer should also be consulted about any

liabilities that might be incurred through the operation of a recreation area or the addition of new facilities.

(4) Because insurance costs vary among different insurance companies, considerable savings can be realized by shopping for insurance through several agents or companies. The operator should select insurance which provides the best coverage for the least cost.

(5) Liability risks and insurance costs can be reduced by avoiding certain exposures associated with a high risk. Horseback riding, boat rides, and similar exposures may be desirable activities, but if they cannot be economically justified, the entrepreneur should not include them in his operation.

(6) If liability insurance costs are excessive, the entrepreneur should consider the possibility of limiting the use of his facilities to members only. If a membership organization is properly administered, legal liability and premium rates may be reduced considerably. This type of arrangement has an additional advantage of reducing administrative and maintenance costs.

(7) The potential liability of an enterprise may be reduced by specifically delineating the recreation area intended for use by the paying guest. Boundaries of recreation areas should be well marked and guests should be warned

that they are to stay within these boundaries.

(8) The entrepreneur must maintain his premises in a reasonably safe condition. The addition of safety precautions and elimination of hazards can reduce liabilities and the chance that an accident will occur. Not only are insurance companies more willing to insure an enterprise which has certain safety precautions built in, but a premium discount may be granted after a period of demonstrated safe operation.

(9) Liability may be reduced if reasonable care is exercised to warn visitors of any existing man made or natural hazards or unsafe conditions. Rules and regulations pertaining to the use of a recreation area should be posted to inform the invitee of the conduct expected of him.

(10) The entrepreneur must be certain to understand and comply with all laws and regulations applicable to his enterprise.

(11) To keep informed of recreation demands and management practices and to improve the recreation business as a whole, the serious entrepreneur should become affiliated with associations related to his particular enterprise.

Recommendations

The conclusions drawn from this investigation suggest

the following recommendations.

(1) Various businesses are able to achieve a great amount through associations. In view of the fact that there is already existing an association of rural recreation enterprises in Michigan, it is recommended that this association make an effort to inform entrepreneurs of its presence and purpose, and additional memberships should be actively solicited.

(2) The Michigan Association of Rural Recreation Enterprises is encouraged to continue efforts toward resolving liability insurance difficulties by working with legal authorities as well as insurance representatives. The Michigan Association of Rural Recreation Enterprises should be able to provide assistance to those entrepreneurs experiencing difficulty in obtaining suitable liability insurance.

(3) An investigation should be made of all statute laws and court decisions pertaining to the operation of commercial recreation enterprises in Michigan. These laws and regulations should be compiled and published in readable form to be made available to all recreation entrepreneurs.¹

¹The University of Illinois, College of Agriculture, Cooperative Extension Service has released a thirty two page circular prepared by N. G. P. Krausz and L. G. Lemon entitled "Laws and Regulations Concerning Recreation in Rural Areas of Illinois." This might serve as a guide for preparing a similar publication applicable to rural recreation enterprises in Michigan.

(4) The development of a workable code establishing minimum safety standards and management ethics for operation of rural recreation enterprises is strongly encouraged for the safety of the industry as well as the paying guest.² There is evidence that endorsement of prescribed safety regulations by the Michigan Association of Rural Recreation Enterprises and the subsequent adoption of such regulations by the individual member operators might increase the availability of liability insurance and possibly result in premium discounts to those who faithfully follow these regulations.

(5) Any substantial alteration of present laws to relieve the entrepreneur of liability does not seem justified at this time. Undoubtedly other kinds of businesses would enjoy relief from liability, but they too must compete under present laws and regulations. However, in view of the fact that many recreation enterprises have been developed upon the encouragement of various governmental agencies, it seems justified to recommend that the government either provide financial assistance and share in the cost of liability insurance, or make provisions for adequate insurance to be

²The "New Jersey Private Campgrounds Code" prepared by the New Jersey Department of Health and the New Jersey Department of Conservation and Economic Development might provide some helpful suggestions for development of standards for operation of recreation areas in Michigan.

obtained at reduced rates.

(6) It is clear that insurance companies often have a misconception of recreation enterprises and liability insurance policies are poorly adapted to this type of business enterprise. The variance of insurance costs indicates that rural recreation enterprises have not been thoroughly evaluated. It is therefore recommended that insurance rating bureaus be encouraged to do the following: (1) define and classify rural recreation enterprises consistent with their rating practices, (2) thoroughly evaluate the recreation business to more accurately understand the nature of the business and the risks involved, and (3) on the basis of this evaluation, a separate rating system should be designed for exposures common to rural recreation enterprises.

(7) A more thorough analysis of insurance company policy, than was attempted within the scope of this investigation, should be conducted to supplement the data gathered herein.

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APPENDICES

APPENDIX A

SUGGESTED STATE LEGISLATION FOR LIMITING
LIABILITY OF PRIVATE LANDOWNERS

Reprint from

Suggested State Legislation - Volume XXIV, 1965**PUBLIC RECREATION ON PRIVATE LANDS:
LIMITATIONS ON LIABILITY**

Recent years have seen a growing awareness of the need for additional recreational areas to serve the general public. The acquisition and operation of outdoor recreational facilities by governmental units is on the increase. However, large acreages of private land could add to the outdoor recreation resources available. Where the owners of private land suitable for recreational use make it available on a business basis, there may be little reason to treat such owners and the facilities they provide in any way different from that customary for operators of private enterprises. However, in those instances where private owners are willing to make their land available to members of the general public without charge, it is possible to argue that every reasonable encouragement should be given to them.

In something less than one-third of the states, legislation has been enacted limiting the liability of private owners who make their premises available for one or more public recreational uses. This is done on the theory that it is not reasonable to expect such owners to undergo the risks of liability for injury to persons and property attendant upon the use of their land by strangers from whom the accommodating owner receives no compensation or other favor in return.

The suggested act which follows is designed to encourage availability of private lands by limiting the liability of owners to situations in which they are compensated for the use of their property and to those in which injury results from malicious or willful acts of the owner. In the case of lands leased to states or their political subdivisions for recreational purposes, the legislation expressly provides that the owner will have no remaining liability to recreationists, except as such liability may be incorporated in an agreement, or unless the owner is compensated for the use of the land in addition to consideration for the lease.

Suggested Legislation

[Title should conform to state requirements. The following is a suggestion: "An act to encourage landowners to make land and water areas available to the public by limiting liability in connection therewith."]

(Be it enacted, etc.)

1 Section 1. The purpose of this act is to encourage owners of land to
2 make land and water areas available to the public for recreational pur-
3 poses by limiting their liability toward persons entering thereon for such
4 purposes.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. This ensures transparency and allows for easy verification of the data.

In the second section, the author outlines the various methods used to collect and analyze the data. This includes both primary and secondary data collection techniques. The analysis focuses on identifying trends and patterns over time.

The third section provides a detailed breakdown of the results. It shows that there has been a significant increase in sales volume, particularly in the middle and lower income brackets. This is attributed to several factors, including targeted marketing campaigns and improved product quality.

Finally, the document concludes with a series of recommendations for future actions. It suggests that the company should continue to invest in research and development to stay ahead of the competition. Additionally, it recommends a more aggressive marketing strategy to reach a wider audience.

1 Section 2. As used in this act:

2 (a) "Land" means land, roads, water, watercourses, private ways and
3 buildings, structures, and machinery or equipment when attached to the
4 realty.

5 (b) "Owner" means the possessor of a fee interest, a tenant, lessee,
6 occupant or person in control of the premises.

7 (c) "Recreational purpose" includes, but is not limited to, any of
8 the following, or any combination thereof: hunting, fishing, swimming,
9 boating, camping, picnicking, hiking, pleasure driving, nature study,
10 water skiing, winter sports, and viewing or enjoying historical, archae-
11 ological, scenic, or scientific sites.

12 (d) "Charge" means the admission price or fee asked in return for
13 invitation or permission to enter or go upon the land.

1 Section 3. Except as specifically recognized by or provided in Sec-
2 tion 6 of this act, an owner of land owes no duty of care to keep the
3 premises safe for entry or use by others for recreational purposes, or
4 to give any warning of a dangerous condition, use, structure, or activity
5 on such premises to persons entering for such purposes.

1 Section 4. Except as specifically recognized by or provided in Sec-
2 tion 6 of this act, an owner of land who either directly or indirectly
3 invites or permits without charge any person to use such property for
4 recreational purposes does not thereby:

5 (a) Extend any assurance that the premises are safe for any purpose.

6 (b) Confer upon such person the legal status of an invitee or licen-
7 see to whom a duty of care is owed.

8 (c) Assume responsibility for or incur liability for any injury to
9 person or property caused by an act of omission of such persons.

1 Section 5. Unless otherwise agreed in writing, the provisions of Sec-
2 tions 3 and 4 of this act shall be deemed applicable to the duties and
3 liability of an owner of land leased to the state or any subdivision
4 thereof for recreational purposes.

1 Section 6. Nothing in this act limits in any way any liability which
2 otherwise exists:

3 (a) For willful or malicious failure to guard or warn against a
4 dangerous condition, use, structure, or activity.

5 (b) For injury suffered in any case where the owner of land charges
6 the person or persons who enter or go on the land for the recreational
7 use thereof, except that in the case of land leased to the state or a
8 subdivision thereof, any consideration received by the owner for such
9 lease shall not be deemed a charge within the meaning of this section.

1 Section 7. Nothing in this act shall be construed to:

2 (a) Create a duty of care or ground of liability for injury to per-
3 sons or property.

4 (b) Relieve any person using the land of another for recreational
5 purposes from any obligation which he may have in the absence of this
6 act to exercise care in his use of such land and in his activities there-
7 on, or from the legal consequences of failure to employ such care.

1 Section 8. [Insert effective date.]

APPENDIX B

QUESTIONNAIRE AND LETTER OF TRANSMITTAL

SENT TO RECREATION ENTREPRENEURS

906 Narcissus Drive
East Lansing, Michigan

Dear Sir:

Enclosed is a questionnaire regarding liability insurance aspects of rural recreation enterprises. Liability insurance is a major concern to many recreation entrepreneurs such as yourself. Therefore, I am hopeful you will take a few minutes of your time to help me gather some basic information regarding this problem.

Before a united effort can be effectively made toward easing the liability problems of recreation enterprises, the significance of the problem, and basic factors creating the problem, must be more fully understood. This is the purpose of my study.

I am presently a graduate student majoring in Park and Recreation Administration at the Michigan State University, Department of Resource Development. Information from this questionnaire will be incorporated into my research project which is based on an investigation of liability insurance programs and problems of rural recreation enterprises.

This questionnaire is being mailed to a select few enterprises in southern Michigan. Your answers to the questionnaire will be strictly confidential and will in no way be associated with your name or enterprise. Your cooperation with this study will be sincerely appreciated.

I realize this questionnaire is imposing upon you and may be a slight inconvenience. However, I am hopeful you will realize the importance of this study and return the completed questionnaire to me as promptly as possible. I will be obliged to send you a summary of my study upon request. The complete report and results will also be available to you at the University.

Truly yours,

Richard E. Cary

1947

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Dear Mr. [Name],
I have your letter of the 12th and am glad to hear that you are interested in the [Project]. I will be glad to help you in any way I can.

I am sorry that I cannot do more for you at the moment, but I will be glad to help you in any way I can.

I am sorry that I cannot do more for you at the moment, but I will be glad to help you in any way I can.

I am sorry that I cannot do more for you at the moment, but I will be glad to help you in any way I can.

I am sorry that I cannot do more for you at the moment, but I will be glad to help you in any way I can.

I am sorry that I cannot do more for you at the moment, but I will be glad to help you in any way I can.

Sincerely,
[Name]

LIABILITY INSURANCE QUESTIONNAIRE

I. Nature of Recreation Area

1. What Recreational Facilities do you have?

<input type="checkbox"/> Tent Camping	<input type="checkbox"/> Pond Fishing	<input type="checkbox"/> Hunting
<input type="checkbox"/> Trailer Camping	<input type="checkbox"/> Lake, River Fishing	<input type="checkbox"/> _____
<input type="checkbox"/> Picnicking	<input type="checkbox"/> Boat Rental	<input type="checkbox"/> _____
<input type="checkbox"/> Swimming	<input type="checkbox"/> Horse or Pony Riding	<input type="checkbox"/> _____

2. Date recreation business was established _____

3. Total land acreage _____ Recreation area acres _____

4. Is farming the major use of your land? yes no
If so, what type of farming? Beef Dairy Poultry
 Grain Vegetables Other (specify) _____5. Do you plan to expand your recreation enterprise? yes no

6. What is your average annual attendance? _____

7. Method of charging guests for use of facilities Entrance fee only
 separate charge for each activity combination of entrance
fee plus charge for use of certain additional facilitiesII. Problems with Liability Insurance1. Do you have liability insurance against suits which may arise from bodily injury or property damage incurred by your guests?
 yes no2. Do you rate liability insurance as one of your major operating problems? yes no
If so, for what reason? _____

3. What problems are of more concern to you? _____

4. If you do not have liability insurance for your recreation business, why not?

<input type="checkbox"/> too costly	<input type="checkbox"/> do not believe it necessary
<input type="checkbox"/> can not be obtained	<input type="checkbox"/> other _____

5. Did you have difficulty finding someone who would sell you the kind of insurance you wanted? yes no6. Did you "shop around" for the type of insurance you need?
 yes no How many agencies? _____ Any out of state? yes
 no7. Did insurance agent who sold you insurance personally visit your enterprise? yes no

8. What injuries or damages have been reported to you? _____

9. Did you report these immediately to your insurance company?
 yes no

1. The first part of the document is a list of names and addresses of the members of the committee.

2. The second part of the document is a list of names and addresses of the members of the committee.

3. The third part of the document is a list of names and addresses of the members of the committee.

4. The fourth part of the document is a list of names and addresses of the members of the committee.

5. The fifth part of the document is a list of names and addresses of the members of the committee.

6. The sixth part of the document is a list of names and addresses of the members of the committee.

7. The seventh part of the document is a list of names and addresses of the members of the committee.

8. The eighth part of the document is a list of names and addresses of the members of the committee.

9. The ninth part of the document is a list of names and addresses of the members of the committee.

10. The tenth part of the document is a list of names and addresses of the members of the committee.

11. The eleventh part of the document is a list of names and addresses of the members of the committee.

12. The twelfth part of the document is a list of names and addresses of the members of the committee.

13. The thirteenth part of the document is a list of names and addresses of the members of the committee.

14. The fourteenth part of the document is a list of names and addresses of the members of the committee.

15. The fifteenth part of the document is a list of names and addresses of the members of the committee.

IV. The Insurance Program

If you do not have liability insurance, omit this section.

1. Do you feel that your present liability coverage gives you adequate protection? yes no
2. Name of company issuing insurance _____
3. Type of policy. Comprehensive General Liability
 Owner's landlords and Tenants other (specify) _____
4. Limits of Insurance per person per "accident" or "occurrence" (underline accident or occurrence, whichever applies to your policy)
5. Total premium cost per year \$. Premium per risk or activity if scheduled.

Activity	Premium \$ per yr. or season	Activity	Premium \$ per yr. or season
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

6. Are any risks or activities uninsured? yes no
 What ones? _____
 Why? _____
7. Is premium based on number of user days percent of receipts
 acreage do not know other (specify) _____

THIS SPACE FOR ANY COMMENTS YOU WISH TO ADD RELATED TO THE LIABILITY ASPECT OF YOUR RECREATION ENTERPRISE

Thank you for your cooperation. Please return questionnaire in return stamped envelope to:

Richard E. Cary
 906 Narcissus Drive
 East Lansing, Michigan

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that this is essential for the proper management of the organization's finances and for ensuring compliance with relevant laws and regulations.

2. The second part of the document outlines the specific procedures that should be followed when recording transactions. This includes details on how to handle receipts, invoices, and other financial documents, as well as the frequency and timing of record-keeping activities.

3. The third part of the document provides a detailed overview of the various types of transactions that must be recorded. This includes sales, purchases, transfers, and other financial activities, and explains how each type should be properly documented and categorized.

4. The fourth part of the document discusses the role of the accounting department in the record-keeping process. It highlights the importance of clear communication and collaboration between the accounting team and other departments to ensure that all transactions are accurately recorded and reported.

5. The fifth part of the document provides a summary of the key points discussed in the document and offers some final thoughts on the importance of maintaining accurate records. It concludes by stating that this is a critical component of any successful organization's financial management strategy.

6. The sixth part of the document provides a detailed overview of the various types of transactions that must be recorded. This includes sales, purchases, transfers, and other financial activities, and explains how each type should be properly documented and categorized.

7. The seventh part of the document discusses the role of the accounting department in the record-keeping process. It highlights the importance of clear communication and collaboration between the accounting team and other departments to ensure that all transactions are accurately recorded and reported.

8. The eighth part of the document provides a summary of the key points discussed in the document and offers some final thoughts on the importance of maintaining accurate records. It concludes by stating that this is a critical component of any successful organization's financial management strategy.

9. The ninth part of the document provides a detailed overview of the various types of transactions that must be recorded. This includes sales, purchases, transfers, and other financial activities, and explains how each type should be properly documented and categorized.

10. The tenth part of the document discusses the role of the accounting department in the record-keeping process. It highlights the importance of clear communication and collaboration between the accounting team and other departments to ensure that all transactions are accurately recorded and reported.

11. The eleventh part of the document provides a summary of the key points discussed in the document and offers some final thoughts on the importance of maintaining accurate records. It concludes by stating that this is a critical component of any successful organization's financial management strategy.

APPENDIX C

QUESTIONNAIRE AND LETTER OF TRANSMITTAL
SENT TO INSURANCE COMPANIES

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906 Narcissus Drive
East Lansing, Michigan

Dear Sir:

I have been advised that your company frequently provides liability insurance for rural and farm recreation enterprises with activities such as camping, swimming, fishing, boating, and horseback riding. I am therefore writing in hopes that you may provide me with some background information so that I will more fully understand the liability insurance problem of such enterprises from an insurance company viewpoint.

I am a graduate student at Michigan State University majoring in Recreation and Park Administration in the Department of Resource Development. I am now working on my research project involving an analysis of liability insurance programs and problems of rural recreation enterprises. It appears that liability insurance is not readily available to such enterprises and premium costs are reported to be excessive. One thing I hope to determine is whether this is actually the case. If it is, I am interested in knowing why, and this is where I hope you can be of assistance.

I am enclosing a few questions which I am particularly interested in having answered. Any additional comments or information you can provide regarding your policies for insuring such enterprises will be greatly appreciated.

Sincerely,

Richard E. Cary

Enc.

QUESTIONNAIRE

Liability Insurance For Rural Recreation Enterprises

1. For what type of rural or farm recreation activities will you not provide liability insurance? _____

2. What is the minimum coverage you recommend for such enterprises? \$ _____ per person \$ _____ per accident or occurrence (underline accident or occurrence as it applies to your policy or the one you recommend)
3. What type of policy do you recommend for such enterprises? _____

4. What is the basis for premiums? (acreage, percent of receipts, number of user days, other)

5. Do you provide a premium discount after a certain period of safe operation ___yes ___no
If so, length of period _____
6. Do you expect premium rates to decrease after the recreation business has become firmly established and the statistical base for rate making becomes more reliable? ___yes ___no Do you expect more companies to offer such insurance for same reasons? ___yes ___no
7. Are premium rates high because (1) the recreation business has not been thoroughly evaluated? ___yes ___no, or (2) are the rates high because the risk of a liability suit has been proven to be high ___yes ___no, or, (3) are rates high because of the relatively few enterprises insured ___yes ___no.
8. Describe most common injuries or damages for which payments have been made _____

9. What is the range of payments made for suits incurred? _____
10. From an insurance viewpoint, would it be beneficial for the Michigan Association of Rural Recreation Enterprises to set safety standards by which members should operate their recreation business?
___yes ___no
11. Would insurance companies be likely to reduce premium costs in recognition of operators who conformed to such adopted standards?
___yes ___no
12. By what other means could such an association help in making liability insurance more readily available and at lower cost? _____

CONFIDENTIAL

CONFIDENTIAL - SECURITY INFORMATION

13. What, if any, measures or management practices can the individual operator adopt to reduce premium rates for a recreation business?

14. Does your company have minimum standards by which such enterprises must conform? yes no
15. Is each enterprise inspected before you agree to provide liability insurance? yes no
16. Is your company licensed in Michigan? yes no
If so, could we refer your company to recreation enterprises seeking insurance? yes no
17. Does insuring recreation enterprises involve special or unique problems to insurance companies? yes no If so, explain

18. Do you require a prescribed method by which recreation entrepreneur must collect fees? (one entrance fee, charge for each activity, other) yes no Explain: _____

19. Other comments regarding liability insurance aspects of rural and farm recreation enterprises.

Thank you for your cooperation.

Richard E. Cary
906 Narcissus Drive
East Lansing, Michigan

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. This is essential for ensuring the integrity of the financial statements and for providing a clear audit trail. The records should be kept up-to-date and should be accessible to all relevant parties.

2. The second part of the document outlines the procedures for handling discrepancies. It is important to identify any errors as soon as possible and to investigate the cause of the discrepancy. Once the cause has been identified, the appropriate corrective action should be taken to prevent the error from recurring.

3. The third part of the document discusses the role of the internal control system. This system is designed to prevent and detect errors and fraud. It is important to ensure that the internal control system is effective and that all employees are aware of their responsibilities under the system.

4. The fourth part of the document outlines the requirements for the external audit. The external auditor is responsible for providing an independent opinion on the financial statements. It is important to ensure that the external auditor has access to all relevant information and that the audit process is conducted in a fair and objective manner.

5. The fifth part of the document discusses the importance of transparency and communication. It is important to provide clear and concise information to all stakeholders and to ensure that there is a two-way flow of communication. This will help to build trust and to ensure that all parties are aware of the company's financial position.

6. The sixth part of the document outlines the requirements for the annual financial statements. The financial statements should be prepared in accordance with the relevant accounting standards and should be audited by an external auditor. It is important to ensure that the financial statements are accurate and that they provide a true and fair view of the company's financial position.

7. The seventh part of the document discusses the importance of risk management. It is important to identify and assess the risks that the company faces and to develop strategies to manage these risks. This will help to ensure that the company is able to achieve its objectives and to maintain its financial stability.

8. The eighth part of the document outlines the requirements for the annual general meeting. The annual general meeting is an important event for the company and its shareholders. It is important to ensure that the meeting is conducted in a fair and transparent manner and that all shareholders have the opportunity to participate in the meeting.

APPENDIX D

LETTER SENT TO GOVERNMENTAL AGENCIES
REQUESTING SUPPLEMENTAL MATERIAL RELATED
TO LIABILITY ASPECTS OF RURAL RECREATION ENTERPRISES

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COOPERATIVE EXTENSION SERVICE

MICHIGAN STATE UNIVERSITY • EAST LANSING • MICHIGAN 48823

Department of Resource Development
AND U.S. DEPARTMENT OF AGRICULTURE COOPERATING

September 16, 1966

Dear Sir:

Within the Department of Resource Development a study of liability insurance programs of selected rural recreation enterprises in southern Michigan is underway. The objective of this study is to investigate the costs and availability of this type of insurance, and to determine whether liability insurance effects the development of private recreation enterprises.

To date, a review of the literature has revealed very few studies or publications devoted to this subject. I am hopeful your agency may be familiar with the problem and may be able to provide me with studies or other material relative to liability insurance and legal aspects of liability for private recreation enterprises. Any statements you may wish to include based on your experience and knowledge of the subject will also be welcome.

Your assistance will be appreciated.

Sincerely,



Louis F. Twardzik, Associate Professor
Park and Recreation Administration

LFT:kg

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