

RECREATION CENTERS OF SUN CITY, INC.

Insurance Committee Summary

May 15, 2020

CALL TO ORDER: Chair Mike Kennedy called the meeting to order electronically at 1 p.m. in Lockton Companies' virtual WebEx Conference Room.

PRESENT: Chair Mike Kennedy; Co-Chair Barbara Brehm; Insurance Committee Members: George Courtot; Dave Wieland

RCSC STAFF PRESENT: RCSC General Manager Jan Ek, RCSC Controller Angie Nelson

ALSO PRESENT: Lockton Arizona President Kevin Cummings, Vice President - Team Lead Angela Yanofsky, Sr. Account Manager Casey Rush, Account Executive Dawn McCarthy and Associate Account Executive Lynette Anderson.

COMMITTEE SUMMARY: Mike Kennedy called for a motion on the approval of the Committee Summary of March 13, 2020. Barbara Brehm moved for approval, seconded by George Courtot, unanimously approved.

PRESENTATION, DISCUSSION AND REVIEW: Lockton Arizona President Kevin Cummings introduced Account Executive Dawn McCarthy who presented the insurance market update and RCSC's renewal along with Sr. Account Manager Casey Rush for Executive Risk coverages.

Market Update and Renewal Offers:

Property – CAT exposure: 7% to 15%+ without losses; No CAT exposure: 12% to 25%

General Liability – 7% to 8%, most classes

Automobile Liability – Underwriting continuing to tighten, with most carriers restricting terms and looking for 10% to 20%

Excess Liability – Restricting and tightening up underwriting with 15% to 50% increase based on class of business

Executive Risk – Directors & Officer (D&O) market continues to be relatively flat, however, some are seeking rate increases due to claims. Employment Practices Liability (EPL) claims related to sexual harassment continue to be higher than average levels. Rates in Fiduciary market continue to be flat. Crime marketplace continues to experience losses for incidents outside the U.S. The Cyber market is adding more capacity from current underwriters and new entrants to the market, very competitive marketplace which continues to benefit clients without losses.

Discussion pursued regarding the required increase in property insurance deductible from \$5,000 per incident to either \$10,000 or \$15,000 per incident. GM Ek expressed that her recollection was that the \$15,000 deductible was preferable from the last Insurance Committee meeting. Insurance renewal totals for RCSC are as follows:

- 2020/2021 Grand Total for all Insurance, using a **\$15,000 deductible cost \$787,654 a 10.57% increase**
- 2020/2021 Grand Total for all Insurance using a **\$10,000 deductible cost \$797,864 a 12% increase**

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GM Ek informed the committee that when the rough mower burned recently, a total of \$4,406 was offered to RCSC for Actual Cash Value (ACV) given that the mower was twelve years old. The cost for a used (100 hours) rough mower replacement was \$63,288.87. Industry wide an anticipated life or turnover occurs at five years, so value is greatly reduced as equipment ages. GM Ek explained that with RCSC equipment a much longer useful life is expected, therefore, RCSC may want to consider an endorsement for replacement cost, since it would cost between \$71k-\$73k to purchase a new rough mower.

Lockton Vice President - Team Lead Angela Yanofsky contributed that with an expected life of just five years, a higher deductible would be indicated and RCSC would see claims slip away. GM Ek stated a preference with insuring replacement value versus depreciating cost over five years.

GM Ek asked permission from Lockton to remain on their virtual WebEx Conference Room to wrap up the Insurance Committee's recommendation to the Board, which was granted. GM Ek informed the Committee that they needed to make three decisions by motion and vote on the following items for recommendation to the Board:

1. Whether the Committee wanted to recommend a \$10,000 deductible on property insurance as recommended by Lockton;
2. Whether the Committee wanted to recommend there be an endorsement with Philadelphia for Replacement Value on golf course equipment versus the current Actual Cash Value for a "very small fee" as presented by Lockton; and
3. Whether the Committee wanted to recommend the renewal of all insurance coverage as presented by Lockton otherwise.

George Courtot moved that the committee recommend yes on all three and Dave Wieland seconded the motion. Each committee member voted individually by verbal vote and the motion was passed by unanimous vote.

ADJOURNMENT: The meeting adjourned electronically at 2 p.m.

NEXT MEETING: Next meeting of the RCSC Insurance Committee is scheduled for the second Friday of March 2021.

Respectfully submitted,

Mike Kennedy, Chair