

RECREATION CENTERS OF SUN CITY, INC.

Insurance Committee

September 6, 2024

Co-Chair Tom Foster called the meeting to order at 9:00am in the Lakeview Board Room.

Present: Chair Kat Fimmel, Co-Chair Tom Foster, committee members David Wieland, Kim Wanek, John Chaney

RCSC Staff: Finance-Support Sr. Leader Kevin McCurdy, Controller Angie Nelson

Guests: Lockton Company Representatives present Gail Wilson, Kevin Cummings

Review/Amend Prior Meeting Summary: The Meeting Summary for May 3, 2024 was accepted as presented.

Presentation, Discussion & Review:

Mr. Cummings provided a quarterly market forecast summary hand out and summarized important highlights. Autos – seeing more plaintiff attorney advertising. Private equity firms investing in jury litigation which is driving awards up further. These firms expect a 25% return on their investment. Insurance Company CEOs continue to be scared of anything with wheels on them. Chubb not writing large fleets anymore due to concern about catastrophic losses. Carriers are not writing large excess limits above primary lines. Capacity in excess layers is decreasing. In the past insureds could get \$20M in coverage and that is now depressed to approximately \$5M in coverage per carrier. In order to achieve more insurance pricing stability, the trend is for insureds to self-insure more exposures. Could include reducing limit purchases – RCSC buys a lot of limits. RCSC purchases more than the benchmark. Recommended seeking other ways to save money. Committee needs to continue to review and discuss \$30M in excess coverage. Discussion held on who is covered under these policies. RCSC’s safety culture initiatives should ultimately lessen claims experience.

Lockton provided a review of premium calculations and potential savings. Overall, minimal savings were identified. Discussion held on risk management efforts and transferring risk through Special Event Policies. Best case scenario is to transfer the first \$1M of coverage to this Special Events policies to protect RCSC’s loss experience which factors into future insurance premiums. These policies are fairly inexpensive and usually less than \$1K. RCSC to be named as an additional insured.

Discussion held on property deductibles and purchase of Business Interruption coverage. Review at renewal to determine potential savings. Lockton suggested the Committee consider taking the premium credit and putting it into an account to pay deductible expenses. RCSC can start to build a bank that plays a role in a captive if RCSC ever decides to go this route.

Discussion was made on Wamo and May Mobility. Protection in place with May Mobility via a Certificate of Insurance.

Contractors' equipment coverage was discussed along with the current value of equipment. RCSC purchases equipment vs leasing and depreciates generally over 5 years. The biggest risk appears to be golf storage facilities where a large amount of equipment is stored. Price savings are not close to one mower. A number of storage areas do not have the best protection in place at this time. They will as these are replaced. Committee agreed to leave as is as cost is greater than savings.

Flood coverage is excluded under property coverage today. Discussed current risk which is limited to a handful of buildings. Monsoons have flooded some RCS facilities in the past. Lakeview is a concern as a large portion is underground which houses offices. All properties are in a flood zone.

Mr. Cumming shared the cost to insure 50 autos for RCSC is fairly inexpensive. Could look at self-insuring physical damage.

Workers' Compensation discussion continues to reveal RCSC needs to reduce losses. The current mod rate is 1.9. RCSC's focus should be on developing and implementing a Return-to-Work program. Lockton is available to assist. By reporting claims within 24 hours, claims have the potential to achieve 56% in expected savings. Pre employment screening options have been shared with RCSC leadership. RCSC has a first point of medical provider program in place. Training needs to be held with RCSC personnel. Lockton can assist with training so team members have knowledge of how the process should work. Lockton is getting more details on directing employers post ER visit. Mod calculation is based on 4 previous years' experience and does not include the current year.

Mr. Cummings was asked to provide information on a new coverage -Parametric Insurance. He shared these are trigger specific policies – example provided car dealers in Phoenix are concerned about hail and damage to vehicles on lot. Few carriers write this coverage, and this would not benefit RCSC.

Captives' discussion held. These are a long-term strategy and at least a 5-year commitment. A single parent captive can be formed, however the cost to do so is typically a \$100K+ upfront operating cost. Several professional disciplines would need to be outsourced. An actuarial analysis would need to be performed and RCSC would be obligated to fund on day 1 anticipated loss experience in order to pay expected losses. Cost will be more than commercial premiums that RCSC is paying now. Philadelphia does not offer deductible options on General Liability insurance. Group captives are an option but cautioned. Review who else is in the captive along with their risk management philosophy. Entry and exit provisions are important to review. Lockton recommended RCSC's approach should be to take larger deductibles and build up a rainy-day fund and not have the risk of others impacting RCSC's insurance spend. No homogenous captives for business like RCSC. Lockton identified a Risk Retention Group related to golf courses. However, RCSC would be the largest insured and Lockton's concern is smaller operators would negatively impact RCSC, therefore this is not recommended.

As we move toward the next renewal, there is a need to discuss whether higher deductibles are in the best interests of RCSC. Renewal is June 30, 2025. The first Insurance Committee meeting in 2025 is usually in March. Actual quotes follow in April. The Insurance Committee then makes a

recommendation by the May RCSC Board meeting that must pass two Board readings (i.e., May and June) to receive approval. If the Insurance Committee recommendation is approved by the Board, premium payment is then made at the end of June.

Adjournment: The meeting adjourned at 10:30am.

Next Meeting: Next Meeting is TBD – potential to start in February. In past have started renewal discussions in March – Lakeview Center Boardroom

Respectfully submitted,

Kim Wanek, Secretary