



Arthur J. Gallagher & Co.
BUSINESS WITHOUT BARRIERS™

Rossmoor

RISK MANAGEMENT REPORT

July 2016

CORE360 MODEL



INSURANCE PREMIUMS

- Primary factors that Impact Cost
 - Operations, Activities, Risk Management Controls
 - Physical Characteristics of Property
 - Construction Type, Age, Protection
 - Coverage Enhancements
 - Flood and related losses; Code Upgrades
 - Broker Compensation
 - Loss Experience

INSURANCE PREMIUMS

Property - \$50 M Primary

	Premium	Incurred Losses (Valued at 6/13/16)	Loss Ratio
2009-2010	\$ 1,500,000	\$ 252,422	17%
2010-2011	\$ 1,499,363	\$ -	-
2011-2012	\$ 1,499,335	\$ 5,446,296	363%
2012-2013	\$ 1,710,852	\$ -	-
2013-2014	\$ 1,881,000	\$ -	-
2014-2015	\$ 1,985,790	\$ 632,317	32%
2015-2016	\$ 1,281,946	\$ -	-
2016-2017	\$ 1,191,804	\$ -	-
TOTAL	\$ 12,550,090	\$ 6,331,035	50%

Property - Total Limits

	Premium	Incurred Losses (Valued at 6/13/16)	Loss Ratio
2009-2010	\$ 2,325,000	\$ 252,422	11%
2010-2011	\$ 2,304,063	\$ -	-
2011-2012	\$ 2,304,335	\$ 5,446,296	236%
2012-2013	\$ 2,517,477	\$ -	-
2013-2014	\$ 2,726,257	\$ -	-
2014-2015	\$ 2,884,469	\$ 632,317	22%
2015-2016	\$ 1,996,596	\$ -	-
2016-2017	\$ 1,890,744	\$ -	-
TOTAL	\$ 18,948,941	\$ 6,331,035	33%

INSURANCE PREMIUMS

General Liability	Premium	Incurred Losses (Valued at 6/13/16)	Loss Ratio
2009-2010	\$ 296,398	\$ 8,775	4%
2010-2011	\$ 257,240	\$ 11,706	42%
2011-2012	\$ 257,540	\$ 106,998	42%
2012-2013	\$ 272,925	\$ 96,308	35%
2013-2014	\$ 289,092	\$ 351,758	122%
2014-2015	\$ 307,564	\$ 218,130	71%
2015-2016	\$ 251,916	\$ 28,489	11%
2016-2017	\$ 285,081	\$ 22,333	8%
TOTAL	\$ 2,217,756	\$ 844,497	38%

INSURANCE PREMIUMS

- Property Insurance
 - Drives Cost of Insurance (80% of total cost allocation)
 - Historical Cost Per Manor

Year	Property, General Liability & Umbrella Premium	\$50 million Primary Property Rate	Full Property Rate	Insurance Cost per Manor
2009	\$2,790,271	0.1278	0.1989	\$418
2010	\$2,764,433	0.1279	0.1994	\$414
2011	\$2,764,705	0.1215	0.1895	\$414
2012	\$3,000,149	0.1386	0.2069	\$449
2013	\$3,236,236	0.1466	0.2156	\$485
2014	\$3,426,012	0.1481	0.2182	\$513
2015	\$2,403,626	0.1012	0.1599	\$381
2016	\$2,340,966	0.0914	0.1475	\$371

PROGRAM STRUCTURE

- Master Program – designed to reduce costs

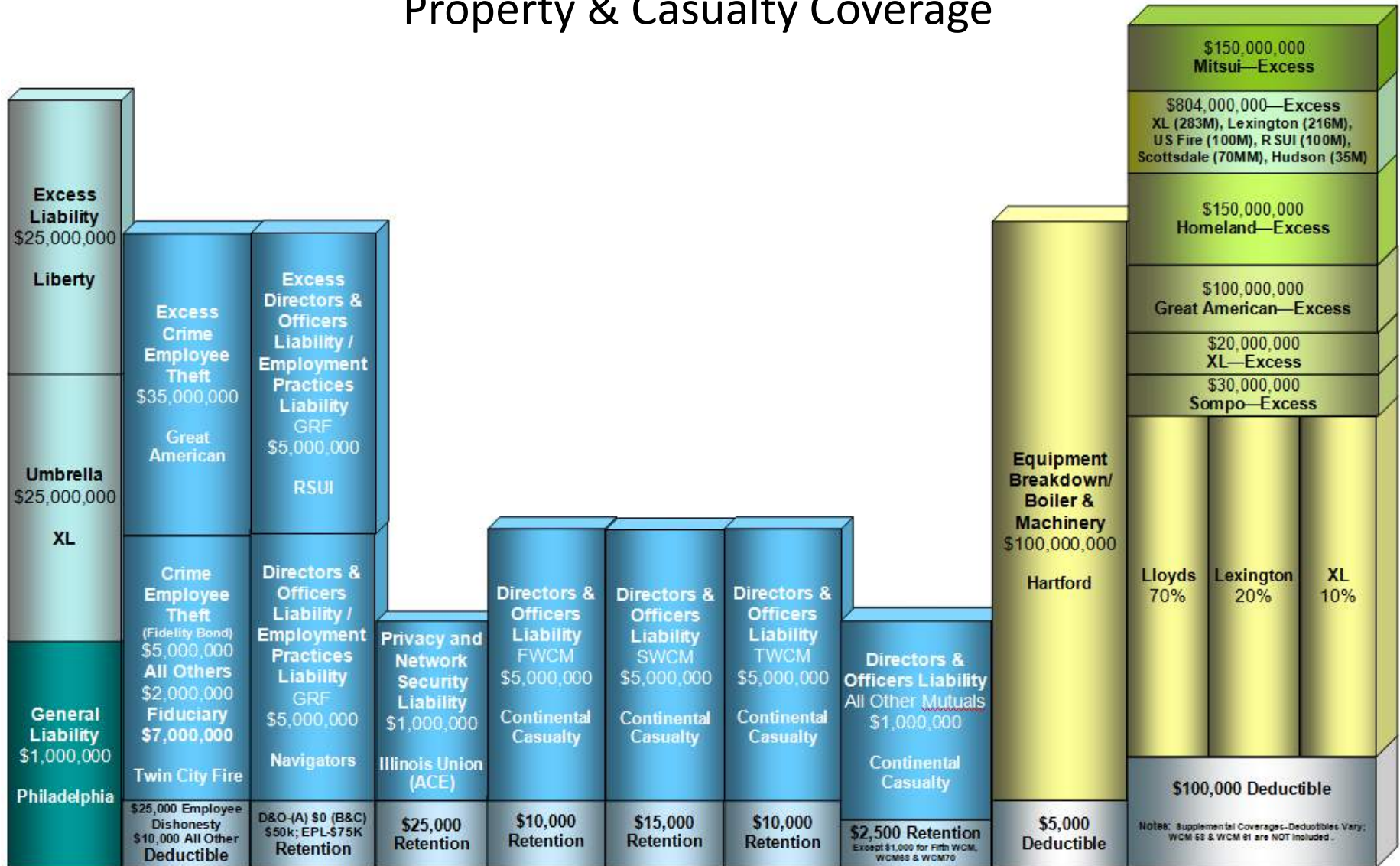
- Property Insurance Limit (\$1,341,000,000)
 - Total Limit Available for Any Loss
 - Replacement Cost- Includes Code Upgrades
 - Interior Improvements and Alterations
 - Meets FNMA Regulations for combining affiliated Mutuals
 - FNMA minimum limits are 50% of total values, or 150% of the total values of the largest Mutual

- Crime
 - Limit based on reserves plus 3 month assessments

- General Liability Limit
 - How does Rossmoor compare?

PROGRAM STRUCTURE

Property & Casualty Coverage



LOSSES WITHIN DEDUCTIBLE

Losses Within Deductible

- Property Deductible \$100,000
 - Impact on Primary (\$50 million) Property Insurance Premium
 - Net Savings
 - Loss Experience Within Deductible
- General Liability
 - No Deductible

Year	Property Insurance Premium at \$100,000 Deductible	Losses between \$10,000 and \$100,000	Premium Saving for \$100,000 Deductible (33% Factor)	Net Cost Saving	Premium Saving for \$100,000 Deductible (20% Factor)	Net Cost Saving
2009	\$ 1,500,000	\$ --	\$ 499,500	\$ 499,500	\$ 300,000	\$ 300,000
2010	\$ 1,498,742	\$ --	\$ 499,081	\$ 499,081	\$ 299,748	\$ 299,748
2011	\$ 1,499,335	\$ --	\$ 499,279	\$ 499,279	\$ 299,867	\$ 299,867
2012	\$ 1,710,852	\$ 73,618	\$ 569,714	\$ 496,096	\$ 342,170	\$ 268,552
2013	\$ 1,881,000	\$ 84,906	\$ 626,373	\$ 541,467	\$ 376,200	\$ 291,294
2014	\$ 1,985,790	\$ 98,712	\$ 661,268	\$ 562,556	\$ 397,158	\$ 298,446
2015	\$ 1,281,946	\$ 20,187	\$ 426,888	\$ 406,701	\$ 256,389	\$ 236,202
2016	\$ 1,191,804	\$ 55,552	\$ 396,871	\$ 341,319	\$ 238,361	\$ 182,809
Total	\$12,549,469	\$ 332,975	\$ 4,178,973	\$ 3,845,998	\$ 2,509,894	\$ 2,176,919
Average	\$ 1,673,263	\$ 44,397	\$ 557,196	\$ 512,800	\$ 334,653	\$ 290,256

UNINSURED LOSSES

- Earthquake
- Excess Flood
 - What is Covered by Primary Flood (\$2,000,000 limit)
- Environmental
 - Types of Losses
 - Estimated Annual Cost \$8.00 per Manor
- Property Managers' Professional Liability
- Contingent Workers Compensation for Mutuals

UNINSURABLE RISKS

- Breach-of-Contract
- Cost to Comply with Legal Requirements
- Punitive Damages

COVERAGE GAPS

- Cause of Coverage Gaps
 - Uninsured
 - Not Recognized
 - Ignored

- Coverage Enhancements
 - Broadened Property Coverage
 - Privacy, Media, Internet Liability
 - Equipment Breakdown for all Mutuals
 - Umbrella Limits (Increased from \$35M to \$50M)
 - Environmental Coverage for pool, spa, landscaping chemicals

CONTRACTUAL LIABILITY

- Transferring and Mitigating Risk
- GRF Contractual Agreements – Vendors and Contractors
 - Indemnification review
 - Insurance Requirements
- CC&R and By Laws
 - Mutual Governing Documents (CC&R, Bylaws, Policies)
 - Impact on Insurance Coverage

BROKERAGE SERVICE HIGHLIGHTS

- Program Design and Marketing
- Claims Consulting
- Loss Control Consulting
- Managing Evidence of Insurance
- Earthquake
- Resident Education and Consulting

GRF Trust Facilities Earthquake Options

Total Insurable Values:

\$74,128,382

Maximum Deductible at 5% of TIV:

\$3,706,419

Expected Loss – Catastrophe Modeling

Expected Loss Amounts RMS Catastrophe Risk Modeling	Loss Excess of Deductible	Deductible Amount	Total Loss
100 Year Event	\$ 6,697,000	\$2,105,000	\$ 8,802,000
250 Year Event	\$12,438,000	\$2,320,000	\$14,758,000
500 Year Event	\$18,967,000	\$2,421,000	\$21,388,000

Premium Indications – Annual Policy

Coverage Amount	Premium by Layer	Cumulative Premium	Premium with SL Tax	Rate per \$100 of Value	Annual Cost per Manor	Monthly Cost
\$5 million	\$ 125,000	\$ 125,000	\$ 129,000	0.1740	\$ 19.32	\$ 1.61
\$10 million	\$ 55,000	\$ 180,000	\$ 185,760	0.2506	\$ 27.82	\$ 2.32
\$15 million	\$ 30,000	\$ 210,000	\$ 216,720	0.2924	\$ 32.45	\$ 2.70
\$20 million	\$ 7,500	\$ 217,500	\$ 224,460	0.3028	\$ 33.61	\$ 2.80
\$25 million	\$ 7,500	\$ 225,000	\$ 232,200	0.3132	\$ 34.77	\$ 2.90

