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CrossFit Risk Retention Group: 2013 Update

Over 30 percent of CrossFit affiliates in the U.S. turn to community-owned insurance to protect their businesses.

By Eric Reingen **December 2013**

Christine Galligani

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Four years ago, there was an idea to create something that would represent our strength and initiative, something that would become the backbone of our reputation and allow us to take aggressive action in defense of our affiliates and trainers: insurance by and for the CrossFit community.

In 2009, this idea turned into a massive funding effort to raise US$500,000. The goal was met and CrossFit Risk Retention Group Inc. (CF-RRG) was formed. In three short years, CF-RRG now has more than 2,200 supporters who insure and capitalize the company, it has issued 4,000 policies, and it's growing fast.

What Is CF-RRG?

CF-RRG is a community-owned insurance company that provides all insurance requirements in affiliate licensing agreements and also fulfills CrossFit Kids requirements. CF-RRG also provides personal-trainer policies for independent Level 1 CrossFit certificate holders.

Originally, CF-RRG was designed to provide specific coverage that commercial insurance companies did not want to offer. In addition to an RRG policy, affiliates were supposed to purchase a wrap-around policy as well. While great in concept, it made the RRG uncompetitive in the marketplace. Regulatory approvals and customer confusion plagued the first year of CF-RRG's existence. This led to the first step in CF-RRG's evolution.

In January 2011, CF-RRG began fulfilling all requirements of the CrossFit Affiliate Licensing Agreement. It was a momentous shift and instantly provided a competitive product while simplifying the process for affiliates. For membership, this meant 400 percent growth from 2010 to 2011. From 2011 to 2012, CF-RRG grew an additional 60 percent.

Success with the policy was reached in 2011, and in late 2012 CF-RRG shifted its focus to becoming the most efficient insurance company in its sector. Affiliates need things done quickly, efficiently and accurately, so a team of dedicated people set out to create a customer experience characterized by ease of use, accessibility and 48-hour response times.

The application process was revamped and taken online. Utilizing a new website, members of the community were able to receive a quote online. Additionally, CF-RRG created a customer portal where affiliates and trainers can log in, view their policy and documents, and print important information directly from the website. There is no insurance company at this time that provides this type

John Maguire

Some affiliate owners have examined the finer points of their insurance policy and found exclusions for homemade equipment such as plyo boxes.

of technology for the affiliate community, and the systems directly contribute to the streamlined onboarding of 70 affiliates per month.

By 2013, these changes had helped CF-RRG revenue grow 1,150 percent from 2009.

In three years, CrossFit RRG has achieved approximately 31 percent of the affiliate/trainer market share in the United States. When we poll affiliates, they often select the RRG's main charter as their reason for choosing CrossFit RRG: an insurance company owned by the community that acts in the best interest of its policyholders. Community ownership resonates with affiliate owners because the RRG staff understand why you made parallettes with PVC pipe, how you scrapped together the plyo box in the garage, and most importantly, what happens when a person comes in for one workout and then claims he or she got rhabdo in your box.

Community ownership resonates with affiliate owners because the RRG staff understand why you made parallettes with PVC pipe.

Paul Wagner

CF-RRG also covers garage training, which is important for many CrossFit trainers.

CF-RRG's main purpose is to defend rhabdo claims vigorously. For example, a current claim in litigation could potentially be settled under $15,000, and CF-RRG has spent over $50,000 in legal expenses protecting our affiliate. Other insurers might say this is financially obtuse. Why spend so much on defense when the settlement value is much lower? Because protecting members of the community when they've done nothing wrong is invaluable to the CrossFit brand.

Yes, rhabdo cases are always a headline grabber—as we've recently seen across many media outlets—but CF-RRG also handles smaller claims with urgent care and support. When an athlete is injured, his or her medical payments can be paid in short order, reducing the risk of a lawsuit and keeping the athlete happy with the affiliate. Unfortunately, we estimate that 30 to 40 percent of affiliates not insured by CF-RRG have an "athletic participant exclusion" in their policy. It's a severe exclusion that allows the insurer to escape claims regarding athletes who are injured during workouts. With this restriction, it's likely that the insurance company won't cover the claim, and if it does, it could settle without regard to either the trainer's professional reputation or that of the wider CrossFit community.

By the end of this year, CF-RRG will have collected over $5 million in premiums since inception. In 2013 alone, the gross written premiums will be $2.5 million. By comparison, in 2010 CF-RRG only wrote $200,000 in gross premiums.

While premium growth is a strong indicator of CF-RRG's success, claim payments are just as important. As expected, CF-RRG claim activity is much lower than fitness-industry standards used by insurance companies.

In 2013, incurred losses are expected to be $350,000, while premium is expected to be $2.5 million. This provides a loss ratio of 14 percent, which is exceptional for the insurance industry. Other risk-retention groups across the country will average loss ratios of 68.8 percent in 2013 (1).

K.C. Stallsmith

Fitness outside the gym: CF-RRG covers training at the park or the beach, giving policyholders more freedom than standard insurance policies.

Members of CF-RRG may be wondering if such success will create a dividend or lower premium rates for policyholders. "Loss experience" is the key term that defines the ability for a young insurance company to issue a dividend, and CF-RRG is two years away from the maturity needed to issue a dividend. Unknown factors including claims, loss expenses (attorney fees and other associated costs) or market conditions can have a toll on company surplus.

The same factors contribute to the ability to lower rates. Lower rates must be substantiated over a long period of time before actuarial precedent is created. CF-RRG is carefully monitoring these elements and will soon be able to prove, from an actuarial standpoint, that CrossFit has fewer claims than the rest of the fitness world.

Misconceptions

Though things have gone well for CF-RRG, a small minority of the community has not joined primarily due to misinformation. A common misconception is that CF-RRG cannot pay multiple maximum claims, which is untrue. CF-RRG, like all insurance companies, diversifies and manages its own risk through reinsurance. Reinsurance is the practice that insurance companies use to buy their own insurance. It transfers risk from one entity to another. For CF-RRG, 90 percent of risk is transferred to another insurance company whose A.M. Best rating is A with a financial-size category of over $2 billion. Between the two entities, there is enough capital to pay a maximum claim for each affiliate, all at the same time.

Affiliates are encouraged to carefully examine their current coverage to make sure their lower premiums don't come at the cost of critical exclusions in coverage.

Another common misconception is the price of coverage when compared to competitors in the marketplace. Insurance documents can be long, and it's sometimes hard to find what policies are actually covering. This is especially true when working with insurance agencies that don't understand CrossFit. In most policies purchased by members of our community, we can find exclusions: pesky, hidden, unwanted pages of the contract that restrict coverage for athletic competition; running outside the box; using rings, ropes and pull-up rigs; creating boxes; and the list goes on.

CF-RRG may be more expensive than these options because it does not restrict what affiliates are typically doing in a box. Affiliates are encouraged to carefully examine their current coverage to make sure their lower premiums don't come at the cost of critical exclusions in coverage.

The Future

What will CF-RRG look like in five years?

We may start to see a general "hardening" of the insurance market, which will drive up pricing for typical insurance companies. In many cases this is already taking place. Fortunately, CF-RRG is not subject to market conditions, and rates will remain constant, if not lower, with continued claim success for affiliates.

Andrew Thompson

CF-RRG policies do not restrict training age and fulfill all CrossFit Kids insurance requirements.

CF-RRG projects that 80 percent of the CrossFit community in the United States will be using its product within a few years, and a dividend will be returned when it is safe to do so.

The online system will continue to grow with the addition of digital signature capabilities and added payment options. The focus will remain ease of use for the community.

CF-RRG is unable to offer coverage outside the United States. However, a different insurance program for international affiliates is almost finished. The hope is to soon provide a similar solution for the growing international community.

Most importantly, CF-RRG—owned and led by CrossFit affiliates—will continue to protect and defend the CrossFit community.

For more information visit CrossFitRRG.com.

References

1. Powell DA. RRGs report financially stable results at first quarter 2013. *The Self-Insurer:* 26-29, August 2013.

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