

## The CrossFit Risk Retention Group Insurance by and for the CrossFit Community

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Imagine you have the best, most well-equipped CrossFit affiliate on the face of the Earth. Gleaming Olympic bars, dedicated platforms, all the climbing ropes and pull-up bars and bumper plates anyone could ever need or want. There are hundreds of people dying to join your affiliate, but you'd be a fool to open your doors and let them in. Why? Because if they hurt themselves and sue you, the result will bankrupt you. You will lose everything and your life's work will be destroyed. Because no standard insurance company will provide the coverage and defense a CrossFit affiliate needs.

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But wait: Doesn't CrossFit already require insurance prior to an affiliate opening its doors, and doesn't every sensible personal trainer obtain liability insurance? Well, sure. But it turns out that's not really enough. CrossFit is so different from every other kind of fitness-related entity that our insurance needs are different too. What on earth do we do now? Well, in the case of CrossFit, we form a "Risk Retention Group."

### What the Heck is an RRG?

A Risk Retention Group is a form of self-insurance. Unlike a traditional insurance company, an RRG is formed and owned by its policyholders, and covers specific liabilities and actions, as defined by the RRG, which are most likely not covered by any insurance you're going to be able to get. As mysterious as that might sound, RRGs are common practice for law enforcement officers, doctors practicing emergency medicine, contractors, medical product manufacturers, and a variety of other professionals in high-risk industries.

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Like a traditional insurance company, the CrossFit Risk Retention Group (CF-RRG) will be capable of paying claims to its policyholders should the need arise, but, unlike traditional insurance, will do so by drawing funds from an entity called a "captive," because it only insures the risks of its owners. The captive, which is funded by the members of the RRG (and is really just a fancy word for a pot of money), is also then used to purchase additional insurance to protect against catastrophic claims (which as related to CrossFit, may be any cost above \$100,000) that might exceed the value of the captive while we are building our war chest.

The important part of all this insurance jargon is that CrossFit will form its own independent company. This company will not be owned by CFHQ; it will be owned by YOU—the community, our affiliates and trainers. The owners will participate in underwriting,

risk management, claims administration, and finance committees, all chaired and populated by people from our own community. We will have complete insight to and control of all facets of the RRG operations.

### Benefits of The CrossFit RRG

Most CrossFit trainers and affiliates aren't covered as thoroughly as they think they are. Most liability insurance is geared towards physical accidents and your premises, not the claims of rhabdo and injury deemed to be caused by trainer decisions that could arise in our community. The CrossFit RRG will write its own policies, effectively eliminating these dangerous omissions and allowing CrossFit to appropriately insure and defend affiliates, trainers, and HQ against these specific, unique situations.

In addition to the specific coverage of the RRG for the non-standard claims, you will also be able to purchase your standard general liability insurance through the insurance broker that is administering the RRG, providing a comprehensive package of insurance through one source. Now you won't have to lie to get coverage. More and more companies insist you put "personal training" but NOT mention CrossFit on your application to be covered. They balk at covering "home-made equipment" (your lovingly crafted plyo boxes, paralettes, and the like). You will, with the CF-RRG, be able to be accurate and honest in your policy application. Never mind that most insurance company agents couldn't tell a squat clean from a dumbbell curl, they see CrossFit as a dangerous fad, and *if* they are willing to cover it, the premiums you will pay are going to be high enough to ease their fears.

If you find yourself in need of the RRG, you will find the lawyers assigned to your case are from the RRG, and they are CrossFitters—much more willing to and capable of defending you than a generic insurance company lawyer likely most interested in mitigating losses to the insurance company (read that as "very likely to settle at your expense").

The CF-RRG was designed to fill a dangerous chink in our armor, and in doing so it serves an even more foundational goal: defense of our reputation. Think of the CF-RRG as our war chest, providing the resources to protect our community, methodology, and the trainers and affiliates whose livelihood depends on CrossFit's success. It was also designed to guarantee that affiliates

and trainers will be able to obtain insurance, and that insurance won't be cancelled when the insurance company gets skittish about what it's read in the media about "the dangers of CrossFit."

### Great. What Do I Do Now?

On the 1<sup>st</sup> of April, you'll see significant coverage of the RRG launch. On the main site, the affiliate blog, the message board, and here on the Journal page, you'll find a link to register for the RRG and make your initial contribution. Click that link!

The capital needed to start the CF-RRG must come from the owners of the company, which means the affiliates and trainers who wish to become policyholders. Initial capitalization of \$500,000 is required in order to legally establish the RRG. That means that we need \$1000 from participating affiliates, and \$200 from individual trainers. A \$250 "placeholder" deposit, followed by the remaining \$750 due by May 15th from all participating affiliates (trainers will need to make a single full-amount payment), will supply the funds for our initial investment. The "buy-in" is critical to the success of the entire program, and the CF-RRG simply can't exist without it. This initial buy-in, or capitalization, is in addition to premiums, which will be managed and controlled by the RRG—which is to say, by us. That means no guaranteed 10-12% increase every year, "just because." It means a careful analysis of risks and costs, with premiums set accordingly.

The CF-RRG will not exist to make money. The buy-in required for starting up the RRG is a personal investment in your security, and that of CrossFit. The investment not only supplies the RRG with the capital to function, but is in fact each affiliate or trainer purchasing a small percentage of the company.

The buy-in gives policyholders rights to shareholder meetings, and the right to vote for members on the board of directors. More importantly, the CF-RRG will offer re-reimbursement in the form of dividend checks in the event of a profit margin. If claims against CrossFit are low enough that there is an excess of money in the captive, that cash goes back to the policyholders. Does your current insurance company do that?

### So What if I Don't Join?

Purchasing insurance from the RRG will be completely optional, and won't be required for affiliation. That

being said, the real risk comes from *not* taking part in this program.

Maybe you think you might join the RRG but you would rather wait until your current policy expires before you contribute, or maybe you are actually satisfied with your current insurer.

Keep in mind, if an affiliate or trainer does not join at the inception of the RRG, they can join at a later date but they must make capital contribution payment prior to the time we bind their insurance.

Regardless of the reason, let's consider the possible effects of not joining.

The CF-RRG is another branch of our community, and not supporting our community could have consequences for us all. Imagine for a moment the effects of a multi-million-dollar claim against CrossFit Inc. when the RRG had not quite met its operational quota. Not only would this threaten your own livelihood, but the success and reputation of our entire community.

Whatever the reasoning, we expect to see some affiliates who won't be interested in joining the CF-RRG. They are free to make this decision, and I believe they should be encouraged to do so. They will be singled out by the opportunists as unprotected and separated from the herd. As in the Makimba Mimms trial, they will be devoured in the courtroom, stuck between an indifferent insurance company and omissions and errors in their insurance policy. When the time comes, they will be as valuable to the CF-RRG as the affiliates who do support it. By serving as sacrificial lambs, they will demonstrate the importance of being inside the castle wall.

The CF-RRG represents our strength and initiative as a community, and will take aggressive action in the defense of our reputation. This line of defense will be formidable if we can properly fund it, and should help to discourage lawsuits against CrossFit entirely. If we are the target of a wave of legal battles, CrossFit will have the opportunity to defend itself and its trainers with a barrage of its own CrossFitters: medical professionals, expert witnesses, and seasoned lawyers. The CF-RRG is a win-win proposition. Affiliates and trainers will benefit immensely, but it cannot function without active participation and support from us all.

