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Case Study in Enterprise Risk Management: Lion Rock Summer Camps, Inc.

By Arthur Meaney
Dr. Andre Liebenberg – Advisor
Dr. Stephen Fier – Reader
Dr. Kathleen Fuller - Reader

A thesis submitted to the faculty of The University of Mississippi in partial fulfillment of
the requirements of the Sally McDonnell Barksdale Honors College.

Oxford, MS

March 2022

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Dedication

This thesis is dedicated to my parents: Carolyn and Arthur III. Without them I would not be who I am today, and for that I am forever grateful.

“You’re off to great places! Today is your day! Your mountain is waiting, so... Get on your way!” - Theodore Geisel

Acknowledgments

I would like to thank Dr. Andre Liebenberg and Dr. Stephen Fier for their efforts in teaching me about the insurance industry. Both men were instrumental in my desire to major in Risk Management/Insurance, and it is because of them that I chose to write my thesis in FIN 542 Enterprise Risk Management.

Abstract

ARTHUR J. MEANEY IV: Case Study in Enterprise Risk Management: Lion Rock Summer Camps, Inc.

Enterprise risk management is a crucial part of the modern business world. Being unprepared to handle risks that a company may face can lead to financial demise. Since the 1960s, the insurance industry has steadily moved away from the focus on insurance buying. Enterprise risk management strives to identify company-wide risks, evaluate their frequency and severity, come up with risk management and loss control methods, implement said methods, and monitor their effectiveness over time. In this case study, I identify risks for Lion Rock Summer Camps, Inc. and suggest various risk management and loss control methods. Lion Rock Summer Camps, Inc. faces many risks that are common among all businesses, but due to the nature of their operations they also face risks unique to their company. By identifying and suggesting risk management solutions, I attempt to reduce costs of risk for the firm as a whole.

Preface

This thesis is directly adapted from my work in FIN 542 Enterprise Risk Management, in which our class learned the processes and various ways to reduce a firm's cost of risk.

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List of Abbreviations

BAP	Business Auto Coverage form
BPP	Building and Personal Property Form
CDC	Centers for Disease Control and Prevention
CGL	Commercial General Liability Form
D&O	Directors & Officers Liability
DIC	Differences in Conditions
EPL	Employment-Related Practices Liability
ERM	Enterprise Risk Management
ESG	Environmental, Social, & Governance Regulations
IT	Information technology
LGBTQ+	Lesbian, gay, bisexual, and transgender
LRSC	Lion Rock Summer Camps, Inc.
NFIP	National Flood Insurance Program
NPV	Net Present Value
NYSE	New York Stock Exchange
ORSA	Own Risk and Solvency Assessment
OSHA	Occupational Safety and Health Administration
OTC	Over the Counter
SEC	United States Securities and Exchange Commission
WC	Workers' Compensation

Introduction

The enterprise risk management field is relatively new. In the past, up until the 1960s, it was common for companies to focus on buying insurance. Since then, and much more vigorously in the 1990s, there has been a transition to enterprise risk management.

Examples of this can be found throughout the United States, but some more prominent examples include the actions of the New York Stock Exchange and SEC in recent years. NYSE requires auditors to discuss company risk assessment and risk management policies, and the SEC requires that all proxy statements include policies and practices regarding risk management. The most impressive of such changes was implemented in 2015 by US Insurance Regulators: Own Risk and Solvency Assessment. ORSA summary reports are required to include a description of the risk management framework, assessment of risk exposure, and assessment of risk capital and prospective solvency (Liebenberg & Hoyt, 2015). Consulting firms have created specific divisions for ERM, rating agencies have taken ERM into their considerations, and secondary learning institutions have begun offering courses in ERM, such as FIN 542 at Ole Miss (Liebenberg & Hoyt, 2015). The typical insurance buying strategy was said to increase value by reducing a firm's tax liabilities, making use of insurance companies' expertise in handling claims, and providing incentives to management to fund all possible positive NPV projects. On the other hand, proponents of ERM have offered that by allowing risk identification and handling to be a company-wide process, a firm can avoid duplicate insurance related costs that could be otherwise handled by natural hedges. Companies that integrate ERM are also prone to have a better and more complete understanding of the inherent risks in each business activity within which they participate, thus providing

a more comprehensive and objective basis for capital allocation (Liebenberg & Hoyt, 2015).

In this thesis, I will analyze the case of Lion Rock Summer Camps, Inc., which was written by Dr. Andre Liebenberg, Dr. Stephen Fier, and Clay D. Chance in 2022. This case lays out the operational, organizational, and financial structure of the business, which is a chain of youth summer camps located throughout the eastern United States. The firm maintains a camp in Asheville, NC, Charleston, SC, and Virginia Beach, VA. I will identify, assess, and suggest possible risk management solutions for the most crucial of risks the firm faces. Beyond this, I will offer recommendations for policies that would provide coverage for the outlined risks. I will divide these risks between property, liability, and non-insurable categories. Within each of these three categories, this report will determine the most prominent and formidable risks facing Lion Rock Summer Camps, Inc.

Property Risks

1. Buildings

The largest property risk facing the Lion Rock Summer Camps, Inc. lies in their owned buildings. LRSC owns six buildings worth a grand total of \$3,145,000 in replacement cost and \$2,148,200 in actual cash value. They also lease an office space in downtown Charleston with an estimated replacement cost of \$252,020.03. The complete or partial loss of just one of these locations could spell disaster for the company. The property loss combined with the expected business interruption losses would be very large, and the private investor group that was part of the initial startup of the firm was already skeptical of the firm expanding from one location to three simultaneously. The investors have warned that they would not hesitate to sue if expansion plans did not go as promised. Due to this precarious situation, I recommend that LRSC opt for a Business Personal Property special coverage form on a blanket basis for the three properties at replacement cost with a 90% coinsurance requirement. The special coverage form is on an open perils basis; in other words, it would offer coverage for all perils not specifically excluded on the form. This coverage is the broadest available property coverage and will allow the investors to sleep with peace of mind. The 90% coinsurance is the lowest available for a blanket basis and will serve to transfer almost all of the risk to an insurer.

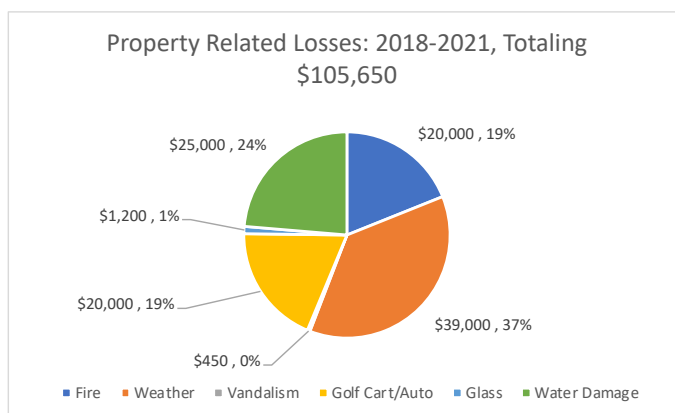


Figure 1.1

Figure 1.1 illustrates the causes of property losses in the past three operating years. These perils represent risks that can cause partial or complete destruction of buildings owned by LRSC. The largest two perils since 2018 have been weather related losses and water damage. These are, beside floods, the largest property risks facing the owned buildings of our firm. Both of these are covered under the BPP and would be covered were the firm to follow my recommendations.

The firm owns six separate buildings – two of which can be found at any given location – as well as a leased office space in downtown Charleston. The first location I will examine is the most problematic of the three. The Virginia Beach dining hall lacks a sprinkler system due to the cost-efficient nature of leadership's decision making. I recommend that LRSC install a sprinkler system in order to obtain the financial benefits provided by lower insurance premiums for sprinklered buildings. The table (Figure 2.1) below illustrates the cost of said sprinkler system and the ensuing savings on insurance premiums.

The annual premium savings from the installation of the sprinkler system would be \$16,809.62. The entire cost of the sprinkler system is \$25,080.59, so the sprinkler system would pay for itself in less than two years through savings on insurance premiums. These savings result from discounted blanket insurance rates that are only available when all of a firm's owned buildings are sprinklered. This is a smart way to minimize risk and damages related to fires in the Virginia Beach camp, and after it is completed, would allow the blanket coverage limit to be reduced for both owned buildings and their contents.

Sprinkler System		
Virginia Beach, VA Location		
<u>Installation Costs</u>		
Square Footage of Longhouse		16000
Square Footage of Dining Hall		<u>3400</u>
Total Square Footage - VA Beach		19400
Cost per Square Foot	\$	1.05
Subtotal	\$	3,570.00
City Tax (8.7%)	\$	<u>310.59</u>
Total Installation Cost	\$	<u>3,880.59</u>
<u>Total Cost</u>		
Installation Cost	\$	3,880.59
Water Main Construction	\$	13,800.00
Water Tower	\$	<u>7,400.00</u>
Total Cost of Sprinkler System	\$	<u>25,080.59</u>
Cost Benefit Analysis		
<u>Building</u>	<u>Without Sprinklers</u>	<u>With Sprinklers</u>
Insurable Value	\$ 3,397,020.03	\$ 3,422,100.62
90% Coinsurance Building Rate (per \$100)	\$ 1.35	\$ 0.90
Building Premium (Special Coverage Form)	\$ 45,859.77	\$ 30,798.91
<u>Contents</u>		
Insurable Value	\$ 336,300.00	\$ 336,300.00
90% Coinsurance BPP Rate (per \$100)	\$ 1.45	\$ 0.93
Contents Premium (Special Coverage Form)	\$ 4,876.35	\$ 3,127.59
<u>Total Premium</u>		
	\$ 50,736.12	\$ 33,926.50
<u>Annual Premium Savings</u>		
	\$ 16,809.62	

Table 1.2

The reason behind my recommendation of a blanket policy lies in the structure of LRSC as a company. As I said briefly before, there is immense pressure on leadership to be profitable in the upcoming years. The camp is coming off a hard year due to the pandemic, and the investors are likely more eager now than ever to turn a profit. The blanket insurance allows the company to use the entire limit at one location were an accident to occur, rather than each building only having access to its own separate limit. This is to the advantage of LRSC because were a building to be completely destroyed and

the replacement cost somehow extend past the hypothetical individual building limit, this coverage would give the company access to the entire blanket limit for the replacement of that one building.

With a 90% coinsurance requirement and a replacement cost value of \$3,397,020.03 LRSC's limit on building insurance would be \$3,057,318.03. \$3,057,318.03 multiplied by the BPP rate of \$1.35 per \$100 of coverage would put the total cost of insurance for the six owned buildings and rented office space at \$41,273.79 per year. This is a higher cost for insurance than would be imposed were we to use the Basic or Broad coverage form, but as we went over earlier, due to the strict financial constraints and closely held leadership structure at LRSC it seems the best use of the company's money is to insure our assets as wholly as possible. This method will transfer the vast majority of risk to the insurer and allows the company to use funds that may have been being saved for a hypothetical loss to be retained by LRSC for more pressing issues.

Another piece to the owned building insurance that is worth acknowledging is the fact that two of LRSC's camp locations, as well as the rented office space, are located in areas prone to flooding. Due to this factor, I recommend the purchase of flood insurance for the Virginia Beach location, the Charleston office space, and the Charleston location. The insurable value for each of the Charleston and Virginia Beach locations is over \$500,000, which is the largest value for which any one location can be insured under the National Flood Insurance Program. Under this restriction, I would recommend that LRSC purchase the full \$500,000 of coverage for both Charleston and Virginia Beach. At a rate of \$0.49 per \$100 of coverage, this would be \$2,450 per location, or \$4,900 for the pair. Due to the fact that the owned buildings at each of these two locations have a

replacement cost that is higher than the \$500,000 NFIP ceiling for an individual location, I recommend the use of a Differences in Conditions policy for the rest of the replacement cost. At the Charleston camp, the owned properties have a total replacement cost of \$1,053,000. After subtracting the \$500,000 NFIP coverage, we are left with \$553,000 of uncovered exposure. The rate for DIC coverage is \$0.10 per \$100 of value, so to cover the other \$553,000 we would need a DIC policy with a \$553 premium annually. At the Virginia Beach camp, the owned properties have a total replacement cost of \$985,000. After subtracting the \$500,000 NFIP coverage, we are left with \$485,000 of uncovered exposure. Using the rate for DIC coverage (\$0.10 per \$100 of value), covering the other \$485,000 would require a DIC premium of \$485 annually. The rented property in Charleston has an insurable value of \$252,020.03. I would recommend an NFIP policy for this entire value, which, using our NFIP rate, would cost \$1,234.90 annually. In total, flood coverage for all of our owned and leased buildings at the Charleston location, Charleston office space, and Virginia Beach location using NFIP and DIC coverage would cost \$7,172.90 annually.

After purchasing the blanket special coverage form for the buildings at all four locations, the maximum NFIP coverage for the three flood-prone locations, and the necessary DIC coverage for the two flood-prone locations, Lion Rock Summer Camps, Inc. would be paying \$48,446.69 to insure their owned buildings in 2022. The benefit of this extensive and thorough owned buildings insurance is located in the growth and improvements that will come as a result of the available capital that would otherwise have been used for self-insured retention of losses.

I also recommend the purchase of a security camera system for each of the three camp locations. There was a claim for a property loss of \$450 in October of 2018 related

to vandalism by visiting college students. During the off-season there is little to no supervision or security to prevent troublesome individuals from causing problems at night (Chance, Fier, Liebenberg, 2022). A 32 Channel 4K Commercial Security System with 24 4K 15 frames per second Turret Cameras retails for \$2,550 and would be able to meet the need for surveillance at each of the three camp locations (Montavue, 2022). This would be a one-time purchase totaling \$7,650 and would provide a necessary loss control measure for all property losses not related to weather, fire, or golf carts.

2. Personal Property

Another major property risk is the contents of each of the owned and leased buildings. The contents of the buildings that are owned and leased by LRSC are essential to the operations of the firm. Some of the most notable contents include the kitchen equipment in each of the dining halls, the beds and other furniture in the three longhouses, and the computers and other electronics within the Charleston office space. Again, if any of these items were to be damaged partially or in entirety, LRSC would be unable to continue operating properly. These contents stand to face the same risks affecting the buildings, which are illustrated in Figure 1.1. In order to insure the contents of the six owned buildings and the contents of the rented office space, the company should purchase a special coverage form contents limit of \$302,670 (\$336,300 of equipment multiplied by 90% coinsurance) at a rate of \$1.45 per \$100 of coverage for a total cost of \$4,388.72 annually.

In this same vein, I recommend the purchase of federal flood insurance for the contents of the buildings at each of the two flood-prone locations and the contents of the office building in Charleston. At the Charleston camp, the contents' insurable value is \$95,000. By multiplying \$95,000 by the contents rate of \$0.91 per \$100 of value, we find that the NFIP contents premium for Charleston would be \$864.50. At the office space in Charleston, the contents' insurable value is \$50,800. By multiplying \$50,800 by the contents rate of \$0.91 per \$100 of value, we find that the NFIP contents premium for the Charleston office space would be \$462.28. At the Virginia Beach camp, the contents' insurable value is \$75,500. By multiplying \$75,500 by the contents rate of \$0.91 per \$100 of value, we find that the NFIP contents premium for Virginia Beach

would be \$687.05. Thus, in total, the NFIP contents premium would be \$2,013.83 annually.

The contents of the buildings that are owned and leased by the firm can be covered with a special coverage form and NFIP policy that total to a premium of \$6,402.55 annually.

A favorite activity of many of the campers is “S’mores Indoors”. This activity was created to provide an activity on days where weather conditions are too poor for outdoor activities. It consists of the counselors and campers setting up a campfire in the longhouses and enjoying s’mores inside. During one particular S’mores Indoors, a campfire in Asheville got out of hand and caused \$200,000 worth of damage to a longhouse and its contents. To prevent future accidents like this, I recommend the purchase of three BBQGuys Signature Lavelle 18-Inch Square High-Rise Natural Gas Column Fire Bowls, which retail for \$165 per unit (BBQGuys, 2022). These electrically controlled fire pits would allow a counselor to turn off the flames immediately were an accident to occur. This would be a one-time purchase for a total of \$495 and would provide substantial loss control for personal property damages within the longhouses.

I also recommend the purchase of a fire extinguisher for each of the six owned buildings. A fire extinguisher retails for an average of \$65, so a one-time purchase of six fire extinguishers would cost the firm roughly \$390. This would provide a loss control measure for the personal property in each of the buildings as well as provide an extra layer of protection were S’mores Indoors ever to get out of hand again.

3. Auto, Boat, & Golf Cart

The final property risk category that I will discuss are risks related to automobiles, boats, and golf carts. The vehicles owned by the firm are used every day both on and off camp premises and are crucial to the operations of the camps. The Charleston location is the only camp that owns a boat, but sailing is the Charleston camp's unique activity and is therefore crucial to the camp's operation. The three fleets of golf carts are also needed for the operation of the firm. Damage to or destruction of any one of these three segments would be very costly to LRSC.

The firm owns two pickup trucks. The first is a 2013 Ford F-150 at the Charleston camp which is used strictly on-site at the camp. It is valued at \$19,480. The second is a 2015 Toyota Tacoma at the Asheville camp which is used for camp operations as well as personal use by the camp engineer. It is valued at \$24,770. LRSC also leases two vehicles, a pickup truck for the Virginia Beach camp engineer and Mr. Clark's sedan. The truck is a 2019 Toyota Tundra which is valued at \$34,125 and used for camp operations as well as personal use by the camp engineer. Mr. Clark's sedan is a 2017 Audi A4 and is valued at \$37,400. Mr. Clark uses the vehicle for his daily commute in Charleston and trips to visit each of the camps (Chance, Fier, Liebenberg, 2022). I recommend a purchase of the Business Auto Coverage form for each of these four vehicles. For each of the pickup trucks I recommend the purchase of a 1,000-mile 50 CSL Commercial BAP policy with a \$750 Other than Collision deductible and a \$1,000 Collision deductible. Each of these three policies would have a premium of \$1,423 in 2022. The three policies would total to a premium of \$4,269. For Mr. Clark's Audi I recommend the purchase of a 50 CSL Private Passenger BAP policy with Full Other than Collision coverage and a \$100 Collision deductible. This policy would have a premium of

\$1,340 in 2022. This coverage would bring the total premium for all four BAP policies to \$5,609 in 2022. On another note, the Virginia Beach camp engineer has convinced leadership to lease a new truck each year for “durability and performance reasons,” but secretly just likes the prestige of driving a new truck each year (Chance, Fier, Liebenberg, 2022) . I recommend this practice is ended in 2022 and the 2019 Toyota Tundra he currently uses is purchased by LRSC. Assuming it is purchased for the \$34,125 valuation, this will be a one-time purchase for the firm and represent a future cost-benefit from not having to pay a new higher lease payment each upcoming year.

The Charleston camp is the only location that offers sailing as an activity; thus, the Hunter 22 sailboat in Charleston is the firm’s only owned vessel. A rough estimation for the value of this vessel is \$11,000. I recommend the purchase of a Boatowners Package Policy for the sailboat. The rate for this policy is a \$50 premium for each \$1,000 of Vessel Value. At this rate, the 2022 premium for Boatowners Insurance on the Hunter 22 would be \$550. In regard to loss control surrounding the sailboat, I recommend the purchase of an alarm equipped security system. The Hunter 22 is known to be the preferred location for the Charleston camp’s “Secret Night Party”. “The Seven Piece” security system comes with three door sensors, a security remote, a motion detector, an alarm panel, and an indoor camera and retails for \$161.60 (Cove, 2022). The purchase of this security system would be a one-time purchase and offer an excellent loss control solution for risks associated with the sailboat.

Each of the three camps maintains a fleet of 12 golf carts. Each of the 36 golf carts are 2015 EZ-GO RXVs valued at \$6,855. A quote from an industry leader offered a Golf Cart Insurance policy with a premium of \$77 per golf cart for 2022 (Progressive, 2022). This \$77 premium multiplied by 36 golf carts brings us to a total Golf Cart Insurance

premium of \$2,772 in 2022. In regard to loss control surrounding the golf carts, I recommend the purchase of a golf cart key for each of the non-counselor camp employees. This would put an end to the current practice of each golf cart having only one key that is left in the golf cart at all times, thereby stopping counselors from having easy access to the fleets. There are 102 employees who frequent the camps (this number excludes Charleston office employees) and would require keys. A 2-Pack of EZ-Go Golf Cart Keys retails for \$4.98, so the purchase of 110 keys would be an expense of \$273.90 to LRSC and severely reduce losses related to counselor golf cart use.

Liability Risks

4. Cyber Risk

An important liability risk facing Lion Rock Summer Camps, Inc. is that of cyber risk. The risk of cyber-attacks has risen greatly in the past two decades, as is made clear by the vast jumps in technology we have seen in this period. A 2022 report from Allianz Global Corporate & Specialty says that cyber risk was a top three identifiable risk in nearly every country they studied. Allianz ranked cyber threats as the number one greatest risk facing the world in 2022 – even higher than Covid-19 and other pandemic related risks (Allianz, 2022). Hackers and other malicious individuals who perpetrate cyber-attacks seek to target weak software being used by companies as well as physical structures that are reliant on cyber systems in order to operate. According to the Federal Bureau of Investigation, there was a 62% increase in the number of ransomware attacks in the first half of 2021. Concurrently, there was a 225% increase in ransom demands during the same period. Allianz noted, “Globally, across 2021 ransomware attacks are estimated to cost businesses around \$20 billion, according to Cybersecurity Ventures, a total predicted to reach \$265 billion by 2031” (Allianz, 2022).

This risk is of the utmost importance in the modern business world, as the majority of companies today are conducting their business at least partially online. The vulnerability of internal company data or external customer related data can lead to a breach, and in turn, the request of a ransom payment to recover the information. These ransomware incidents, data breaches, and destruction of data servers can lead to costly business interruptions and litigation.

Beyond the risk posed by cyber-attacks is the regulatory risk that a firm runs by failing to operate the appropriate cyber security measures. One of the new segments in ERM for larger firms is the concept of environmental, social, and governance

regulations. One of the dimensions of these regulations, particularly the social pillar, are cyber security requirements. J.P. Morgan Financial stated in a review of cyber security in relation to ESGs that, “in May 2018, the General Data Privacy Regulation in Europe was introduced and in June 2018, the California Consumer Privacy Act was passed” (J.P. Morgan, 2021). Both of these pieces of legislation aim to reshape corporate behavior toward acknowledging the severity of cyber security threats and offering repercussions if basic standards of security are not met. Luckily, ESG regulations are only required of Fortune 500 companies in the United States as of 2022.

Much like the much larger firms, who have to deal with the ESG regulations, LRSC must also consider the risk of cyber threats. The office space in Charleston houses all of the company’s information technology on a small network of data servers. This information includes, “personal information for all employees, payroll information for the company, medical records of employees and campers, payment information from all parents of campers, financial records, purchase receipts, camp schedules, meal ordering details, and more” (Chance, Fier, Liebenberg, 2022). Stan Boyce, the IT administrator has sole responsibility for all of this information and technology.

My first recommendation for LRSC in regard to limiting cyber risks are some basic security factors. Mr. Boyce is aware that most of the employees who use the system use “password” as their password. I recommend putting an end to this practice and the requirement of passwords that include a special character or a number. Also, I recommend two-factor password authentication to ensure that personal employee accounts are not targeted by hackers. This would involve a user having to input a code that has been texted to their mobile device when logging in, so as to verify it is actually

the intended user accessing the database. I also recommend that LRSC create a pre-determined incident response plan for cyber breach or privacy loss (Liebenberg, 2022).

Another recommendation I have is moving half of the data servers to the Charleston camp location. By diversifying the location of the data to an already owned building, the firm would incur no additional location ownership costs and Mr. Boyce would still be able to access the servers easily via a car ride across Charleston. This would mean that if either location were to be targeted, only half of the information would be susceptible to a breach.

I also recommend the purchase and installation of a firewall to protect both the network and the data servers of LRSC. A firewall starts as low as \$450, and, depending on how serious a level of security is desired, can reach up to \$2,500 (Proven Data Recovery, 2021). This would be a one-time purchase and would make the network and servers exponentially safer from a cyber threat.

Finally, I would recommend the purchase of a Cyber Liability insurance policy. This coverage costs \$1,500 per \$1,000,000 of coverage along with a \$10,000 deductible (Embroker, 2022). Due to the fact that there is a great deal of LRSC's data that is kept on their databases in Charleston, I think an appropriate limit for this coverage would be \$1,500,000. Using this limit and the Cyber Liability rate, the annual premium for this coverage would be \$2,250. When considering the purchase of this coverage I urge you to think about the implications of a cyber-attack. The threat of cyber-attacks is only growing as time passes; moreover, one singular breach could spell the demise of LRSC in terms of reputation and brand equity.

As was noted by J.P. Morgan and Allianz, cyber security is a growing industry. It is up to the leadership of the firm to change the attitude and behavior surrounding

technology and information systems. It is through a culture of internet and data safety practices that a difference can truly be made. After all, it only takes one bad apple to keep “password” for their login and put the entire network at risk.

5. Commercial General Liability

Another important risk to the Lion Rock Summer Camps, Inc. are commercial general liabilities. These are frequent and somewhat severe. There has been rather broad variation in the liabilities claims brought against LRSC in the past three years. I recommend that they transfer this risk through the purchase of insurance; this is due to the limited amount of historical data we have at our disposal, as well as the pressure being applied to the executives by the investor group. This is of the utmost importance in the case of LRSC due to the nature of the company's structure. Beyond Mr. Clark, Mr. Pope, and Mr. Stiles, the only other director level individuals involved at LRSC are the group of investors. There are no shareholders involved, so were there to be a downfall, the retention of the loss would fall squarely on Mr. Clark, Mr. Pope, Mr. Stiles, and the investor group.

Liability Loss Summary Data 2018-2021			
Affected Party	Frequency	Incurred	Paid
Customer/Camper	8	\$ 160,000	\$ 64,500
Third Party Employee	3	\$ 50,000	\$ 28,000
LRSC Employee	1	\$ 8,000	\$ 6,000
Neighboring Facility	1	\$ 20,000	\$ 15,000
Totals	13	\$ 238,000	\$ 113,500

Table 5.1

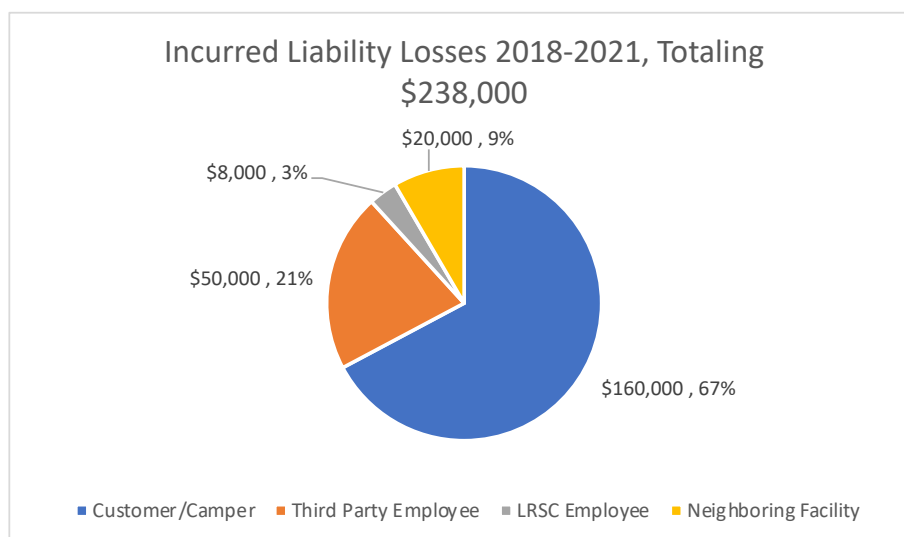


Figure 5.2

Table 5.1 illustrates that from 2018 to 2021 (recall that in 2020 the camps were closed due to the pandemic), Lion Rock Summer Camps experienced 13 liability losses which totaled \$238,000 in incurred losses. Figure 5.2 illustrates that of these claims, 67% of incurred losses were from campers or their parents, 21% were from third party workers (EZ Plate Food Service), 9% were from a neighboring facility, and 3% were from an employee of LRSC. All of these claims in the last three years of operation are related to the premises and operations of LRSC. In general, these losses can be covered by an ISO Commercial General Liability policy. I recommend that LRSC purchase premise and operations coverage with increased liability limits of \$500,000. This amount of coverage would cost the firm \$1,593.24 in 2022 and leave the handling of any claim related expenses to the insurance company. This policy is in the best interest of LRSC because of the closely held structure and current financial standing of the company.

Liability Loss Summary Data 2018-2021					
Cause	Frequency	Incurred	Paid	% Incurred	% Paid
Golf Cart	4	\$ 87,000	\$ 41,500	37%	37%
Slip/Fall	1	\$ 32,000	\$ 12,000	13%	11%
Intentional Act	2	\$ 13,000	\$ 9,000	5%	8%
Illness	2	\$ 34,000	\$ 13,000	14%	11%
Pollution	1	\$ 20,000	\$ 15,000	8%	13%
Challenge Course	2	\$ 42,000	\$ 17,000	18%	15%
Medical Malpractice	1	\$ 10,000	\$ 6,000	4%	5%
Totals	13	\$ 238,000	\$ 113,500	100%	100%

Table 5.3

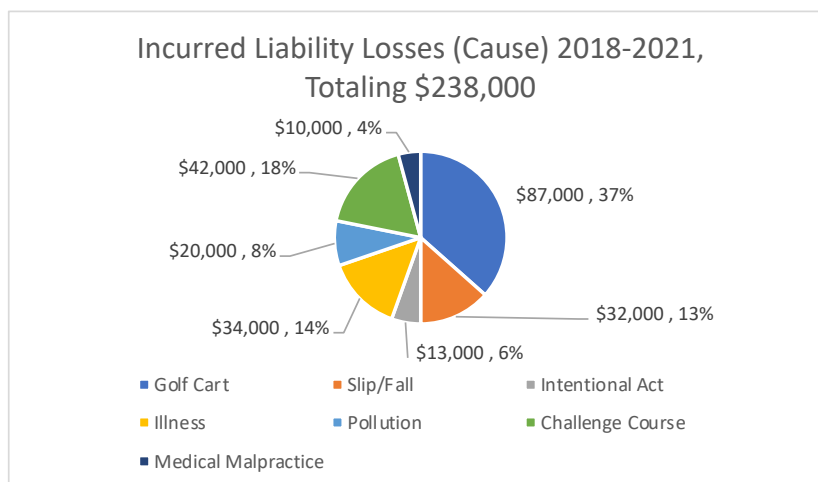


Figure 5.4

As is illustrated in Table 5.3, four of the liability losses in the past three years were related to golf carts. Figure 5.4 shows that these four claims totaled to \$87,000 in incurred losses, or 37% of all incurred losses in the past three years. Of the \$87,000 in incurred losses from golf cart related incidents, \$55,000 (63%) stemmed from an incident in which a counselor was driving the golf cart. As I mentioned in the Auto, Boat, Equipment, & Golf Cart section of this report, I recommend the changing of the key system for the company's golf cart fleets so that counselors will no longer have access. This new key system will come at an expense of \$273.90, which is highly preferable to another \$55,000 golf cart-related liability claim. This recommendation is a solid risk minimization solution for the golf cart liability losses.

On top of the previously mentioned limits, I'd recommend the purchase of an umbrella liability coverage with limits of \$3,000,000. This is the primary reason for which I selected the underlying premises and operations limit of \$500,000. In order to receive the umbrella coverage without a gap in coverage, the underlying limit requirement is \$500,000. This umbrella coverage would cost an additional \$15,500 in 2022. This umbrella coverage would be extremely useful in the event of a lawsuit stemming from the premises and operations liabilities or the other liabilities that I have outlined. A lawsuit regarding any of these risks could be very costly and could easily surpass the \$500,000 CGL limit I recommended.

For a total cost of \$17,093.24, Lion Rock Summer Camps, Inc. can be insured against commercial general liability exposures up to \$3,500,000 when considering the CGL coverage and umbrella liability coverage. This layered coverage will provide an excellent defense against liability claims stemming from the premises and operations of LRSC.

An important piece of information to note in this section is that the CGL would cover most, but not all, of the liability claims brought about in the past three years. The two claims involving two of LRSC's employees punching an EZ Plate employee and one of their own janitors would be excluded as "intentional acts" under the CGL. These two incidents ought to be scrutinized individually, and an alternate solution should be sought. I recommend the company pay for an anger management program for the camp engineer and Mr. Boyce. An online South Carolina anger management course is available for only \$25 per student (Course for Anger, 2022). So, for only \$50, both Mr. Boyce and the camp engineer could take an anger management course and therein provide an adequate loss control solution for these intentional acts.

Another claim from the past three years that would not be covered under the CGL is the pollution of the neighboring facility through the dumping of horse manure. In regard to this issue, I would recommend the purchase of Environmental Impairment Insurance. The industry average for this coverage is \$133 per \$1000 of coverage. According to Table 5.3, the claim resulting from the pollution of a neighboring property resulted in an incurred loss of \$20,000. I would recommend the purchase of \$50,000 of coverage, which would cost LRSC \$6,650 in 2022. This would allow the firm to transfer its pollution risk to an insurer. An alternative loss control solution would be the purchase of a manure removal service. According to industry data, manure removal rate is on average \$250 per horse per year (Gourlay, 2017). The three camps maintain 15 horses altogether, so using the \$250 rate this manure removal service would be a total expense of \$3,750 for 2022. This is a decision that should be made on a camp-by-camp basis and may require more information regarding local manure removal rates.

6. Directors & Officers Liability

The actions of some executives within the firm have been questionable since the inception of the company in 2009. The private investors (responsible for 40% of the ownership stake), as well as certain other executives, have voiced concerns regarding executive behavior. The executive suite makes up 60% of the ownership stake of the company, and due to their close proximity and friendship it is unlikely that there will be any turnover in the upcoming year. Each of these executives has a fiduciary duty of both care and loyalty to the other executives and the investor group to conduct themselves at the highest possible standard and in a way that is oriented toward the success of LRSC as a business.

Executives have ignored rumors regarding “secret night parties” involving campers, counselors, and alcohol at the camps. These secret night parties, although common at the other locations as well, are known to be the worst at the Virginia Beach camp. The counselors at this camp typically take selected campers with them to party at a nearby nightclub. In one case, a camper was lost for several days after a night party. The young man was missing to the extent that local law enforcement became involved. Leadership did nothing to discipline the counselors involved (Chance, Fier, Liebenberg, 2022). This is a direct failure to comply with regulations or laws, and it should be stopped immediately. Unfortunately, it is unlikely this “tradition” will completely stop, so I recommend that coverage should be purchased in the event that one of these parties goes awry and leads to a costly D&O lawsuit.

Other lack of judgment on the executives’ behalf includes the decision to build an undersized and cheaply constructed dining hall at the Virginia Beach camp. The dining hall is barely large enough to accommodate the campers and counselors. The undersized

nature of the dining hall has created a crowded and poorly designed kitchen area that is prone to slips, falls, and burns for the kitchen staff and third-party workers. This has, in turn, led to numerous workers' compensation and liability claims. Leadership also decided to forego the cost of installing a sprinkler system in the dining hall, thus creating yet another hazard. This is a blatant example of mismanagement and dereliction of fiduciary duty.

Another problem that is rampant throughout the three locations is the drug use of counselors. Many counselors have openly admitted that they recreationally use drugs both on and off the clock. This is an enormous risk for LRSC and ought not be tolerated; however, due to a lack of quality counselors, the firm has decided to overlook these issues (Chance, Fier, Liebenberg, 2022). In North Carolina and South Carolina both medical and recreational use of marijuana is illegal. This, like the secret night parties, is a direct failure to comply with regulations and state laws. I recommend that each counselor take a mandatory drug test once a year, if not more. Drug Testing Kits USA, Inc. sells a 25 count of 12 Panel Drug Test Cups for \$80 (DKTUSA, 2022). Assuming all counselors are required to take one drug test at the commencement of each summer, LRSC would spend \$800 in 2022 to mitigate the risk of drug-impaired counselors. This would provide the firm with a cost beneficial loss control measure against this peril.

Beyond an extensive reprimanding and a serious reevaluation regarding the leadership positions of the company, I recommend that LRSC purchase Executive Director and Officer Liability coverage with a limit of \$5,000,000. Were there to be a D&O lawsuit regarding the failure to comply with regulations or laws, mismanagement, or dereliction of fiduciary duties, the cost could seriously jeopardize Lion Rock Summer Camps, Inc. as a whole. This \$5,000,000 limit would cost \$12,500 in 2022 and transfer

the risk that is associated with the poor behavior and decision-making skills of firm leadership to an insurance company.

7. Employment-Related Practices Liability

Due to the nature of the operation, there are many policies that are considered “standard” at LRSC that should be put to an end. The camp leadership has opened the door to employment practice lawsuits through some of these policies.

Camp leadership has come out and been vocal that they will not hire any LGBTQ+ identifying individuals. This is a sentiment that comes from the top down, as executives have said “[LRSC] only hires heterosexual counselors because of the nature of the camp environment ... hiring LGBTQ+ counselors would make parents of young campers uncomfortable and unwilling to send their children to summer camp at LRSC” (Chance, Fier, Liebenberg, 2022). This is an extremely outdated and irrational policy to operate under. This is an example of employment practice discrimination as well as a failure to employ. This type of practice in the hiring process is a red flag and could lead to an expensive EPL lawsuit being brought against the company. I recommend that they do away with this policy at once and try to hire at least one LGBTQ+ counselor for the 2022 summer. I also recommend that a written human resources policy banning employment discrimination be provided by the firm.

Executives have also implemented an informal misogynistic policy regarding who gets first consideration for tasks at the camps. Leadership defends this informal policy, stating, “[I] believe [male counselors] are most physically capable of managing the day-to-day grind associated with the job” (Chance, Fier, Liebenberg, 2022). When confronted by female counselors who have pointed to other female counselors winning Counselor of the Week in the past as evidence of equality, leadership doubled down on the misogyny, saying, “they only receive that award because they are more personable than the male counselors” (Chance, Fier, Liebenberg, 2022). This misogynistic policy is

in direct violation of Title IX regulations and could also lead to a hefty EPL lawsuit being brought against LRSC. This, like the LGBTQ+ hiring policy, is an example of discrimination and also deprivation of a career opportunity. I recommend that a written human resources policy banning discrimination of all kinds be provided by the firm. I also recommend that the firm's leadership rethink some of their views about women (specifically those working at their camps) and in the future allow the counselors to decide for themselves who does what. More likely than not, by means of natural selection, stronger counselors will take the physically strenuous tasks. As the saying goes: girls can do anything boys can, sometimes better!

Beside the anti-LGBTQ+ policy, another part of the interview process at LRSC has been a topic of controversy in recent years. In an effort to save money, the directors and executives tasked with hiring do not conduct background checks or check references. This had not been a problem until 2018, when it was discovered a convicted child predator was working as a counselor. This led to extreme reputation damage as well as many parents pulling their children from camp. This was an example of negligent evaluation. Since this incident, each interviewee is asked if they have ever been convicted of a felony. The predator is not believed to have done anything while at the camp, but many states have recently extended the statute of limitations so that victims can bring suit against their abusers long after the event physically took place (Chance, Fier, Liebenberg, 2022). None of the three states in which the camps are located have enacted legislation of this sort as of 2022. The most basic of background checks being offered by a leader in the industry begins at \$29.95 (GoodHire, 2022). A study done by the American Camp Association showed that more than 50% of summer camps experience a counselor retention rate of 48% or less. Using these statistics, a

background check for each new counselor in the upcoming year would run the company roughly \$3,750. This expense is an excellent loss control alternative to the lawsuit that could come from hiring another child predator.

In what is arguably the most despicable lack of judgment of all, an incident occurred where firm leadership discovered a bundle of printed photos of female counselors in the possession of the male counselors. The counselors in the photos were in swimsuits and had numbers 1-10 written on them. Camp leadership confronted the male counselors about this discovery, acquired no information, disposed of the photos, and did nothing further regarding the situation (Chance, Fier, Liebenberg, 2022). This is a sexual harassment lawsuit waiting to happen. LRSC executive leadership is not only aware of it but is doing nothing about it. I recommend LRSC provide a written human resources policy banning sexual harassment.

Another exposure that is related to employment practices is the conduct of the Asheville camp doctor, Dr. Ryan Rogers. He has been known to show up to work late and visibly hungover. Rogers has been known to use foul language around campers, tell inappropriate stories, and has been accused of “hitting on” campers. This is an example of sexual harassment. There is also uncertainty regarding his qualifications as a doctor, despite the fact that he insists he received his medical degree online (Chance, Fier, Liebenberg, 2022). The only thing preventing the firing of Rogers is his close friendship with firm leadership. This is an example of negligent evaluation on behalf of the firm leadership. I would recommend that Dr. Rogers be let go immediately, as it seems he has likely already exposed the firm to substantial risk. Every day he is still employed by LRSC he creates greater risk for the company. Within the past three years a liability claim was brought against LRSC due to medical malpractice on the part of Dr. Rogers.

Dr. Rogers administered medication to a camper which they had an allergy to, resulting in an allergic reaction and an incurred loss of \$10,000. Whether or not Dr. Rogers is to stay on the LRSC staff, I recommend the purchase of Medical Malpractice insurance. The rate for this policy is on average 3.2% of the physician's salary (Physicians Thrive, 2020). The three camp doctors have an aggregate salary of \$102,000 per year, so the premium for this coverage would total \$3,264.

All of these concerns lead to my recommendation for the purchase of Employment-Related Practices Liability Insurance coverage. 26% of privately held companies reported at least one loss related to D&O or employment related practices in the last three years. The average reported value for such losses was \$399,394 (Liebenberg, 2022). I recommend a limit of \$2,000,000 due to the widespread occurrence of these practices and the pervasive nature with which they seem to infest all three LRSC locations. This \$2,000,000 limit would have a premium of \$5,000 for 2022 and would be extremely useful in the case that one of these risks were to turn into litigation being brought against LRSC.

Non-Insurable Risks

8. Pandemic Risk

One of the largest risks facing the Lion Rock Summer Camps lies in the uncertainty surrounding the Covid-19 pandemic and the repercussions it has set in motion around the globe. The pandemic represents a wave of related exposures, including increased cyber risk, business interruption, and extra expenses, among others.

In the most recent Allianz risk barometer, pandemic risk and the ensuing business interruption risk are still in the top three projected risks for 2022 (Allianz, 2022). There has been a sense of returning to normalcy in the United States, but within the past months some major cities have reinstated various restrictions. The reinstatement of certain restrictions comes because of an uptick in Covid-19 cases as a result of the Omicron variant and its related subvariants.

All of LRSC's operations are conducted in-person, as there is not yet such a thing as a summer camp conducted via Zoom meeting. Campers must be on the premises and in close interactions with one another in order to receive the service they are paying for by registering for the camp. The maximum shut-down time for each location is seven months; in other words, it would take seven months for Lion Rock Summer Camps, Inc. to resume normal operations after a total loss. I recommend the creation of a contingency plan for how the company will stay afloat if another pandemic shutdown occurs. A possible plan may include other sources of revenue beside a conventional summer camp, such as a socially distanced day camp. This camp model would eliminate all activities that involve close proximity of campers and substitute activities that can be engaged in while still complying with local restrictions.

I recommend implementing strict guidelines regarding Covid-19 related procedures at each of the camps and within the office space in Charleston. The Centers

for Disease Control and Protection currently recommends the following protocol regarding the prevention of Covid-19. Getting vaccinated is the first and foremost recommendation. All employees, both counselors and others, should be required to be vaccinated against the virus in order to be employed by LRSC. The second tenet proposed by the CDC is that all people over the age of two years, “should properly wear a well-fitting mask indoors in public in areas” (CDC, 2022). A 2,000 count of KN95 Face Masks is currently retailing for \$2,299.99 from Brookwood Medical. I recommend the purchase of this pack and a subsequent replenishing of the masks throughout the year. I recommend that all employees who are not vaccinated wear a mask at all times while indoors. The CDC also recommends that those who are not vaccinated, in this case it would be campers, should stay at least six feet away from other people when indoors in public. I recommend that all campers should also be required to test negative within three days of the start of their camp session. Tests should be administered before coming to camp, but LRSC should maintain a healthy supply of tests should a camper fall ill while in attendance. The IHealth OTC Self-Administered Home Covid-19 Rapid Antigen Test is sold in 180 packs by the Concentric Health Alliance (CHA, 2022). I recommend the purchase of 10 of these packs prior to the first week of camp and replenishing the supply of masks as it is depleted throughout the year. At \$1,150 per 180-pack, 10 of these would cost the firm \$11,500. Everyone, both campers and employees, should also, “wash [their] hands often with soap and water for at least 20 seconds especially after [they] have been in a public place, or after blowing [their] nose, coughing, or sneezing” (CDC, 2022). All coughs and sneezes should be covered either by a mask, the inside of one’s elbow, or a tissue. In the case of this occurring while wearing a mask, the mask should be discarded and a new, clean mask put on as soon as possible

(CDC, 2022). All employees, and specifically the janitorial staff, should be instructed on how to properly clean surfaces. This includes tables, doorknobs, light switches, countertops, handles, desks, phones, keyboards, toilets, faucets, and sinks (CDC, 2022). Beyond this, everyone involved with the firm should be briefed on proper practice regarding monitoring one's own health. An updated list of symptoms is always available on the CDC website.

I recommend that the firm implement a Covid-19 segment to the proposed training week. This might include instruction on how to follow all of the guidelines set forth by the CDC and proper self-diagnosis techniques. The ability to recognize the virus promptly is of crucial importance in stopping outbreaks. The close adherence to these pandemic risk control techniques will be of crucial importance for LRSC in 2022.

9. Reputational Risk

Another non-insurable risk that the firm will face in the upcoming year is reputational risk. Brand equity, a marketing term, refers to the commercial value that derives from consumer perception of the brand name of a particular product or service, rather than from the product or service itself. The brand equity that Lion Rock Summer Camps, Inc. has worked so hard to establish since its inception is precious. It can all be wiped away with a single misstep. This precariousness is why I believe it to be one of the top three non-insurable risks that LRSC will face in 2022.

Some of the largest exposures that the firm faces on this front include the potential lawsuits stemming from the conduct of Dr. Rogers, certain executives, and counselors. In the case of Dr. Rogers, it is a slippery slope to allow an underqualified and suspect doctor to continue to practice at your firm. As stated earlier, I recommend that he be terminated at once and a replacement be found immediately. His behavior toward female campers as well as his poor medical judgment could easily lead to a not only costly, but also brand tarnishing lawsuit. This would in turn lead to severe damage to the reputation of LRSC and likely to a downturn in camp enrollment, thus a decrease in revenues.

The “secret night parties” are another serious reputational risk. A camper has already gone missing for days in the aftermath of one of these “celebrations.” This “tradition” could lead to legal action from local law enforcement or lawsuits from disgruntled parents. These are the initial consequences; the fiscal consequences would come later on were one of these incidents to become known to the public. No parent in their right mind is willing to send their child to a camp known to give underage kids alcohol in the name of favoritism. As was the case with Dr. Rogers, this reputational risk

could translate directly to a severe downturn in revenues were anything to happen. I recommend that the parties cease immediately and that counselors find a new way to legally reward the best campers. A reasonable solution could be an exclusive daytime pizza party, or some sort of prize being awarded to the top campers each week.

Finally, the employment practices must be addressed. The misogyny and homophobia within the camp leadership must come to an end. These practices, were they to become public knowledge, could also lead to severe reputational damage. An LGBTQ+ interviewee that hypothetically finds out they were denied employment because of their sexuality or gender could sue the firm for enormous amounts. This would ruin the name of the company and possibly lead to LRSC closing their doors for good. I recommend the hiring of at least one LGBTQ+ counselor for the upcoming summer and a more open mind on behalf of the firm's leadership regarding these issues. This is similar to the lack of background checks. As was mentioned earlier in this report, the hiring of the child predator years ago has not currently led to any legal problems. it did, however, lead to some parents removing their children from the camp. Were it to happen in the future that a child predator is hired by LRSC and parents or counselors were to find out, LRSC would have a very hard time recovering their reputation a second time. The purchase of a more in-depth background checking service is of the utmost importance in minimizing this risk.

10. Strategic Competition Risk

The final non-insurable risk that I will address is that of strategic competition. Revenue in the summer camp industry is based completely on enrollment in the camp. LRSC has been fortunate enough to experience growth since the inception of the operation, but the outside environment is constantly changing. Other camps are constantly opening their doors to prospective campers and potentially poaching customers from LRSC.

One method of loss control in this arena is to keep close tabs on other competing camps in each of the three areas within which LRSC conducts business. Camp leadership should always be sure that enrollment costs at LRSC are competitive, if not leading, for the experience being offered. Remaining at least somewhat competitive on price points will allow LRSC to excel when it comes to the experience being offered.

Another way to combat this risk is making sure that all campers at Lion Rock Summer Camps are enjoying themselves thoroughly. I recommend extending a survey to parents and campers at the end of each session so as to gather feedback regarding their experience at your camps. Listening to the customers is an excellent way to improve the camp model and could lead to previously unheard-of innovations. On the other hand, LRSC must try to avoid campers having bad experiences. This may seem obvious, but a camper who had a bad time is much more likely to share their experience with others than a camper who had an expectedly fun week.

I also recommend establishing a town-hall style meeting at the end of each camp session that involves the counselors and camp leadership. In these meetings employees can discuss what activities seemed to be most well-received by campers and those that were not. The counselors, after all, are the employees with their “boots on the ground.”

It is the counselor demographic that is most accurately able to relay what the camp experience is currently and how it can be improved. Good leaders listen to those they are leading and are receptive to feedback. Even if nothing new is learned from these meetings, counselors will most definitely feel more excited to work for a company that they believe is interested in their input. These types of events will foster comradery amongst employees and raise the overall morale within each camp.

I recommend an increase in advertising for the camps in each of the three surrounding areas. Custom "Lion Rock Summer Camp" rubber wristbands retail for \$0.01 per wristband on Wrist-Band.com. For an expense of \$100, LRSC could have 10,000 such wristbands made for each camp and hand them out in Asheville, Charleston, and Virginia Beach. This would be an easy and trendy method to advertise to the younger demographic. The wristbands could be given out at parks, schools, amusement parks, and other places that children associate with having fun.

I also recommend the creation of a line of LRSC merchandise. Hats, shirts, sweatshirts, socks, etc. could be made available at each of the three locations and put online for ordering as well. This would also offer another stream of revenue beside the enrollment fee. As a revenue stream and an indirect form of advertising, LRSC merchandise would serve two purposes for the firm.

Through the recommendations I have outlined in this segment, Lion Rock Summer Camps, Inc. should be able to stay one step ahead of competitors and remain a leader at the forefront of exciting and cost-competitive summer camps in Asheville, Charleston, and Virginia Beach.

Worker Injuries

11. Worker Injuries

Possibly the largest single risk facing the Lion Rock Summer Camps is worker injuries. These claims make up the majority of claims and losses brought against the camp in the past three years. This stems from the large number of exposure units (318 summer employees, 77 year-round employees) as well as the dangerous nature of many of the day-to-day tasks assigned to such employees. The camps have 240 summer counselors and 36 part-time year-round counselors. The counselors stand to create the most claims due to the hands-on nature of working as a summer camp counselor. The worker injury claims at Lion Rock have increased in severity and frequency over the past three years, which is to be expected from a growing business; however, the increase should still be viewed as a sign of concern.

Each camp's daily activities include challenge courses, swimming, horseback riding, canoeing, and other sports. In 2021 there were 32 worker injury claims, up from 24 in 2019 and 17 in 2018. Figure 11.1 below illustrates the frequency and causes of the 32 claims in 2021, and Figure 11.2 shows the frequency and causes of all workers compensation claims from 2018-2021.

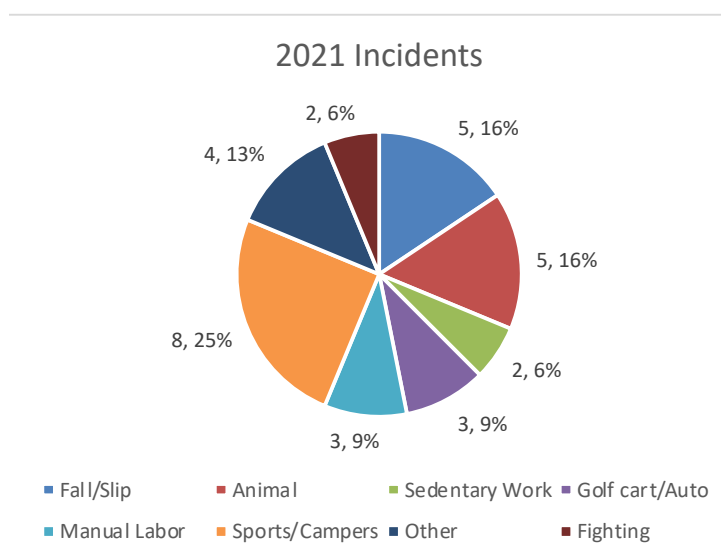


Figure 11.1

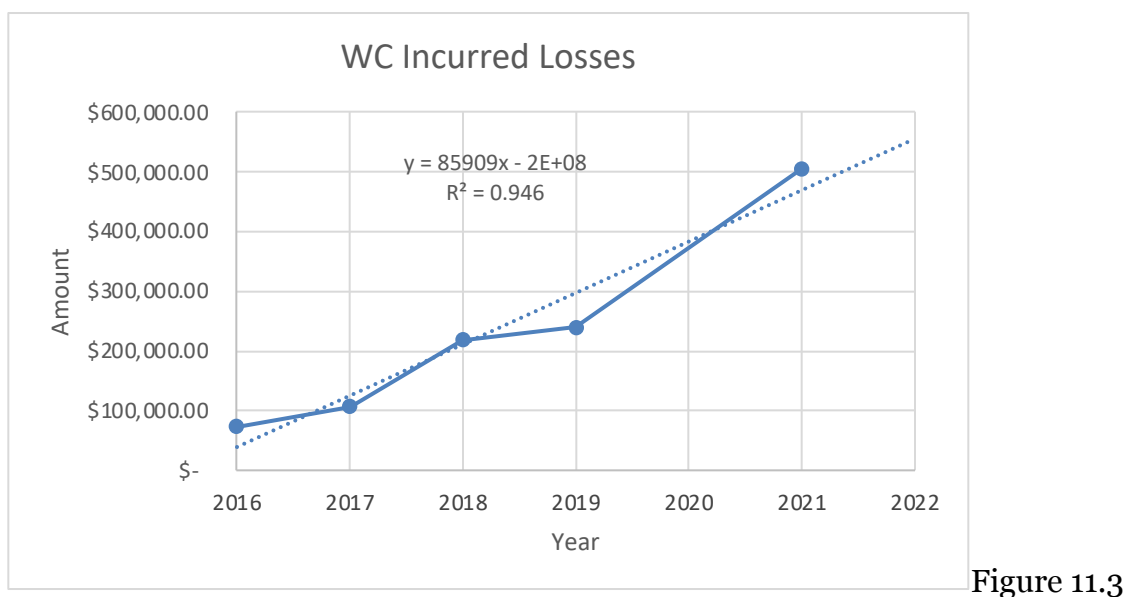
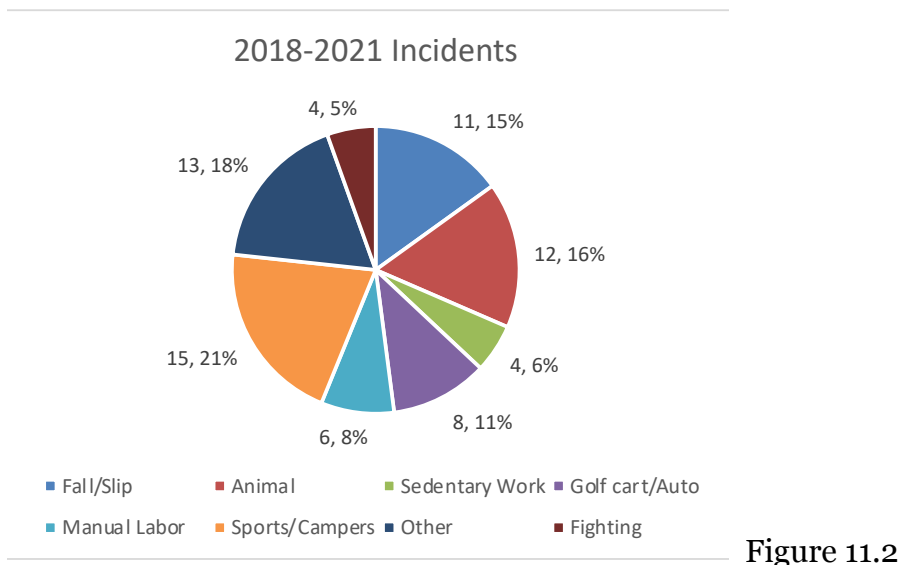


Figure 11.3 illustrates the trends of incurred workers compensation losses. Regression analysis for the incurred losses yields a model with $R^2 = 0.946$, Significance $F = 0.005$, P-value for intercept = 0.01, and P-value for Year = 0.01. All of these outputs suggest that the model is valid and has valid explanatory power. The model predicts that incurred workers compensation losses (including outliers) for 2022 will be \$555,295.95. Table 11.4 shows the increasing trends in workers' compensation losses and provides a projection for 2022 incurred losses.

Claims Forecasting						
Lion Rock Summer Camps, Inc.						
Accident Year	Period	Years Ago	Claims Frequency	Total Losses	Average Severity	
2016	1	5	7	\$ 74,000.00	\$ 10,571.43	
2017	2	4	11	\$ 107,000.00	\$ 9,727.27	
2018	3	3	17	\$ 218,500.00	\$ 12,852.94	
2019	4	2	24	\$ 239,400.00	\$ 9,975.00	
2021	5	0	32	\$ 505,300.00	\$ 15,790.63	
projected 2022	6			\$ 555,295.95		

Table 11.4

Based on frequency, the largest injury concern is Sports and Camper related activities. These claims make up 21% of all claims brought against the firm in the past three operating years. Sports and Camper related injuries accounted for the highest number of claims in 2021 with eight and also accounted for the highest number of claims in the past three years of operation with 15. Since 2018, Sports and Camper related activities have been the cause of \$65,100 in incurred losses. This sum is equal to roughly 13% of all incurred losses in this period. These injuries are to be expected at any summer camp and can never be completely avoided; however, they can be limited and minimized. My first recommendation for Lion Rock Summer Camps, Inc. would be to do a complete overhaul of the counselor training process. LRSC admits that “although the job doesn’t require any technical skills, it is quite physically demanding” (Chance, Fier, Liebenberg, 2022). Despite this, LRSC offers counselors working the challenge course just one day of instruction, “prior to camp beginning each summer, and there is no practice before campers arrive in the first week” (Chance, Fier, Liebenberg, 2022). As to other counselors that will not be working the challenge course, there is no training mentioned at all. Due to the high frequency of worker injury claims stemming from Camper and Sports related activities, I recommend a formal training week for all

counselors at the beginning of each summer. This would allow veteran employees to explain to new hires some of the common injuries suffered and how to avoid them. This would also better prepare these counselors for the arduous task they are about to undertake. Simple instructions regarding safety measures to be taken at each different activity could go a long way in reducing the number of worker injury claims resulting from camp activities. I believe LRSC can expect a 30% decrease in worker injuries related to camp activities by implementing a training week. Figure 11.5 illustrates the trends of incurred workers compensation losses were the firm to realize a 30% decrease in Sports/Camper related losses due to recommended risk management techniques. Regression analysis for the incurred losses yields a model with $R^2 = 0.945$, Significance $F = 0.006$, P-value for intercept = 0.006, and P-value for Year = 0.006. All of these outputs suggest that the model is valid and has valid explanatory power. The model predicts that incurred workers' compensation losses (with a 30% decrease in Sports/Camper related losses) for 2022 will be \$531,168.65.

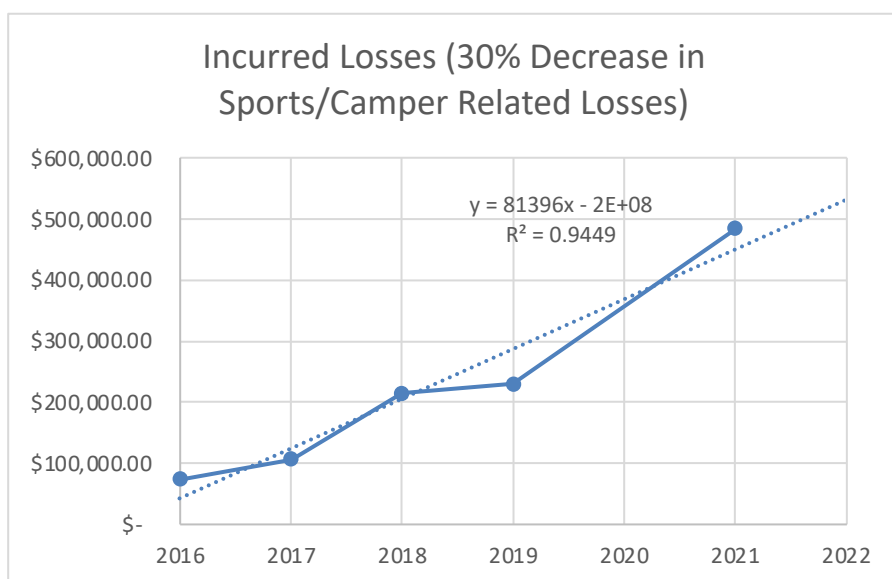


Figure 11.5

The second most frequent cause for worker injury claims at Lion Rock Summer Camps, Inc. are animal related injuries, and, in particular, horse related injuries. All of these claims are related to the five horses that are kept on the premises of each of the three camps. Horse related claims make up roughly 13% of all incurred losses in the past three years of operation. These claims also represent the second highest frequency of claims, with 12 occurrences since 2018. Campers are permitted to ride the horses around a certain field designated for horseback riding. At each of the camps, horses have been known to be stolen for “secret night rides.” This type of risk could be easily avoided by investing in a security camera, a locking fence with an alarm, or construction of a stable for the horses to be put in at night. I mentioned in the “Buildings” section of this report that I recommend the purchase of a security camera system for each camp. This \$7,650 expense would also provide security for the horses at night. Other horse related concerns include the temper of the horses and campers’ failure to adhere to safety requirements for riding. I recommend the hiring of a special counselor at each camp who is a horse specialist. They could be on the year-round staff so as to maintain the horses, as well as be the chief of horse safety, making sure all horse-related guidelines are followed by campers and counselors. Such a horse-specialist could also lead a horse safety segment of the proposed training week that is mandatory for all new counselors. I recommend a proposed salary of \$45,000 for this position which would make this a yearly expense of \$135,000 in total. I believe this new position and security system could decrease animal related injuries by 50% in 2022. Figure 11.6 illustrates the trends of incurred workers compensation losses were the firm to realize a 50% decrease in Animal related losses due to recommended risk management techniques. Regression analysis for the incurred losses yields a model with $R^2 = 0.936$, Significance $F < 0.001$,

P-value for intercept = 0.007, and P-value for Year = 0.007. All of these outputs suggest that the model is valid and has valid explanatory power. The model predicts that incurred workers' compensation losses (with a 50% decrease in Animal related losses) for 2022 will be \$534,363.51.

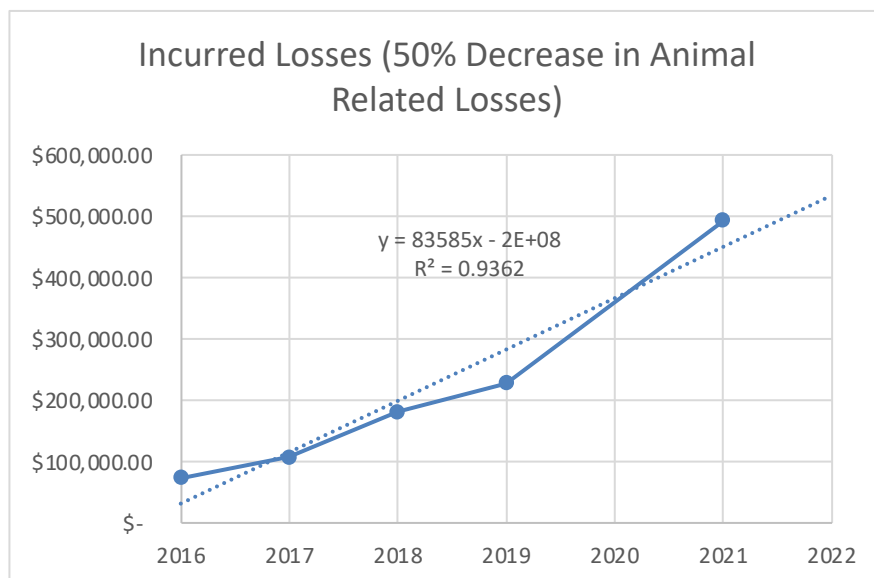


Figure 11.6

Figure 11.7 shows the body parts injured in workers' compensation incidents at LRSC. Hand and arm injuries are the most common, and Figure 11.8 illustrates what the leading causes of hand and arm injuries were from 2018 to 2021.

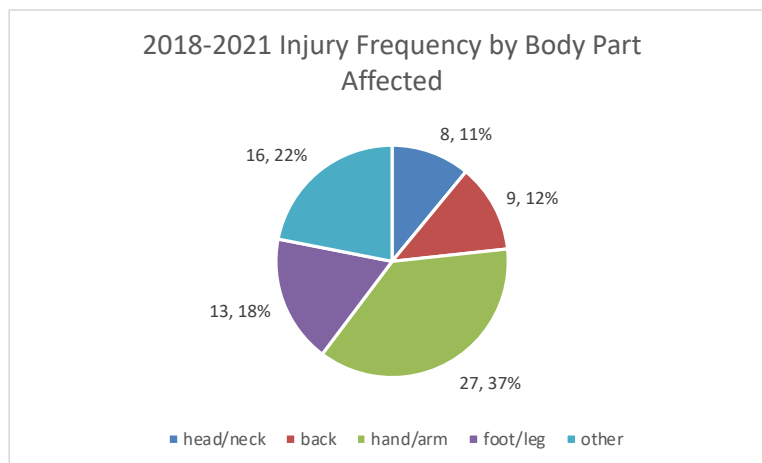


Figure 11.7

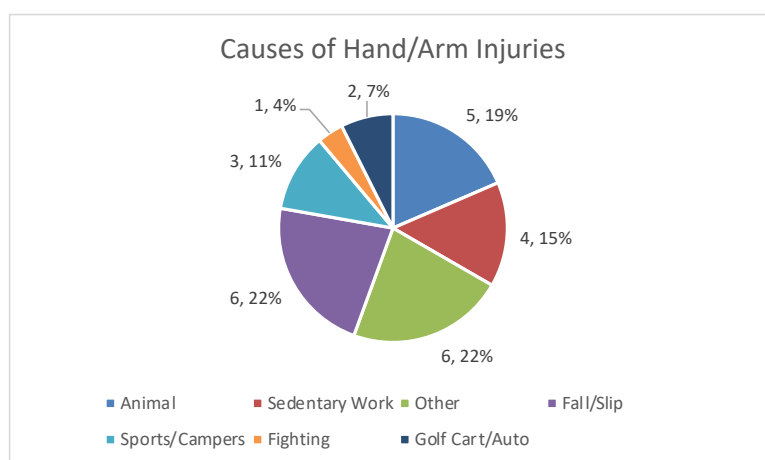


Figure 11.8

The two leading causes of hand and arm related injuries are slips and falls (six occurrences) and animal related injuries (five occurrences). Slips and falls, including injuries affecting other body parts, make up the largest percentage of incurred losses since 2018 at LRSC at \$270,200. By adhering to Occupational Safety & Health Association guidelines, many of these hand and arm injuries can be prevented. OSHA guidelines require employers to ensure basic standards of safety in the workplace. One of the OSHA General Requirements is that all “places of employment, passageways, storerooms, service rooms, and walking-working surfaces are kept in a clean, orderly, and sanitary condition.” They continue that each floor where employees are to be

walking must be “in a dry condition” (OSHA, 1974). LRSC can begin training their employees each year to follow these OSHA guidelines. This, again, could be included in the training week that was previously recommended. Emphasis on adhering to these OSHA guidelines would go a long way in reducing the injuries related to slips and falls.

Another large segment of worker injury claims is those related to the use of golf carts and automobiles. Golf cart and auto accidents have accounted for the second highest percentage of incurred WC losses at LRSC since 2018 at 27% or \$260,000. These claims also represent, on average, the highest dollar amount of incurred losses at \$32,500 per claim. The camps maintain 12 golf carts at each location, and their use is restricted to employees other than counselors. The employees are not trained to use the golf carts. It is well-known that, although they should not, counselors typically get ahold of golf carts throughout the summer. Many of the golf cart/auto related claims have come from counselors driving the golf carts. I have previously mentioned in this report a recommendation for a new key system at the camp that will come as a one-time expense of \$273.90. With the implementation of this risk control measure, I believe worker injury claims resulting from golf carts and autos can be reduced by 50%. Figure 11.9 illustrates the trends of incurred workers compensation losses were the firm to realize a 50% decrease in Golf cart/Auto related losses due to recommended risk management techniques. Regression analysis for the incurred losses yields a model with $R^2 = 0.962$, Significance F = 0.003, P-value for intercept = 0.003, and P-value for Year = 0.003. All of these outputs suggest that the model is valid and has valid explanatory power. The model predicts that incurred workers' compensation losses (with a 50% decrease in Golf cart/Auto related losses) for 2022 will be \$479,809.46.

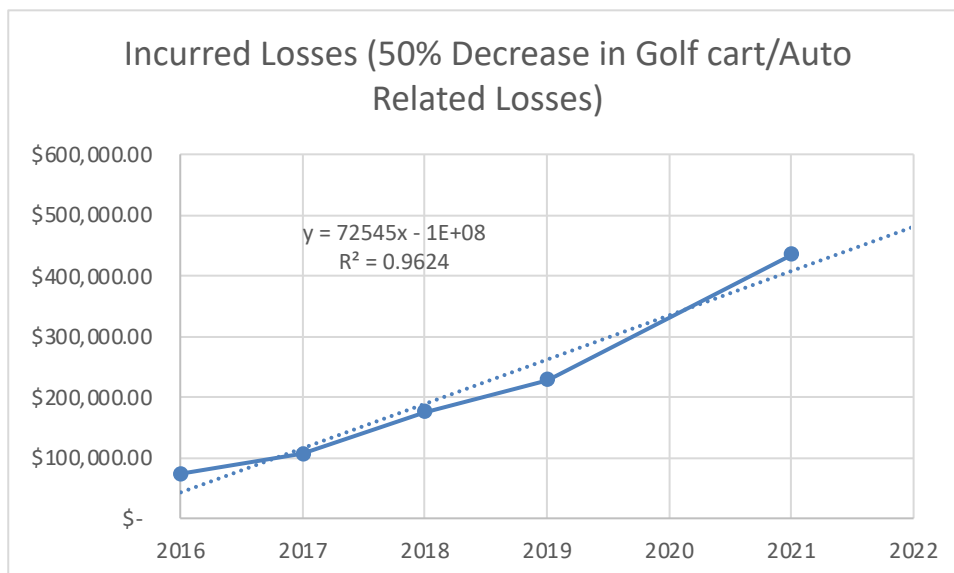


Figure 11.9

Other substantial risks include manual labor, sedentary work, sharp objects, spills/drops/burns, slammed fingers, and fighting. Manual labor, sedentary work, spills/drops/burns, and slammed fingers may all be treated similarly to slips and falls. These are injuries that can be almost completely avoided through a stricter adherence to the aforementioned guidelines being set forth by OSHA. One easy solution to the slammed finger injuries that seem to be commonplace across the board could be anti-slam doors. For \$21.08 per door, each door frequented by employees could be outfitted with a simple anti-slam hinge and save the firm thousands of dollars in incurred losses each year. This would be a one-time cost, and assuming each owned building had three doors outfitted with the hinges, would cost LRSC a total of \$379.44.

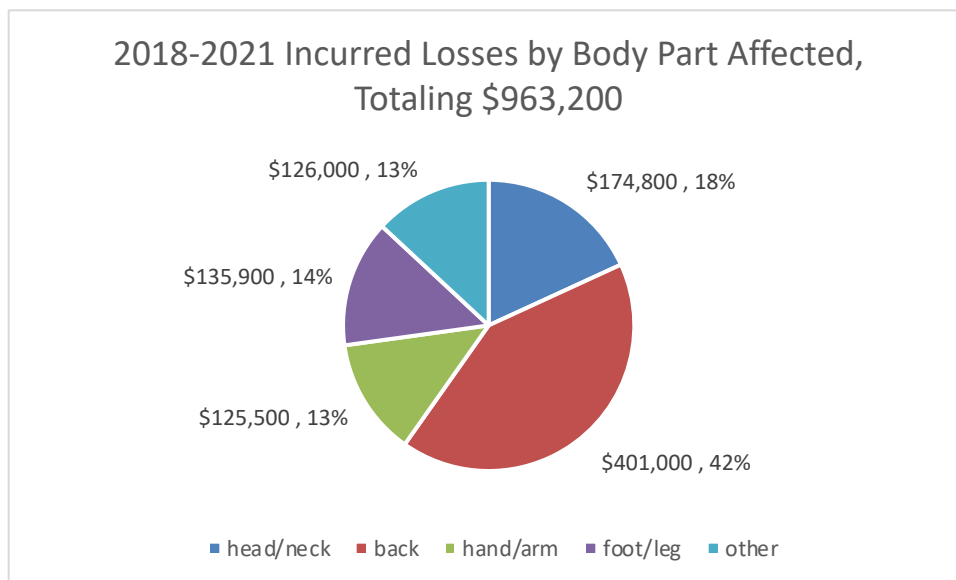


Figure 11.10

Back Injuries			
Cause	Frequency	Incurred	Paid
Manual Labor	6	\$ 136,000	\$ 110,000
Fall/Slip	2	\$ 225,000	\$ 91,000
Golf Cart/Auto	1	\$ 40,000	\$ 27,000
Total	9	\$ 401,000	\$ 228,000

Table 11.11

Figure 11.10 and Table 11.11 show the extremely high severity of back injuries experienced at LRSC since 2018. Table 4.6 shows there were only nine claims for back related injuries, which is only 12% of all claims, yet they make up over 40% of all incurred losses since 2018. These back claims combine for \$401,000 in incurred losses, and, of that \$401,000, more than half are related to two isolated outlier incidents. The first of these outliers was a broken back caused by an employee slipping on grease in the kitchen. The other outlier was also a broken back but resulted from a “freak accident” fall from the challenge course. The slip incurred \$125,000 and the fall incurred \$100,000. The slip in the kitchen can be attributed to a lack of adherence to OSHA guidelines, specifically the maintenance of clean and unobstructed walkways for workers. The fall involved a camp engineer falling from a tree while performing

maintenance work on the Virginia Beach challenge course in 2019. The engineer claims to have used all of the safety equipment properly, but one of the Black Diamond carabiners malfunctioned. He fell 35 feet and doctors believe he will be paralyzed from the waist down permanently. I would recommend investigating this instance fully, and, if it turns out it was a malfunction on the part of the carabiner, bringing a lawsuit against Black Diamond for selling a faulty product. In any event, all possible precautions must be taken to prevent more accidents such as these. LRSC cannot afford to consistently pay out losses of the same magnitude as these two outliers.

According to a 2021 article, the average rate for workers' compensation insurance in the United States was \$1 per \$100 of payroll in 2021 (Lazarony, 2021). Assuming the firm has access to the national average workers' compensation insurance rates, LRSC would pay \$1.00 per \$100 of payroll on \$3,342,260 of total payroll for a total of \$33,422.60 annually. The transfer of this risk to an insurer would provide a reliable way to finance the potential workers' compensation risks facing the firm. This will be a premium well spent, for, as is seen in Table 11.4, the projected 2022 worker injury incurred losses are \$555,295.95.

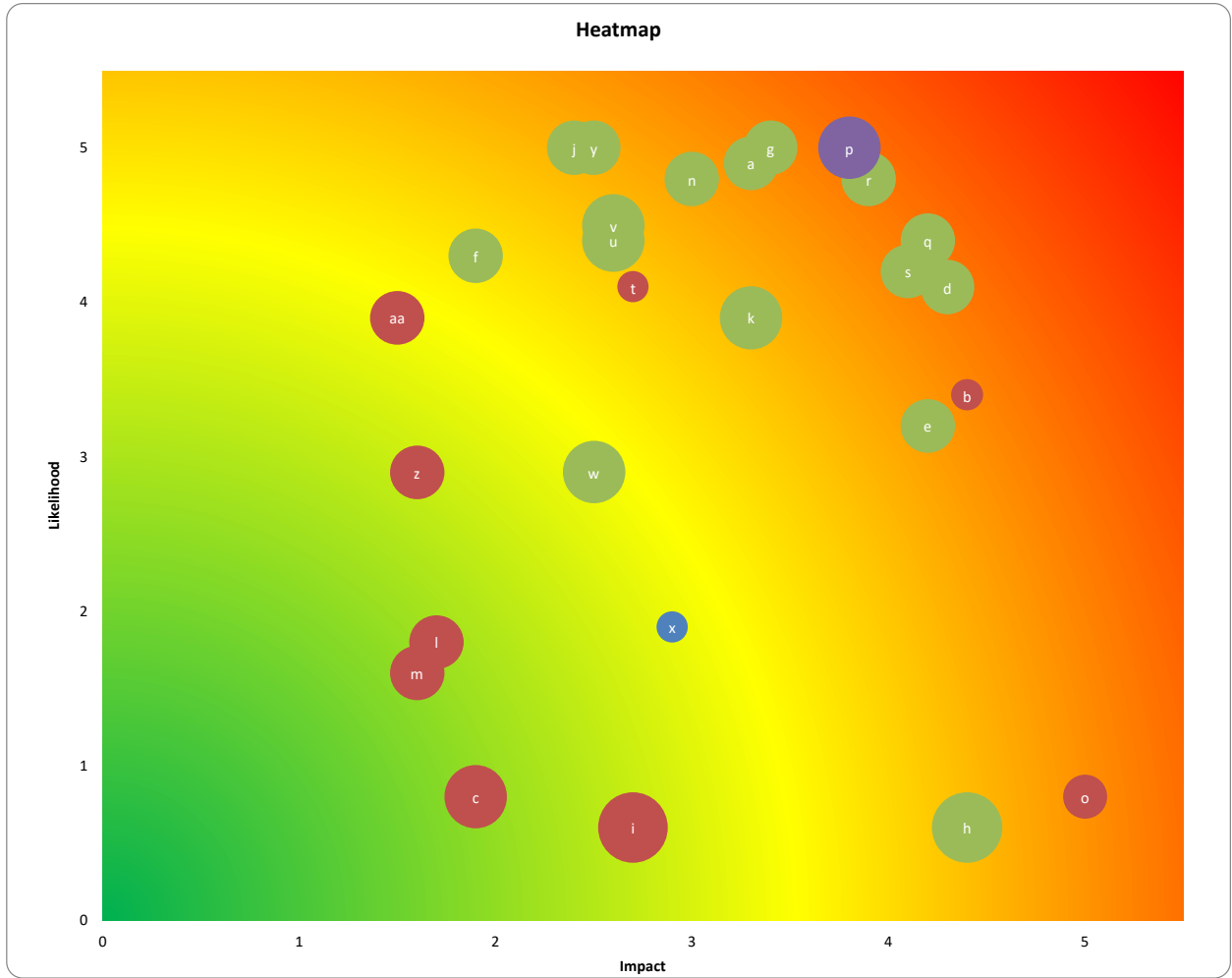
Conclusion

The successful underwriting of Lion Rock Summer Camps, Inc. is a task that will require intense attention to detail. The firm faces many risks that are unique to the industry within which they do business. Not many firms have hundreds of kids and a few hundred teenage employees in the workplace at any given time, and it is because of stipulations like this that the attention to detail is so crucial. The structure of LRSC also contributes to the style in which the firm must be underwritten; moreover, by having such a closely held ownership structure the pressure to not experience any unforeseen costs is multiplied. A proper enterprise risk management program will be able to make sure the company is on solid ground and primed for the upcoming year of business. Whether the risks they face be pure and insurable like owned buildings and property, or uninsurable like the pandemic risk, it is through a diverse, measured, and calculated risk management plan that LRSC will be making children in the southeast United States smile for years to come.

Appendix A

The following are tables and figures are related to the identification and importance rating of various risks the firm faces in 2022.

ID	RISK IDENTIFICATION	FREQUENCY					SEVERITY					SPEED					RISK MANAGEMENT METHOD
		1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	
a	Customers/Third Party Injured on Premises ex. camper falling b/c strapped in improperly				x				x						x		follow proper safety regulations, reevaluate training processes, CGL
b	Employment Practices Liability anti-LGBTQ+ hiring Title IX concerns with job distribution			x						x					x		diversity training, EPL
c	Supply Chain Risks (EZ Plate sole food supplier)	x							x							x	diversify supply chain (each camp could have a supplier)
d	Neoligence/Malpractice Liability doctor is unqualified & hungover				x					x					x		CGL, fire the Doctor
e	Harassment Liability doctor has "hit on" counselors male counselors & bikini pictures w/ #s co-ed longhouses				x					x					x		sexual harassment prevention training, fire counselors found with pictures, EPL
f	Product Liability (EZ Meal Services) quality concerns, incorrect deliveries				x				x						x		reevaluate food supplier options
g	Legal Liability (night parties) VA Beach - nightclubs Charleston - sailboats Asheville - caves				x				x						x		outlaw the night parties, fire counselors involved
h	Building Fire no sprinkler at VA Beach location S'Mores Indoors activity	x								x						x	commercial property insurance, find alternative to S'mores, install sprinklers at all locations
i	Cyber Risks (Information Security) everyone uses "password"	x								x						x	enhance cyber security, don't allow "password" or variations thereof
j	Legal Liability (counselors) drug use background checks				x				x						x		drug testing, deeper background checks, fire non-conformers
k	Auto Liability golf cart use personal cars to dock in Charleston				x				x							x	business auto policy, drive safely & according to traffic laws
l	Employee Theft	x							x						x		install security cameras in areas of frequent theft, do deeper background checks on prospective employees
m	Offseason Understaffing	x							x						x		make sure appropriate staff for each type of group is present
n	Reputation Damage (various reasons) night parties doctor				x				x						x		focus PR on positive image, be outspoken in dealing with mishaps
o	Potential Chemical Dumping (VA Beach)	x								x					x		investigate chemical claims, look into lawsuit toward chemical company
Workers' Compensation																	
p	Animal Related Injuries horses				x					x						x	hire special horse handler(s), impose more rules/regulations on horse use
q	Auto/Golf Cart Accidents				x				x						x		safe driving practices
r	Fall/Slip ropes course, waterslides				x				x						x		OSHA
s	Manual Labor moving/lifting, loading/unloading				x				x						x		OSHA
t	Sedentary Work ergonomics/carpal tunnel in the office				x				x						x		OSHA
u	Sharp Objects nails, knives in kitchen				x				x						x		OSHA, gloves in kitchen, protective footwear
v	Spills/Drops/Burns ropes course, kitchen				x				x						x		OSHA, gloves in kitchen, helmets on rope course
w	Slammed Finger				x				x						x		anti-slamming devices
x	Vocal Chord Injury	x							x						x		encourage horse counselors to refrain from leading activities/discipline
y	Sports/Activities/Camper Related Injuries				x				x						x		use extra caution when participating in activities with counselors
z	Food Poisoning				x				x						x		reevaluate cooking process, cooking staff
aa	Fighting				x				x						x		establish consequences, anti-fighting de-escalation training, encourage "Team" mentality



ID	Risk	I	L	S	V
a	Customer/Third Party Injured on Premises	3.3	4.9	3	3.7
b	Employment Practices Liability	4.4	3.4	1	2.9
c	Supply Chain Risks	1.9	0.8	4	2.2
d	Negligence/Malpractice Liability	4.3	4.1	3	3.8
e	Harassment Liability	4.2	3.2	3	3.5
f	Product Liability (EZ Meal Services)	1.9	4.3	3	3.1
g	Legal Liability (night parties)	3.4	5.0	3	3.8
h	Building Fire	4.4	0.6	5	3.3
i	Cyber Risks (information security)	2.7	0.6	5	2.8
j	Legal Liability (counselors)	2.4	5.0	3	3.5
k	Auto Liability	3.3	3.9	4	3.7
l	Employee Theft	1.7	1.8	3	2.2
m	Offseason Understaffing	1.6	1.6	3	2.1
n	Reputation Damage (various reasons)	3.0	4.8	3	3.6
o	Potential Chemical Dumping (VA Beach)	5.0	0.8	2	2.6
p	Animal Related Injuries	3.8	5.0	4	4.3
q	Auto/Golf Cart Accidents	4.2	4.4	3	3.9
r	Fall/Slip	3.9	4.8	3	3.9
s	Manual Labor	4.1	4.2	3	3.8
t	Sedentary Work	2.7	4.1	1	2.6
u	Sharp Objects	2.6	4.4	4	3.7
v	Spills/Drops/Burns	2.6	4.5	4	3.7
w	Slammed Finger	2.5	2.9	4	3.1
x	Vocal Chord Injury	2.9	1.9	1	1.9
y	Sports/Activities/Camper Related Injuries	2.5	5.0	3	3.5
z	Food Poisoning	1.6	2.9	3	2.5
aa	Fighting	1.5	3.9	3	2.8

Legend	
ID	Risk Identification Letter
Risk	Specification
I	Impact
L	Likelihood
S	Speed of Onset
V	Vulnerability
Dot size	Reflect Speed of Onset
Dots	Represents Risk IDs
Color	Determined by Vulnerability

Vulnerability Scale	
5	Very High
4	High
3	Medium
2	Low
1	Very low

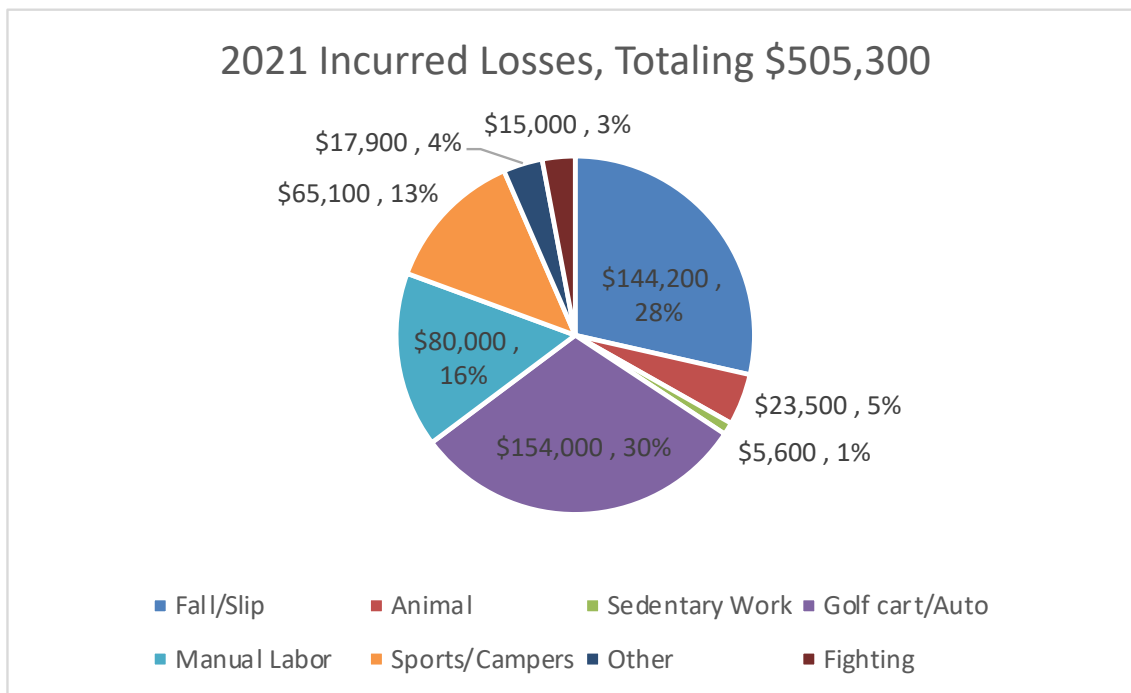
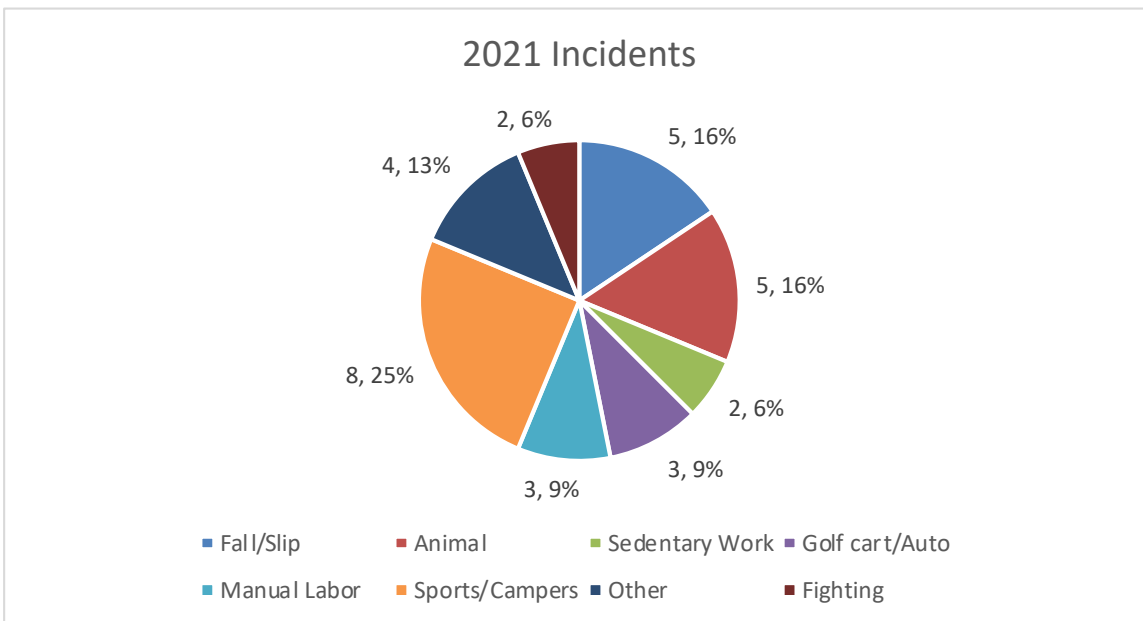
Severity		
Rating	Description	Criteria
5	Extreme	loss greater than \$1.35 million (~25% total assets), significant injuries or fatalities, incarceration of leadership
4	Major	loss greater than \$530k (~10% total assets), less than \$1.35 million, limited in-patient care required; significant legal action taken
3	Moderate	loss greater than or equal to \$50,000, up to \$529,999, out-patient medical treatment required; legal action taken
2	Minor	loss greater than or equal to \$10,000, up to \$49,999, minor injuries; incident report filed
1	Incidental	Loss less than \$10,000, no injuries; no incident report filed

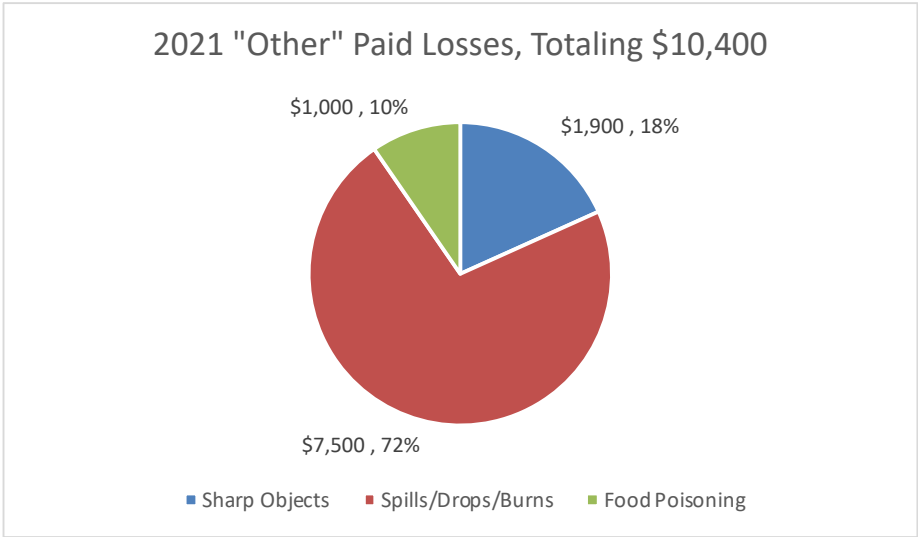
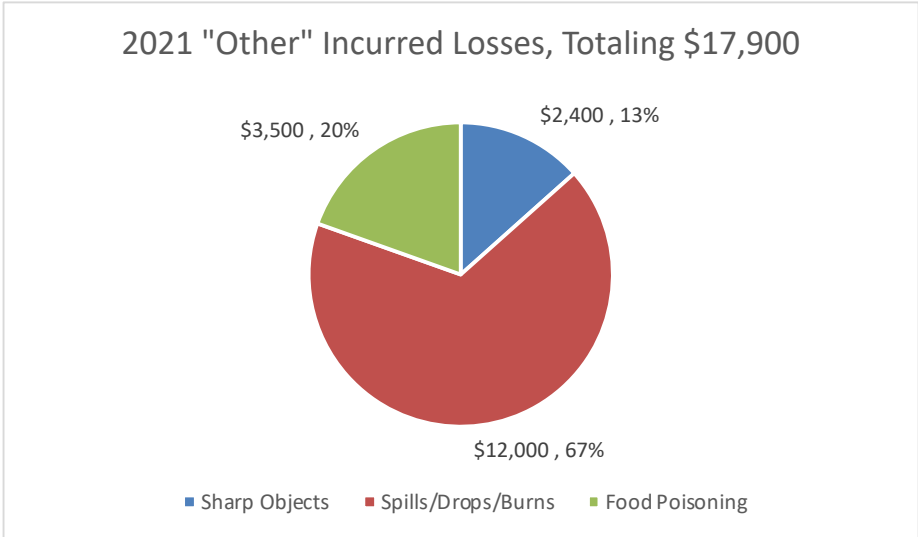
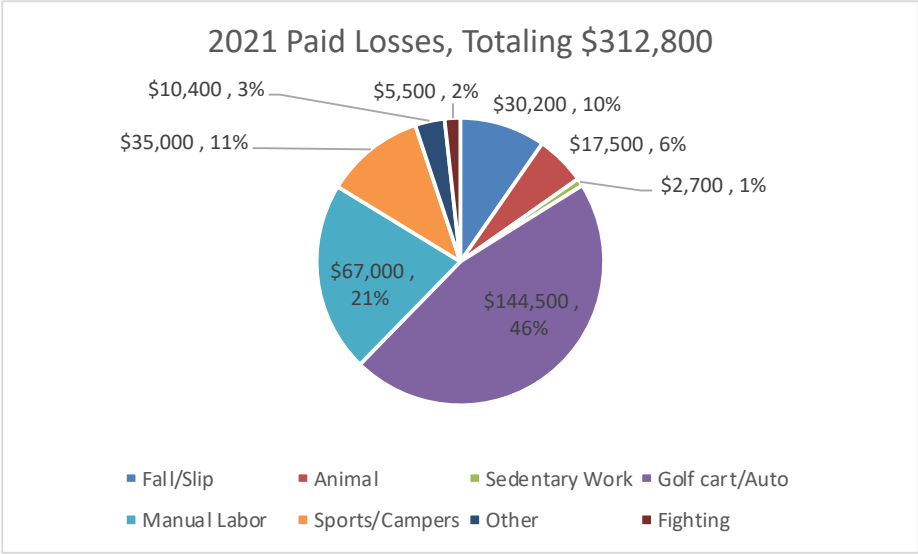
Frequency		
Rating	Description	Criteria
5	Extreme	almost certain; requires preventative measures; once every other session or more
4	Major	likely; requires preventative measures; less than once every other session but more than once per year
3	Moderate	possible; requires preventative measures; more than once every two years up to once per year
2	Minor	unlikely; once per five years up to once per two years
1	Incidental	rare/freak accident; less than once per five years

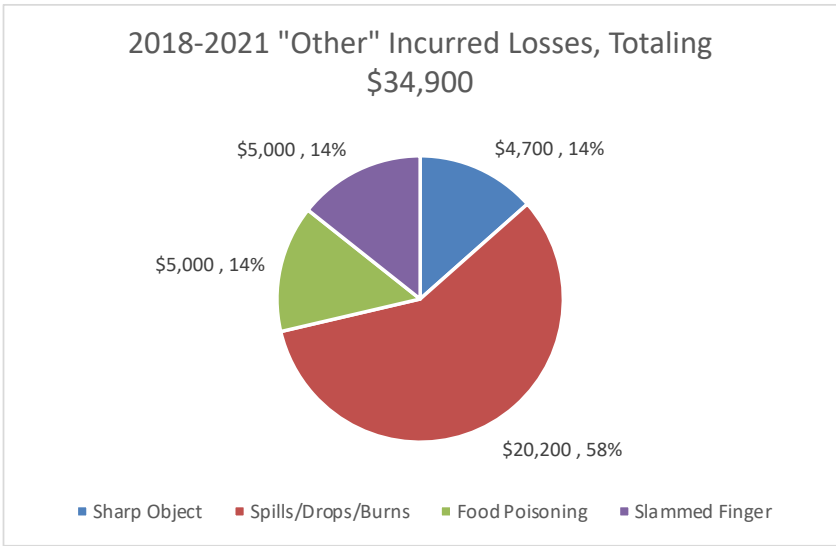
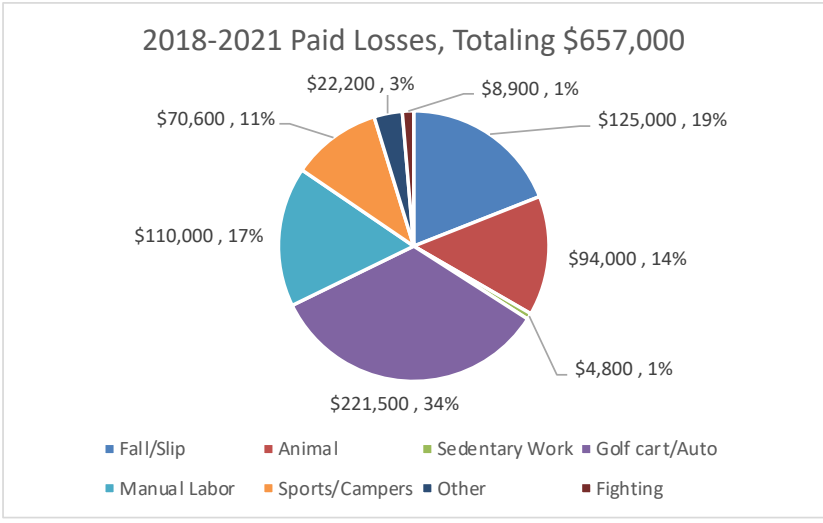
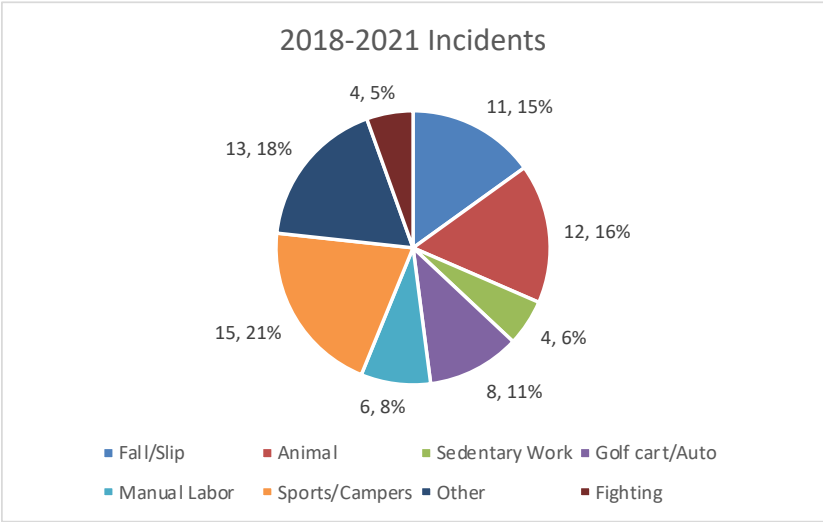
Speed of Onset		
Rating	Description	Criteria
5	Extreme	little to no warning; instantaneous
4	Major	more than one day up to a month
3	Moderate	one month up to six months
2	Minor	more than six months up to a year
1	Incidental	extremely slow; a year or longer

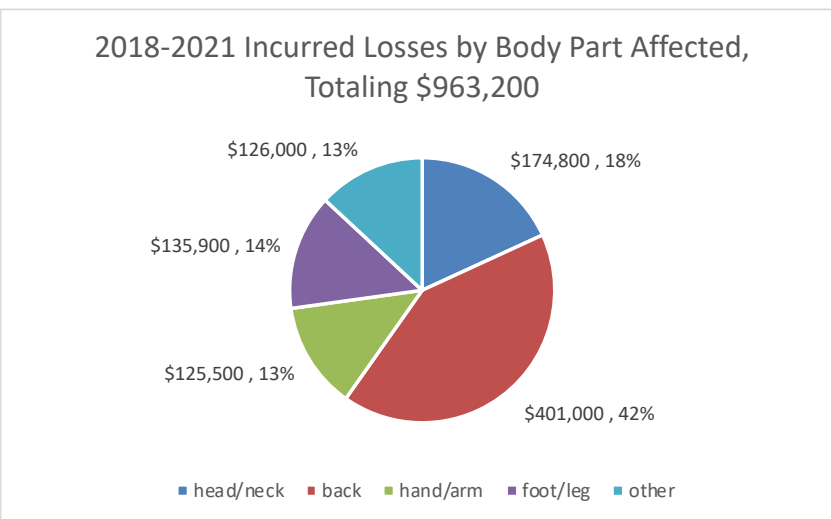
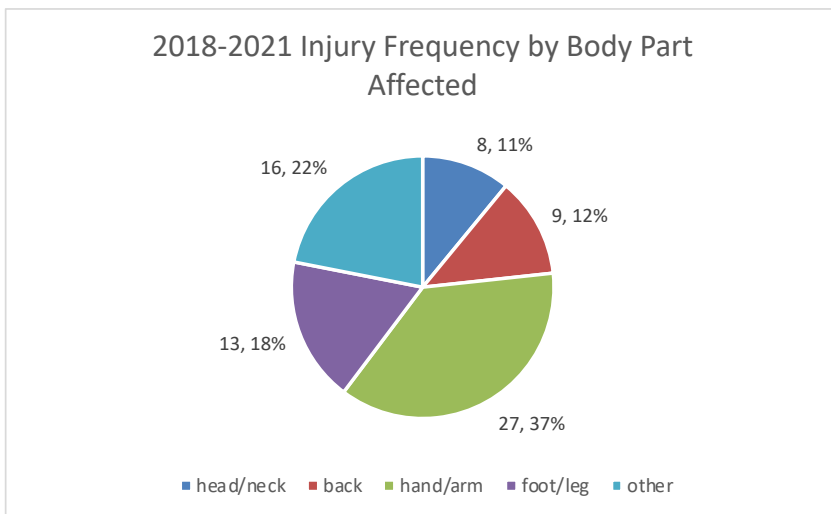
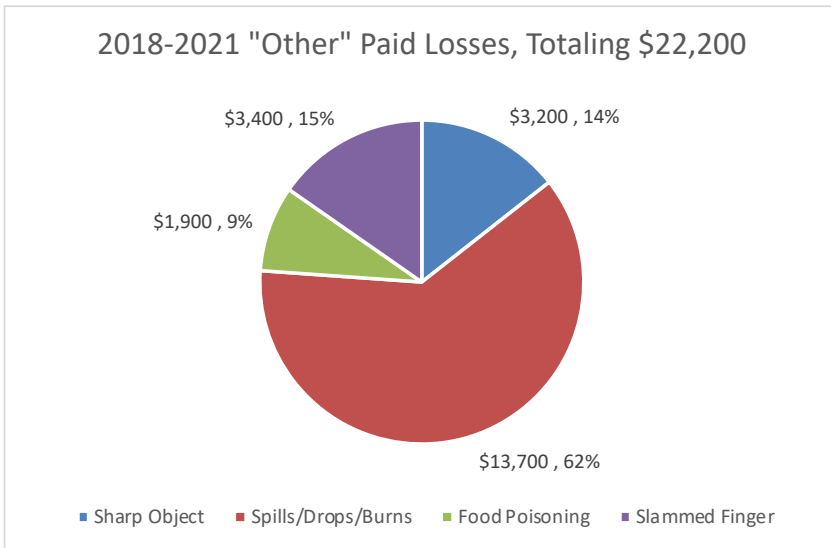
Appendix B

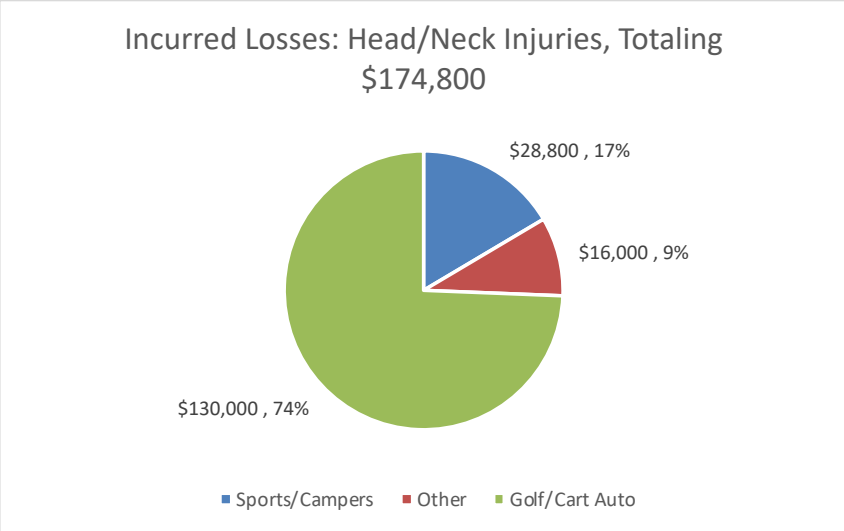
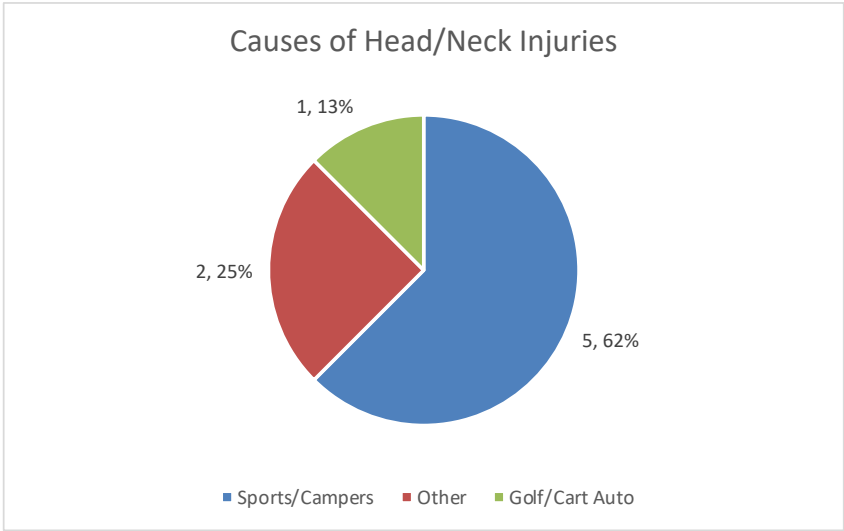
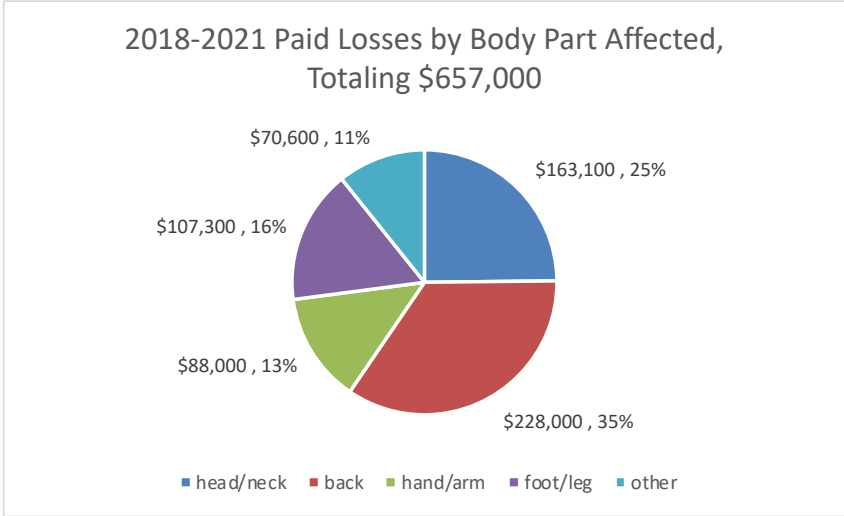
The following tables and figures are related to the analysis of worker injury claims, their causes, and the body part they affected.

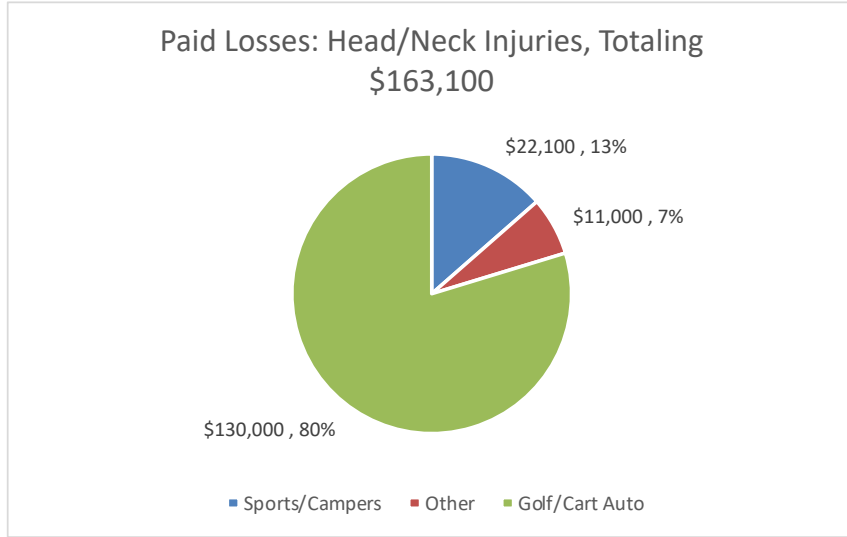




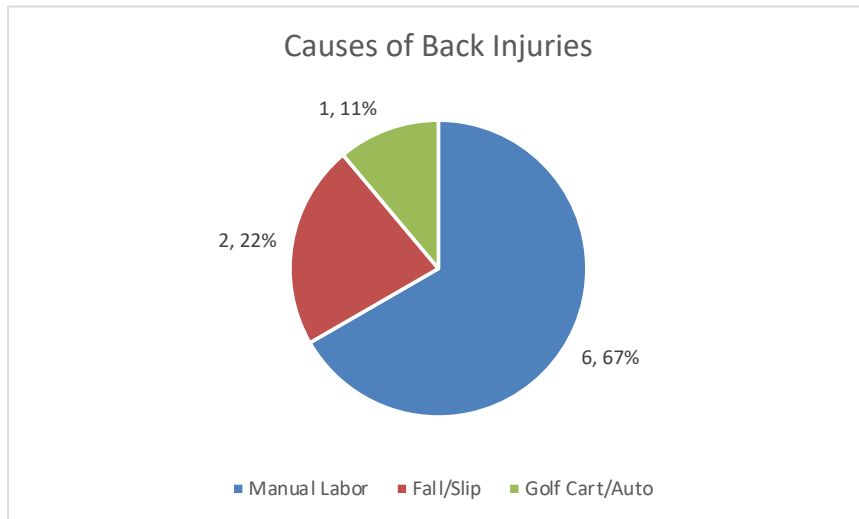


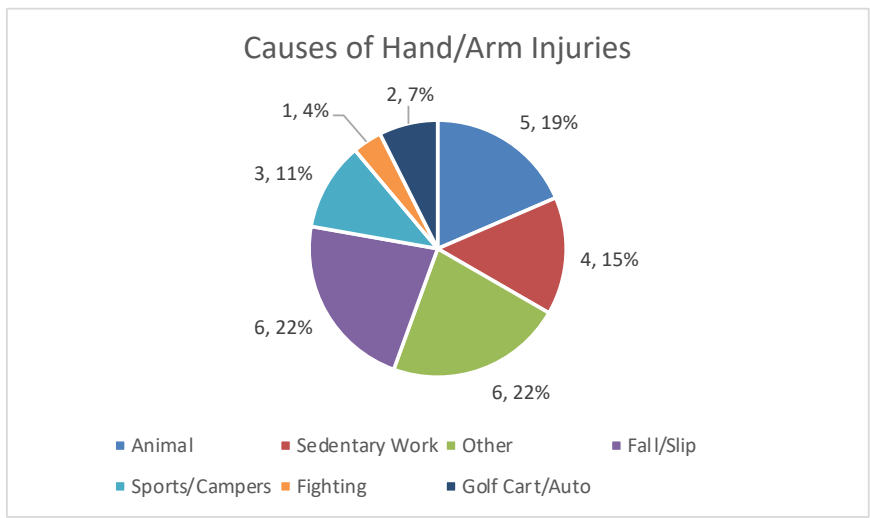
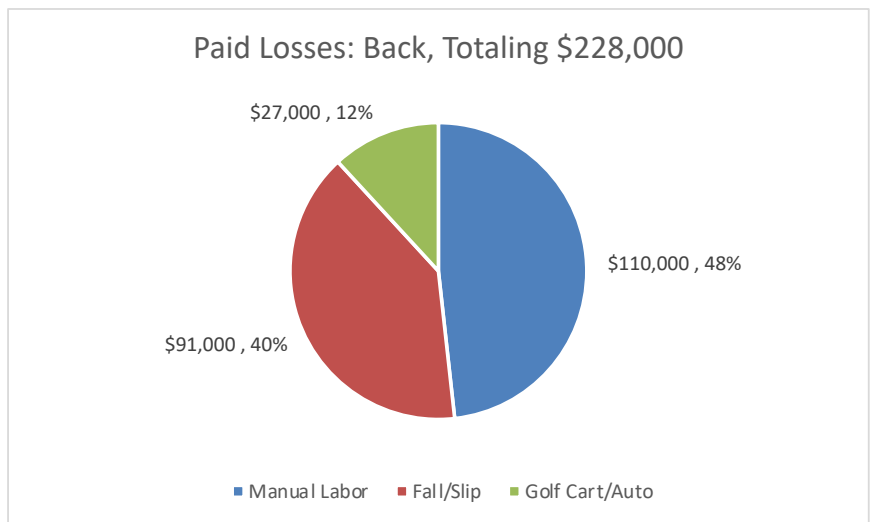
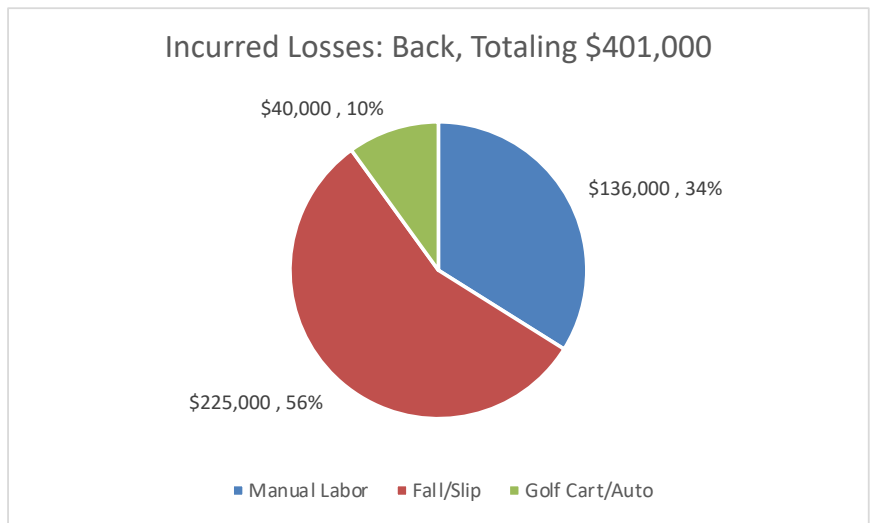


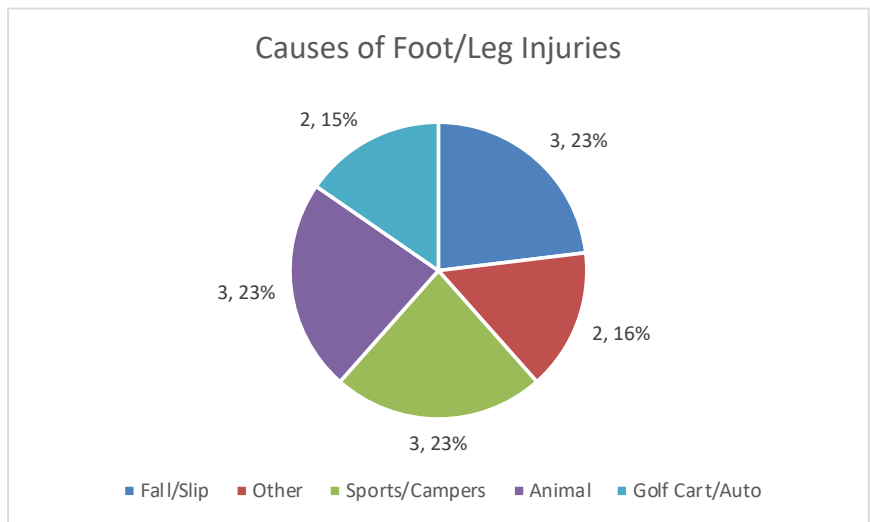
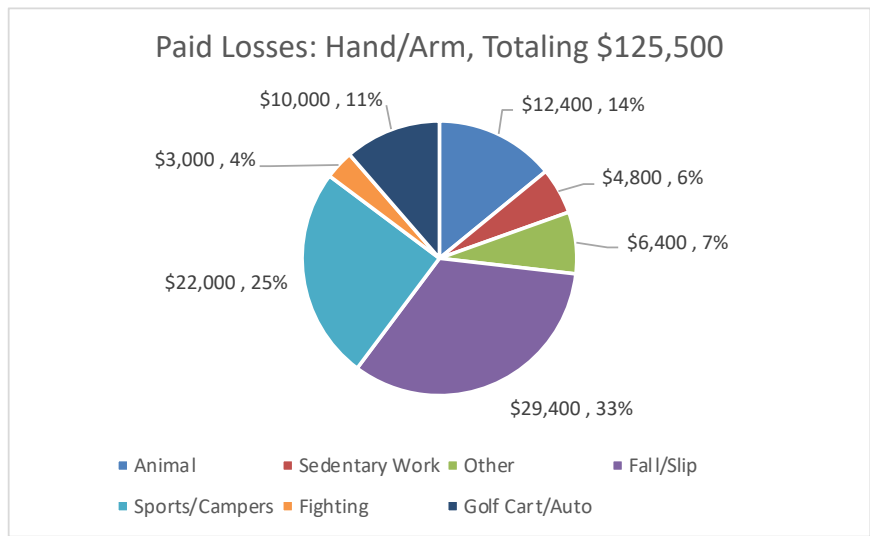
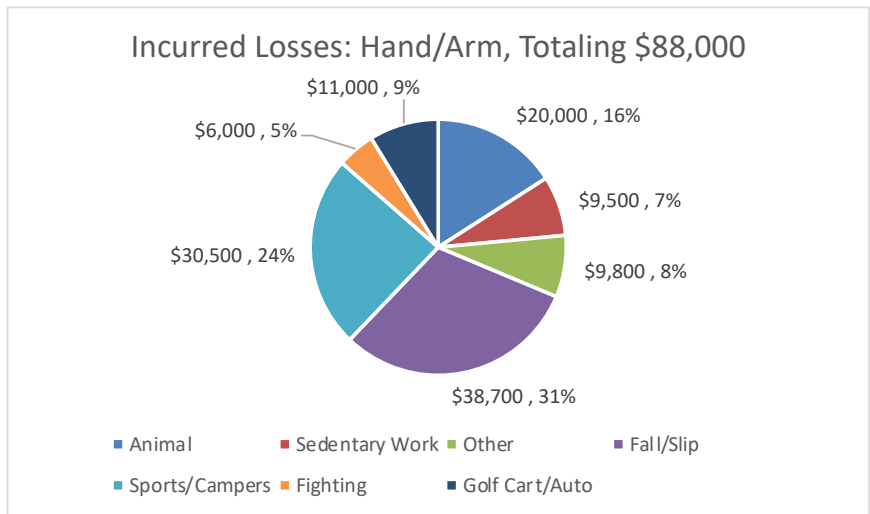


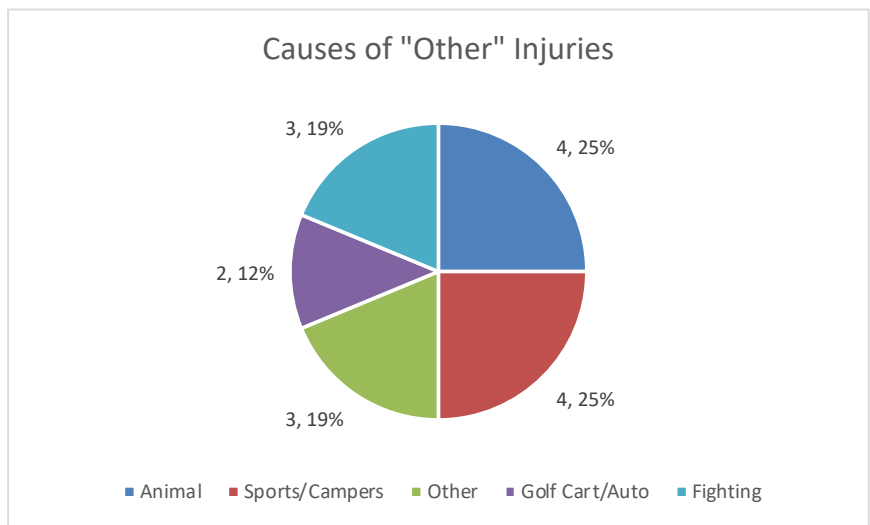
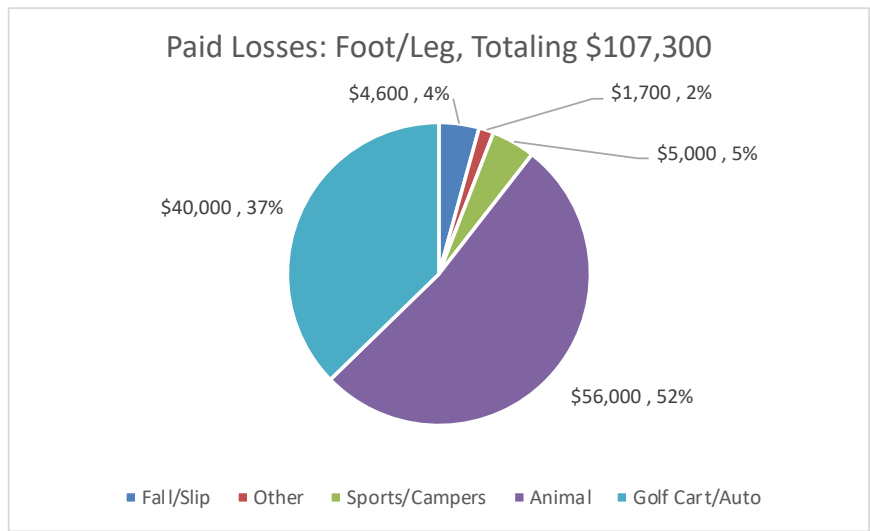
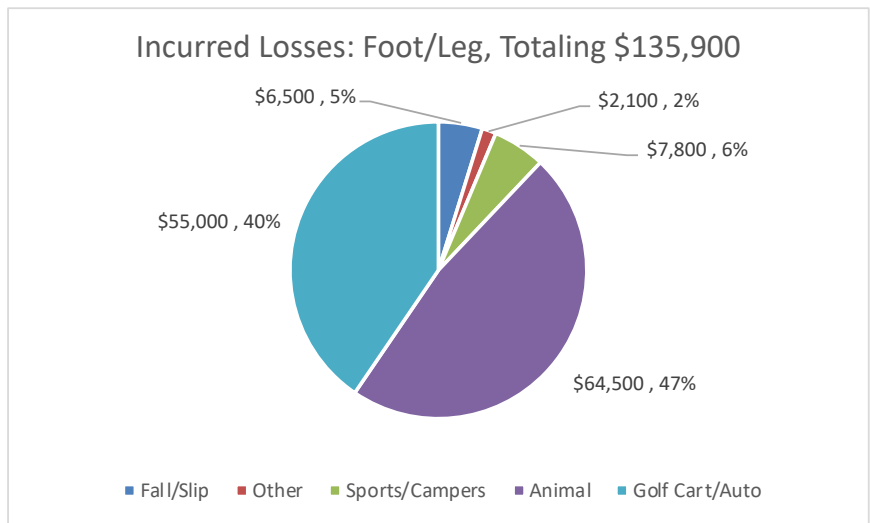


Back Injuries			
Cause	Occurrences	Incurred	Paid
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Manual Labor	6	\$ 136,000	\$ 110,000
Golf Cart/Auto Accident	1	\$ 40,000	\$ 27,000

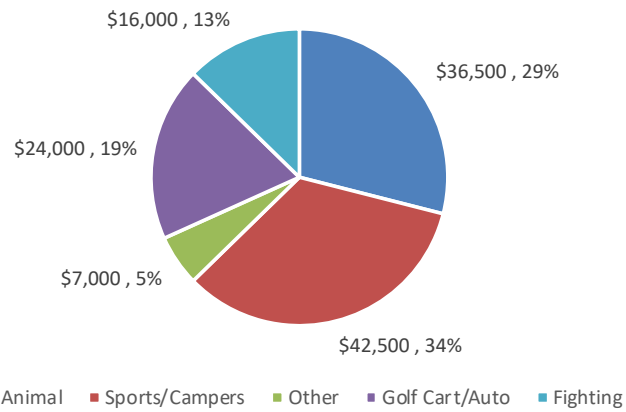




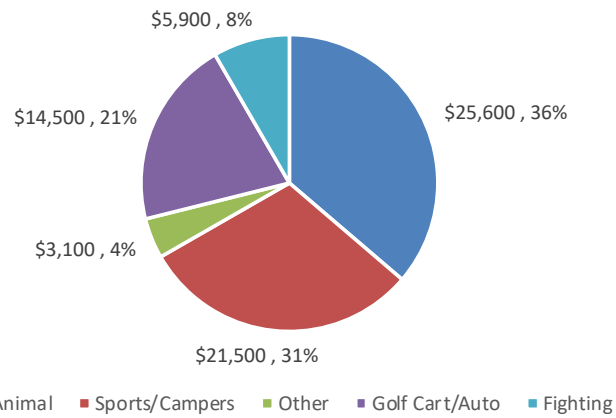




Incurred Losses: "Other", Totaling \$126,000



Paid Losses: "Other", Totaling \$70,600



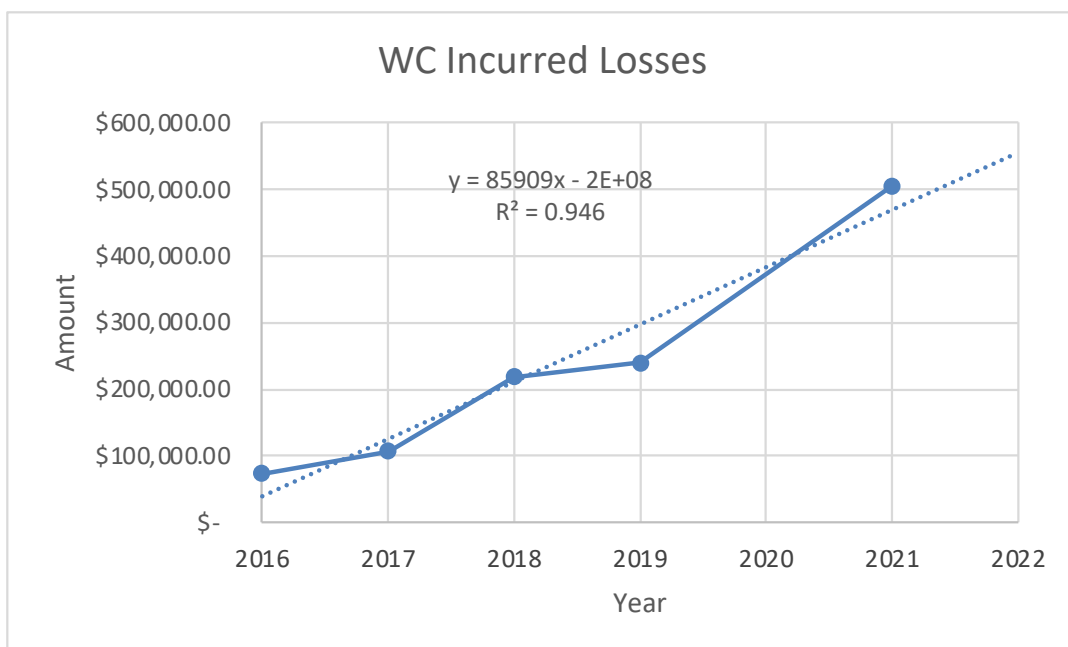
ANALYSIS OF WORKERS COMPENSATION CLAIMS				
Average claims for 2018, 2019, & 2021				
INCURRED	PV	PAID	PV	YEAR
\$2,500.00	\$2,500.00	\$1,800.00	\$1,800.00	0
\$4,000.00	\$4,000.00	\$3,000.00	\$3,000.00	0
\$2,600.00	\$2,600.00	\$1,500.00	\$1,500.00	0
\$1,500.00	\$1,500.00	\$1,200.00	\$1,200.00	0
\$8,500.00	\$8,500.00	\$7,600.00	\$7,600.00	0
\$6,700.00	\$6,700.00	\$5,200.00	\$5,200.00	0
\$900.00	\$900.00	\$700.00	\$700.00	0
\$15,000.00	\$15,000.00	\$12,000.00	\$12,000.00	0
\$4,500.00	\$4,500.00	\$2,600.00	\$2,600.00	0
\$12,000.00	\$12,000.00	\$9,000.00	\$9,000.00	0
\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	0
\$5,000.00	\$5,000.00	\$4,200.00	\$4,200.00	0
\$125,000.00	\$125,000.00	\$15,000.00	\$15,000.00	0
\$3,000.00	\$3,000.00	\$2,000.00	\$2,000.00	0
\$2,000.00	\$2,000.00	\$900.00	\$900.00	0
\$800.00	\$800.00	\$600.00	\$600.00	0
\$6,500.00	\$6,500.00	\$5,000.00	\$5,000.00	0
\$12,000.00	\$12,000.00	\$7,500.00	\$7,500.00	0
\$7,500.00	\$7,500.00	\$3,000.00	\$3,000.00	0
\$1,800.00	\$1,800.00	\$800.00	\$800.00	0
\$3,500.00	\$3,500.00	\$1,000.00	\$1,000.00	0
\$5,000.00	\$5,000.00	\$4,000.00	\$4,000.00	0
\$13,000.00	\$13,000.00	\$7,000.00	\$7,000.00	0
\$2,500.00	\$2,500.00	\$1,000.00	\$1,000.00	0
\$3,500.00	\$3,500.00	\$2,000.00	\$2,000.00	0
\$32,000.00	\$32,000.00	\$15,000.00	\$15,000.00	0
\$6,000.00	\$6,000.00	\$3,000.00	\$3,000.00	0
\$3,000.00	\$3,000.00	\$1,200.00	\$1,200.00	0
\$9,000.00	\$9,000.00	\$2,500.00	\$2,500.00	0
\$11,000.00	\$11,000.00	\$7,500.00	\$7,500.00	0
\$15,000.00	\$15,000.00	\$5,000.00	\$5,000.00	0
\$130,000.00	\$130,000.00	\$130,000.00	\$130,000.00	0
\$2,500.00	\$2,625.00	\$1,000.00	\$1,050.00	1
\$3,000.00	\$3,150.00	\$2,000.00	\$2,100.00	1
\$100,000.00	\$105,000.00	\$76,000.00	\$79,800.00	1
\$5,000.00	\$5,250.00	\$4,500.00	\$4,725.00	1
\$7,000.00	\$7,350.00	\$6,000.00	\$6,300.00	1
\$6,000.00	\$6,300.00	\$4,500.00	\$4,725.00	1
\$1,500.00	\$1,575.00	\$700.00	\$735.00	1
\$1,000.00	\$1,050.00	\$500.00	\$525.00	1
\$4,000.00	\$4,200.00	\$3,500.00	\$3,675.00	1
\$8,000.00	\$8,400.00	\$5,000.00	\$5,250.00	1
\$2,000.00	\$2,100.00	\$1,200.00	\$1,260.00	1
\$9,000.00	\$9,450.00	\$6,000.00	\$6,300.00	1
\$2,500.00	\$2,625.00	\$1,800.00	\$1,890.00	1
\$11,000.00	\$11,550.00	\$7,500.00	\$7,875.00	1
\$5,000.00	\$5,250.00	\$2,000.00	\$2,100.00	1
\$3,000.00	\$3,150.00	\$1,500.00	\$1,575.00	1
\$900.00	\$945.00	\$600.00	\$630.00	1
\$2,000.00	\$2,100.00	\$1,000.00	\$1,050.00	1
\$7,000.00	\$7,350.00	\$6,000.00	\$6,300.00	1
\$18,000.00	\$18,900.00	\$10,000.00	\$10,500.00	1
\$15,000.00	\$15,750.00	\$15,000.00	\$15,750.00	1
\$2,000.00	\$2,100.00	\$2,000.00	\$2,100.00	1
\$4,000.00	\$4,200.00	\$2,000.00	\$2,100.00	1
\$20,000.00	\$21,000.00	\$15,000.00	\$15,750.00	1
\$6,000.00	\$6,615.00	\$4,000.00	\$4,410.00	2
\$4,000.00	\$4,410.00	\$2,500.00	\$2,756.25	2
\$5,000.00	\$5,512.50	\$2,500.00	\$2,756.25	2
\$9,000.00	\$9,922.50	\$8,000.00	\$8,820.00	2
\$1,000.00	\$1,102.50	\$800.00	\$882.00	2
\$40,000.00	\$44,100.00	\$27,000.00	\$29,767.50	2
\$2,000.00	\$2,205.00	\$1,800.00	\$1,984.50	2
\$1,500.00	\$1,653.75	\$900.00	\$992.25	2
\$35,000.00	\$38,587.50	\$25,000.00	\$27,562.50	2
\$1,200.00	\$1,323.00	\$1,000.00	\$1,102.50	2
\$2,000.00	\$2,205.00	\$1,400.00	\$1,543.50	2
\$800.00	\$882.00	\$600.00	\$661.50	2
\$15,000.00	\$16,537.50	\$10,000.00	\$11,025.00	2
\$3,000.00	\$3,307.50	\$2,400.00	\$2,646.00	2
\$8,000.00	\$8,820.00	\$4,000.00	\$4,410.00	2
\$55,000.00	\$60,637.50	\$49,000.00	\$54,022.50	2
\$30,000.00	\$33,075.00	\$28,000.00	\$30,870.00	2
\$ 963,200.00	\$ 997,566.25	\$ 657,000.00	\$ 683,077.25	73

Inflation Rate =	5%
Three Year Average for Incurred Losses	\$ 332,522.08
Three Year Average for Paid Losses	\$ 227,692.42

Appendix C

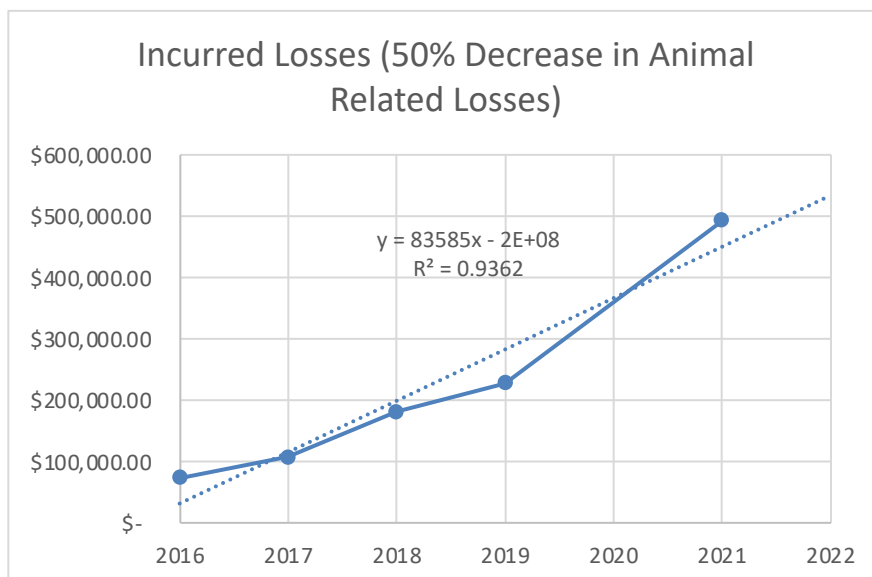
The following tables and figures are related to the claims forecasting regression that was performed to realize an expected claims value for 2022. Immediately following those are tables and figures related to the claims forecasting regression that was performed in relation to the sensitivity analysis of three risks: Animal related claims, Golf cart/Auto related claims, and Sports/Camper Related Claims.

Claims Forecasting						
Lion Rock Summer Camps, Inc.						
Accident Year	Period	Years Ago	Claims Frequency	Total Losses	Average Severity	
2016	1	5	7	\$ 74,000.00	\$ 10,571.43	
2017	2	4	11	\$ 107,000.00	\$ 9,727.27	
2018	3	3	17	\$ 218,500.00	\$ 12,852.94	
2019	4	2	24	\$ 239,400.00	\$ 9,975.00	
2021	5	0	32	\$ 505,300.00	\$ 15,790.63	
projected 2022	6			\$ 555,295.95		



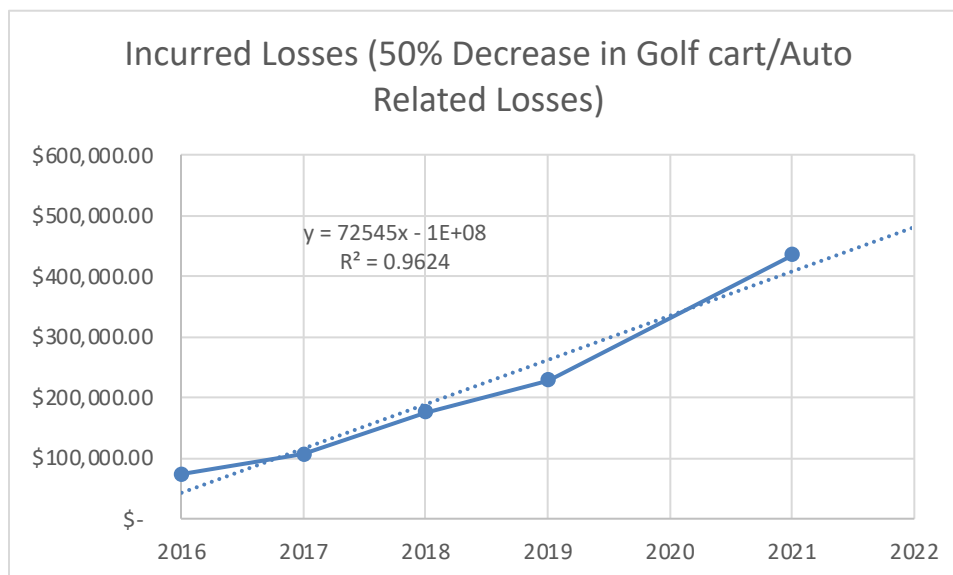
Summary Linear Regression Output					
<i>Regression Statistics</i>		Regression Data for Incurred WC Losses Model: $y = 85909.46x - 173153631.08$ Predicted Incurred WC Losses 2022: <u>\$555,295.95</u>			
Multiple R	0.97				
R Square	0.95				
Adjusted R Square	0.93				
Standard Error	45601.65				
Observations	5				
ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	1.0923E+11	1.0923E+11	52.5270037	0.005418822
Residual	3	6238530676	2079510225		
Total	4	1.1547E+11			
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>
Intercept	-173153631.08	23922911.41	-7.24	0.01	-249287012.11
Year	85909.46	11853.58	7.25	0.01	48186.07

Claims Forecasting for LRSC		
Assuming 50% Decrease in Animal Related Losses		
Accident Year	Period	Total Losses
2016	1	\$ 74,000.00
2017	2	\$ 107,000.00
2018	3	\$ 181,000.00
2019	4	\$ 228,150.00
2021	5	\$ 493,550.00
projected 2022	6	\$ 534,363.51



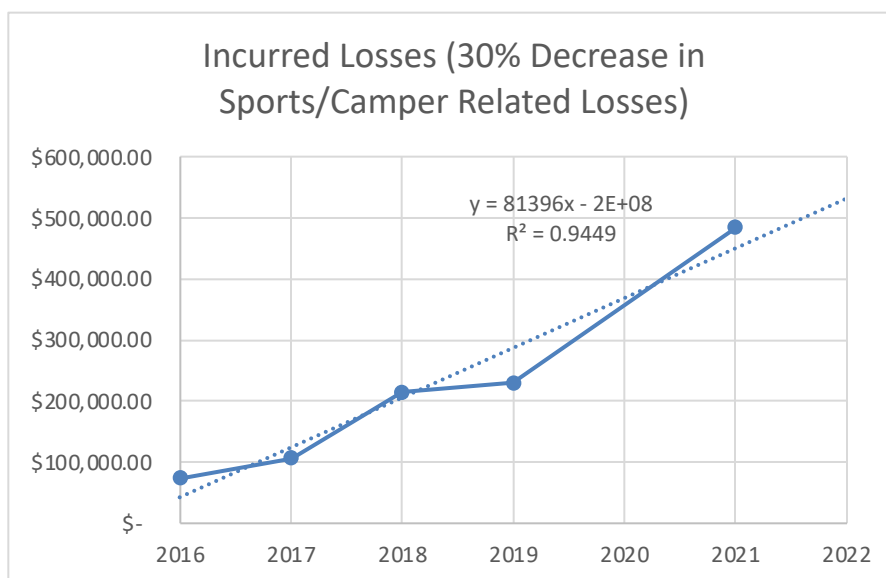
Summary Linear Regression Output (Animal Sensitivity)					
Regression Statistics		Regression Data for Incurred WC Losses (with a 50% Decrease in Animal related Losses) Model: $y = 85909.46x - 173153631.08$ Predicted Incurred WC Losses 2022: <u>\$534,363.51</u>			
Multiple R	0.97				
R Square	0.94				
Adjusted R Square	0.91				
Standard Error	48473.57				
Observations	5				
ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	1.03E+11	1.03E+11	4.40E+01	6.98E-03
Residual	3	7.05E+09	2.35E+09		
Total	4	1.10E+11			
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>
Intercept	-168474779.730	25429537.989	-6.625	0.007	-249402918.947
Year	83585.135	12600.103	6.634	0.007	43485.983

Claims Forecasting for LRSC		
Assuming 50% Decrease in Golf cart/Auto Related Losses		
Accident Year	Period	Total Losses
2016	1	\$ 74,000.00
2017	2	\$ 107,000.00
2018	3	\$ 176,500.00
2019	4	\$ 228,400.00
2021	5	\$ 434,800.00
projected 2022	6	\$ 479,809.46



Summary Linear Regression Output (Golf cart/Auto Sensitivity)					
<i>Regression Statistics</i>		Regression Data for Incurred WC Losses (with a 50% Decrease in Golf cart/Auto related Losses) Model: $y = 83585.14x - 168474779.73$ Predicted Incurred WC Losses 2022: <u>\$479,809.46</u>			
Multiple R	0.98				
R Square	0.96				
Adjusted R Square	0.95				
Standard Error	31837.73				
Observations	5				
ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	77888229432	7.7888E+10	76.8400652	0.003126853
Residual	3	3040922568	1013640856		
Total	4	80929152000			
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>
Intercept	-146205360.811	16702272.132	-8.754	0.003	-199359445.046
Year	72544.595	8275.823	8.766	0.003	46207.232

Claims Forecasting for LRSC		
Assuming 30% Decrease in Sports/Camper Related Losses		
Accident Year	Period	Total Losses
2016	1	\$ 74,000.00
2017	2	\$ 107,000.00
2018	3	\$ 214,300.00
2019	4	\$ 230,250.00
2021	5	\$ 483,760.00
projected 2022	6	\$ 531,168.65



Summary Linear Regression Output (Sports/Camper Sensitivity)					
<i>Regression Statistics</i>		Regression Data for Incurred WC Losses (with a 30% Decrease in Sports/Camper related Losses) Model: $y = 81396.49x - 164052527.03$ Predicted Incurred WC Losses 2022: <u>\$531,168.65</u>			
Multiple R	0.97				
R Square	0.94				
Adjusted R Square	0.93				
Standard Error	43660.86				
Observations	5				
ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	98055742583	9.8056E+10	51.4385177	0.005584043
Residual	3	5718812297	1906270766		
Total	4	1.03775E+11			
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>
Intercept	-164052527.027	22904762.650	-7.162	0.006	-236945704.296
Year	81396.486	11349.100	7.172	0.006	45278.584

Appendix D

The following tables and charts are related to financial ratios that were used to compare Lion Rock Summer Camps, Inc. with the ratios of the Hotels, Rooming Houses, Camps, & Other Lodging industry. This analysis was used to evaluate the ability of Lion Rock Summer Camps, Inc. to retain risk. The industry commonly uses the following criteria to retain losses: 1%-5% of total assets, 2%-15% of working capital, 1%-8% of pre-tax earnings, or 0.5%-2% of annual revenue (Liebenberg, 2022). In this analysis, I averaged the lower end of these estimates to come up with \$28,940.40 and chose a retention value slightly above that of \$35,000. The reasoning behind my choice of a value on the low end of the spectrum, but above the most conservative averages, stems from the relatively small size of the firm, the tightly knit nature of the ownership structure, and the relatively good standing of the company in regard to quick ratio, current ratio, and total liabilities to net worth ratio.

DUN AND BRADSTREET KEY BUSINESS RATIOS					
Hotels, Rooming Houses, Camps & Other Lodging					
SOLVENCY	LRSC, Inc.	UPPER	INDUSTRY MEDIAN	LOWER	FAVORABLE OR UNFAVORABLE
Quick Ratio (Times)	2.34	1.2	0.4	0.1	F
Current Ratio (Times)	2.67	1.7	1.0	0.6	F
Current Liabilities to Net Worth (%)	45.76	44.7	113.5	280.6	F
Total Liabilities to Net Worth (%)	235.20	112.6	305.6	764.9	F
Fixed Assets to Net Worth (%)	171.73	51.9	118.3	141.9	U
EFFICIENCY					
Collection Period (Days)	91.25	8.0	19.0	52.0	U
Assets to Sales (%)	87.13	69.5	178.5	332.9	F
Sales to Net Working Capital (Times)	5.04	14.3	3.7	2.4	F
Accounts Payable to Sales (%)	6.63	1.8	3.5	6.6	U
PROFITABILITY					
Return on Sales (%)	8.06	9.8	2.2	-30.1	F
Return on Assets (%)	9.25	6.8	1.2	-8.1	F
Return on Net Worth (%)	31.01	68.1	6.9	-4.7	F

F = Favorable

U = Unfavorable

Basis for Retention	Data from Financial Statements	Low	High
Total Assets	\$ 5,376,943.00	\$ 53,769.43	\$ 268,847.15
Working Capital	\$ 1,225,176.00	\$ 24,503.52	\$ 183,776.40
Pre-tax Earnings	\$ 663,150.00	\$ 6,631.50	\$ 53,052.00
Annual Revenue	\$ 6,171,429.00	\$ 30,857.15	\$ 123,428.58
		\$ 28,940.40	\$ 157,276.03

Retention Amount: \$35,000

Appendix E

The following tables and charts are related to the calculation of a business income insurance limit and premium for Lion Rock Summer Camps, Inc.

Business Income					
Coinsurance Basis	Maximum Shutdown (months)	EML	Quotient	Coinsurance %	Limit
\$ 3,277,595.03	7	\$ 1,911,930.43	0.5833	60%	\$ 1,966,557.02
Rate Adjustment Factor	80 % Coinsurance Basic Form Rate	BI Rate for LRSC	BI Premium for LRSC		
0.48	0.005	0.00588	\$ 11,563.36		

Business Income Report/Worksheet						
Financial Analysis						
Page 1 of 3						
		12 Month Period Ending		Estimated For 12 Month Period Beginning		
				Forecasted Rate of Increase		
		Manufacturing	Non- Manufacturing		Manufacturing	Non- Manufacturing
INCOME AND EXPENSE						
A. Gross Sales			\$ 6,171,429.00	7%		\$ 6,603,429.03
B. Deduct:						
Finished Stock Inventory (at sales value) at Beginning						
C. Add:						
Finished Stock Inventory (at sales value) at End						
D. Gross Sales Value of Production						
E. Deduct:						
Prepaid Freight	\$ -					
Returns & Allowances	\$ -					
Discounts	\$ -					
Bad Debts	\$ -					
Collection Expenses	\$ -					
Total			\$ -	7%		\$ -
F. Net Sales						
Net Sales Value of Production			\$ 6,171,429.00			\$ 6,603,429.03
G. Add: Other Earnings from your business operations (not investment income or rents from other properties):						
Commissions or Rents	\$ -					
Cash Discounts Recd	\$ -					
Other	\$ -					
Total Other Earnings			\$ -	7%		\$ -
H. Total Revenues			\$ 6,171,429.00			\$ 6,603,429.03

Business Income Report/Worksheet						
Financial Analysis						
Page 2 of 3						
		12 Month Period		Forecasted Rate of Increase	Estimated For	
		Ending			12 Month Period	
					Beginning	
		Manufacturing	Non- Manufacturing		Manufacturing	Non- Manufacturing
I. DEDUCT: The cost of the following (net of any cash discounts received):						
1. Cost of Goods Sold:						
Inventory (including stock in process at beginning of year).						
ADD: Cost of the following purchased during the year:						
Raw Stock Consumed	\$ -					
Factory Supplies Consumed	\$ -					
Merchandise Sold	\$ -					
Other Supplies Consumed (including transportation charges)	\$ -					
Total Purchase Costs	\$ -					
Cost of Goods Available for Sale	\$ -					
DEDUCT: Inventory including stock in process) at end of year	\$ -					
Cost of Goods Sold	\$ -					
2. Services purchased from outsiders (not your employees) to resell, that do not continue under contract	\$ -					
Total (Mining Properties-see next page)		\$ -		7%	\$ -	
J. 1. Net income and Expenses (Business Income Basis for Coinsurance if a Coverage Modification does not apply)		\$ 6,171,429.00			\$ 6,603,429.03	
J. 2. Combined (for firms engaged in both manufacturing and non- manufacturing operations)		\$ 6,171,429.00			\$ 6,603,429.03	
K. Business Income Basis for Coinsurance if a Coverage Modification does apply (see reverse side)		\$ 2,845,595.00			\$ 3,044,786.65	
L. Amount of Insurance Required (Multiply the amount in J.1, J.2 or K specified in the Declarations)		\$ -			\$ 1,826,871.99	

Business Income Report/Worksheet					
Coverage Modification					
Page 3 of 3					
	12 Month Period		Forecasted Rate of Increase	Estimated For	
	Ending			Beginning	
	Manufacturing	Non- Manufacturing		Manufacturing	Non- Manufacturing
NET INCOME AND EXPENSES (item J.1 or J.2)		\$ 6,171,429.00			\$ 6,603,429.03
1. If Ordinary Payroll Limitation form is attached:					
Deduct: All Ordinary Payroll Expenses If "90 days" or 180 days" is indicated for Ordinary Payroll Limitation:	-	\$ 3,342,260.00	7%		\$ 3,576,218.20
Add: The largest amount of Ordinary Payroll Expense incurred during the specified number of days	+	\$ 334,226.00	7%		\$ 357,621.82
Total		\$ 3,008,034.00			\$ 3,218,596.38
2. If Power, Heat and Refrigeration Deduction form is attached:					
Deduct: Power, heat and refrigeration expenses that do not continue under contract		\$ 317,800.00	7%		\$ 340,046.00
BUSINESS INCOME BASIS FOR COINSURANCE (Transfer to Line K on previous page)	=	\$ 2,845,595.00			\$ 3,044,786.65

Appendix F

The following table shows premium calculations for Lion Rock Summer Camps, Inc..

Premium Expenses									
Exposure	Coverage	Cause of Loss	Blanket/Specific	Exposure Value	Coinsurance	Rate	Limit	Premium	Deductible/SIR
General Liability	CGL (premises & operations)					0.003186	\$ 500,000.00	\$ 1,593.24	\$ 10,000.00
	Umbrella					0.005167	\$ 3,000,000.00	\$ 15,500.00	
Medical Malpractice	Medical Malpractice			\$ 102,000.00		0.032		\$ 3,264.00	
Pollution	Environmental Impairment					0.133	\$ 50,000.00	\$ 6,650.00	\$ 1,000.00
Buildings	BPP	Special	Blanket	\$ 3,397,020.03	0.9	0.0135	\$ 3,057,318.03	\$ 41,273.79	\$ 5,000.00
	NFIP (3 locations)					0.0049	\$ 1,252,020.03	\$ 6,134.90	\$ 4,000.00
	DIC (2 locations)					0.001	\$ 1,038,000.00	\$ 1,038.00	
Contents	BPP	Special	Blanket	\$ 336,300.00	0.9	0.0145	\$ 302,670.00	\$ 4,388.72	\$ 5,000.00
	NFIP (3 locations)					0.0091	\$ 221,300.00	\$ 2,013.83	\$ 1,000.00
Cyber	Cyber Liability					0.0015	\$ 1,500,000.00	\$ 2,250.00	\$ 10,000.00
Workers' Compensation				\$ 3,342,260.00		0.01		\$ 33,422.60	
D&O Liability	D&O					0.0025	\$ 5,000,000.00	\$ 12,500.00	\$ 1,000.00
Employment Practices	EPL					0.0025	\$ 2,000,000.00	\$ 5,000.00	\$ 1,000.00
Charleston Ford F-150	BAP						\$ 19,480.00	\$ 1,423.00	\$ 1,750.00
Asheville Toyota Tacoma	BAP						\$ 24,770.00	\$ 1,423.00	\$ 1,750.00
VA Beach Toyota Tundra	BAP						\$ 34,125.00	\$ 1,423.00	\$ 1,750.00
Andy's Audi A4	BAP						\$ 37,400.00	\$ 1,340.00	\$ 100.00
Hunter 22 Sailboat	Boatowner's					0.05	\$ 11,000.00	\$ 550.00	
Golf Carts	Golf Cart					0.0112	\$ 246,780.00	\$ 2,772.00	
Total Premiums								\$ 143,960.07	\$ 43,350.00

Appendix G

The following tables show the consolidated income statement and consolidated balance sheet for Lion Rock Summer Camps, Inc. in 2021.

LION ROCK SUMMER CAMPS, INC. Consolidated Income Statement December 31, 2021

NET REVENUES		\$ 6,171,429
EXPENSES		
Payroll	3,342,260	
Utilities	317,800	
Other Expenses	526,479	
Depreciation	370,240	
Total Expenses	4,556,779	4,556,779
EARNINGS BEFORE TAXES AND INTEREST		1,614,650
Less Interest	951,500	
EARNINGS BEFORE TAXES		663,150
Less Taxes	165,788	
NET INCOME		\$ 497,363

LION ROCK SUMMER CAMPS, INC.
Consolidated Balance Sheet
December 31, 2021

ASSETS**CURRENT ASSETS**

Cash	177,834
Accounts Receivable	1,542,858
Other Current Assets	<u>238,574</u>
Total Current Assets	1,959,266

LONG TERM ASSETS

Fixed Assets	3,430,500
Vehicles	321,030
Depreciation	<u>(996,800)</u>
Total Long Term Assets	2,754,730

OTHER ASSETS

Intangible Assets	<u>662,947</u>
Total Other Assets	662,947

TOTAL ASSETS **\$5,376,943**

LIABILITIES**CURRENT LIABILITIES**

Accounts Payable	409,238
Other Current Liabilities	<u>324,852</u>
Total Current Liabilities	734,090

LONG-TERM DEBT

Long-Term Debt	<u>3,038,770</u>
Total Long-Term Debt	3,038,770

NET WORTH

Common Stock	1,144,580
Retained Earnings	<u>459,503</u>
Total Net Worth	1,604,083

TOTAL LIABILITIES & NET WORTH **\$5,376,943**

ASSETS**CURRENT ASSETS**

Cash	177,834
Accounts Receivable	1,542,858

Other Current Assets	238,574
Total Current Assets	1,959,266

LONG TERM ASSETS

Fixed Assets	3,430,500
Vehicles	321,030
Depreciation	(996,800)
Total Long Term Assets	2,754,730

OTHER ASSETS

Intangible Assets	662,947
Total Other Assets	662,947

TOTAL ASSETS **\$5,376,943****LIABILITIES****CURRENT LIABILITIES**

Accounts Payable	409,238
Other Current Liabilities	324,852
Total Current Liabilities	734,090

LONG-TERM DEBT

Long-Term Debt	3,038,770
Total Long-Term Debt	3,038,770

NET WORTH

Common Stock	1,144,580
Retained Earnings	459,503
Total Net Worth	1,604,083

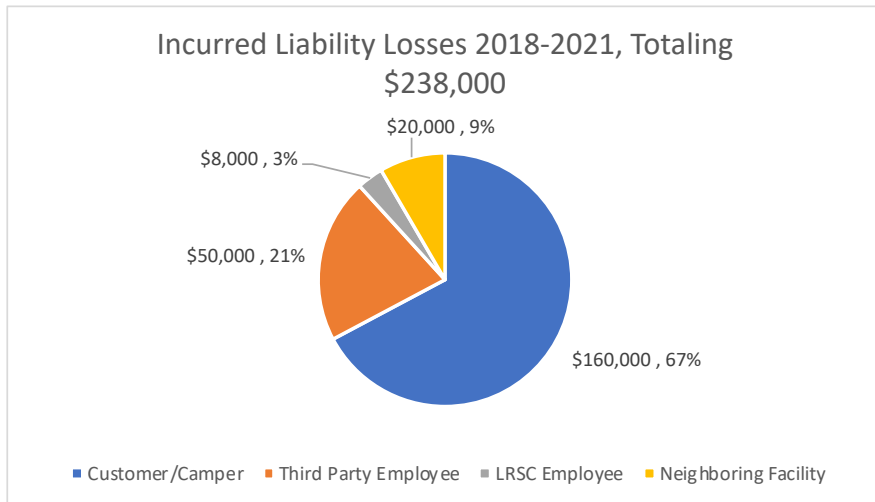
TOTAL LIABILITIES & NET WORTH **\$5,376,943**

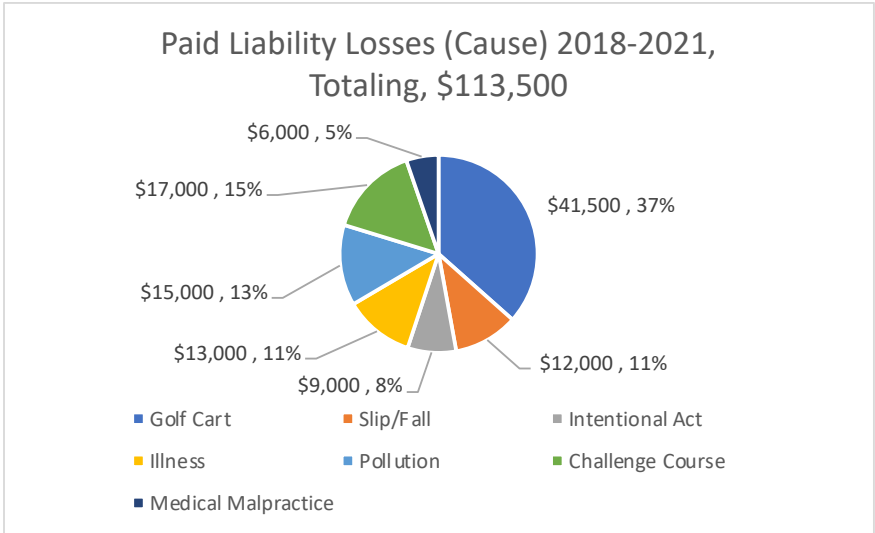
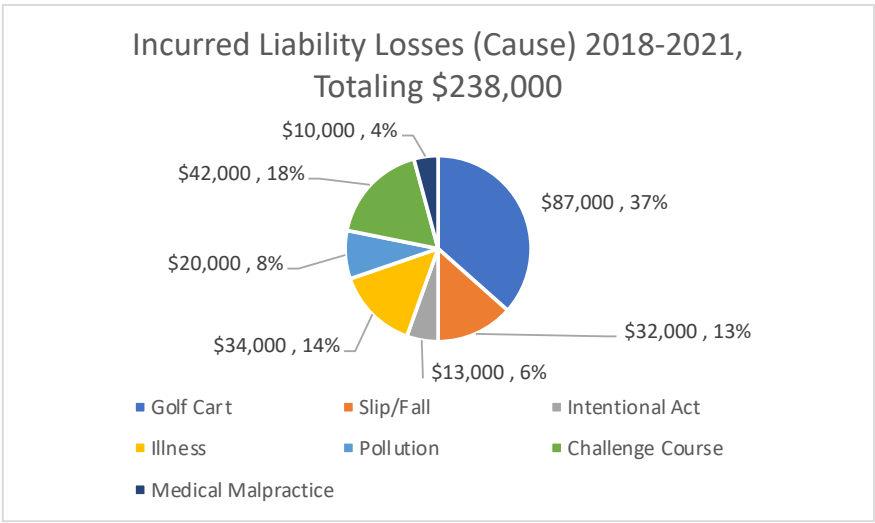
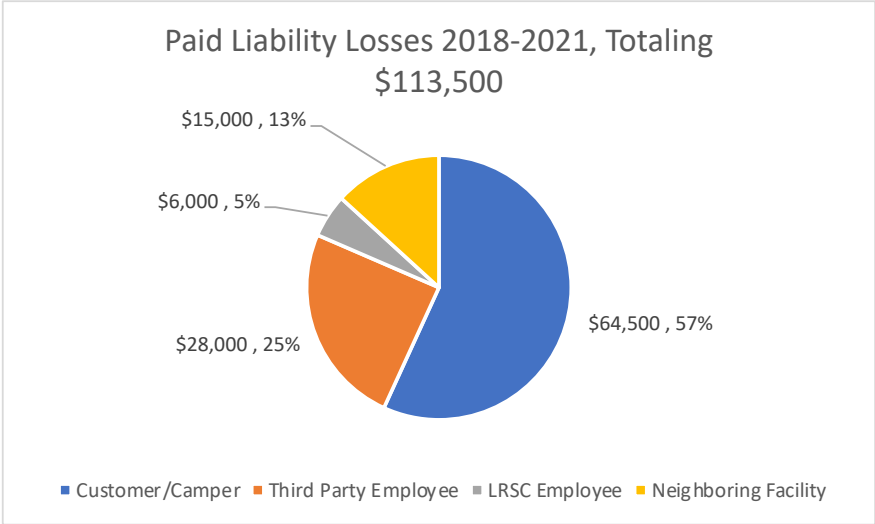
Appendix H

The following tables and figures are related to the analysis of liability losses at LRSC from 2018-2021.

Liability Loss Summary Data 2018-2021					
Cause	Frequency	Incurred	Paid	% Incurred	% Paid
Golf Cart	4	\$ 87,000	\$ 41,500	37%	37%
Slip/Fall	1	\$ 32,000	\$ 12,000	13%	11%
Intentional Act	2	\$ 13,000	\$ 9,000	5%	8%
Illness	2	\$ 34,000	\$ 13,000	14%	11%
Pollution	1	\$ 20,000	\$ 15,000	8%	13%
Challenge Course	2	\$ 42,000	\$ 17,000	18%	15%
<u>Medical Malpractice</u>	<u>1</u>	<u>\$ 10,000</u>	<u>\$ 6,000</u>	<u>4%</u>	<u>5%</u>
Totals	13	\$ 238,000	\$ 113,500	100%	100%

Liability Loss Summary Data 2018-2021			
Affected Party	Frequency	Incurred	Paid
Customer/Camper	8	\$ 160,000	\$ 64,500
Third Party Employee	3	\$ 50,000	\$ 28,000
LRSC Employee	1	\$ 8,000	\$ 6,000
Neighboring Facility	1	\$ 20,000	\$ 15,000
Totals	13	\$ 238,000	\$ 113,500





Appendix I

Due to the nature of my initial report, my findings in regard to corporate governance were extremely limited. This was a direct result of the report being presented, in essence, directly to the executive suite of LRSC. I was unable, as an ERM consultant, to accurately convey risk control measures that would truly mitigate the risk facing the company. The following addendum is written for the use of CEO Andy Clark, and, should he so choose, CFO Mike Stiles and the private investor group. It is of the utmost importance for the future of LRSC that everyone at the top of the company understands that the ERM framework, governance framework, responsibilities, and communications overlap, and one process affects the other (Sobel, 2004).

Corporate governance is the set of mechanisms used to manage the relationships among stakeholders and to determine and control the strategic direction and performance of organizations. These mechanisms are critical to the success of the firm. One of the primary objectives of corporate governance is “ensuring that top-level managers’ interests are aligned with other stakeholders’ interests, particularly those of shareholders” (Hitt, 2017). “Risk taking is a pre-requisite to success – without risk there is no reward” (Sobel, 2004). Because of this, risks that are a threat to the success of LRSC must be mitigated, especially those that lead to problems occurring. Risks themselves are measured by likelihood, severity, and impact. In order to mesh ERM goals with proper corporate governance, it is necessary for the executive suite and private investors of LRSC to work interdependently.

In an average company, the board of directors is the owner of the governance process. Due to the nature of LRSC, moreover, their lack of a board of directors, we will treat the executive suite and private investors as the acting board of directors. The act of

corporate governance is not easy to quantify; therefore, the board must rely on other parties to help fulfill its governance duties. According to Management Accounting Quarterly, “the board of directors is not directly responsible for risk management...[but] should, however, assume ultimate responsibility for corporate governance.” In this sense, the board must evaluate the performance of senior executives and ensure that their actions are aligned with the company’s strategy and are linked to creating value for shareholders. In order for the risk management in the corporate governance sector to be most effective, the CEO must be truly committed to the cause, and other officers must proactively and appropriately manage the risks which fall under their jurisdiction (Sobel, 2004).

The board of directors must have open lines of communication at LRSC. They must communicate amongst each other the “expectations of senior management for setting an appropriate tone for ethical behavior at the top of the company,” who maintains “the authority to manage risks”, and “the performance criteria and measures used by the board to evaluate executives’ performance” (Sobel, 2004). The board also must be clear with each other regarding what has been done to establish a healthy ethical culture and how significant code of conduct violations will be handled. This can include an identification of significant risks and how they will be managed. The process of evaluation can be broken down into the following six categories: strategic, financial, legal and regulatory, reputation, people, and asset protection (Sobel, 2004). The categories within this framework which are of concern to LRSC are legal and regulatory, reputation, and people.

One risk control measure that I would recommend immediately for LRSC is the creation of a “separate corporate governance committee to address governance issues

and provide governance leadership” (Principles, 2002). This would transfer the responsibility from our CEO and the rest of our board to another committee. This would be extremely useful in the case of LRSC because of the long-term friendship between the executive officers. Instead of this committee, due to the small size of LRSC, the firm could opt for the hiring of an internal auditor to produce an assurance report. This report would be required to include illegal acts involving senior management as well as significant control deficiencies (Sobel, 2004).

The current “board of directors,” if you will, is made up of three insiders and a single group of related outsiders. The insiders are the three executives, and they represent an important asset to the board in that they are a source of information about the firm’s day to day operations. They also are useful in implementing appropriate business strategies as a result of their leading the firm daily. On the other hand, it is widely accepted that a “board with a significant percentage of its membership from the firm’s top-level [executives] provides relatively weak monitoring and control of managerial decisions” (Hitt, 2017). The related outsiders are the private investor group. They are not involved with the firm’s day-to-day operations but have a financial relationship with the company. In regard to the makeup of the current board of directors, I recommend an attempt at enhancing the effectiveness of the board as a whole. My first recommendation is the increase of diversity in board members. Hiring an outside perspective with no tie to the company would bring in another voice to board meetings that could offer a counterpoint to the triumvirate that is Mr. Clark, Mr. Stiles, and Mr. Pope. Also, the strengthening of internal management control systems is paramount. Finally, a formal process to evaluate the performance of board members should be established (Hitt, 2017).

In regard to the strengthening of internal control systems, I also recommend the creation of various written documents so as to properly and clearly state firm policy regarding such matters. The first of these should be a written code of conduct that articulates the company's ethical principles and specific rules of conduct. The second should be a risk management framework that conveys the firm's risk management philosophy, policies, strategies, and procedures. This framework would include a risk response plan with options for responding to risk. It would also include monitoring measures for how to effectively carry out the governance that the board has established. The final written document should outline risk management authority; in other words, the "checks and balances" of senior executives and the board. Other accessory documents could be provided to make sure all the bases are covered, such as a signed assertion of compliance with the company's code of conduct from all employees (including senior executives) and a public risk management plan (Sobel, 2004).

Ideally, LRSC should implement a corporate governance structure that is reliant on the addition of a board member. This board member can assume the title of chief risk officer and will be the head of a separate corporate governance committee. They needn't have ownership stake in the company, and their role will be entirely focused on risk management and corporate governance. This new CRO will draft the written policies I outlined above, set the standard for what is corporate policy regarding ethical conduct and executive conduct/responsibility, and have authority to deal with those who do not comply.

...

At this point, I will address the main problem this report is designed to handle: the removal of Bart Pope from his position as chief operating officer. In order to realize

the ideal corporate governance structure from the previous section, the removal of Mr. Pope must come first. This process begins with the filing of charges in writing against the officer with the secretary/document keeper of the firm. This action is to be followed by a petition of at least 5% of the members requesting the removal of the officer (LaMance, 2018). In our case, that can be any one of the other votes, as Mr. Clark and Mr. Stiles both represent 20% stake, and the private investors represent a 40% stake. In order to remove a senior officer from a company, a firm must next obtain a majority vote of the shareholders.

Before this vote is initiated, it is recommended that other members show “just cause” for the removal of the officer. In general, officers have a fiduciary duty to act in good faith and exercise due diligence when making business decisions for the company. Mr. Pope’s failure to meet either of these requirements represents just cause for his removal. Examples of such failure include failure to comply with regulations or laws, misconduct, mismanagement/bad business decisions, neglect of duty, and negligent evaluation (LaMance, 2018). The following are direct actions or lack of actions on the part of Mr. Pope that represent just cause for his removal:

1. Failure to comply with regulations or laws:

a) “[Mr. Pope] has allegedly ignored rumors regarding secret night parties involving campers, counselors, and alcohol at the Virginia Beach camp.”

2. Mismanagement/bad business decisions:

a) “When reviewing the plans for a dining hall at the Virginia Beach location, [Mr. Pope] decided to cut some costs. He hired the cheapest construction firm in the area to build a 3,400 square foot dining hall that just barely fits the 400 campers and their counselors.”

i. The undersized nature of the dining hall has created a crowded and poorly designed kitchen area that is prone to slips, falls, and burns for the kitchen staff and third-party workers. This has, in turn, led to numerous workers' compensation and liability claims.

b) "[Mr. Pope] decided to forego the cost of installing a sprinkler system"

3. Neglect of duty:

a) "[Mr. Pope] was inspecting the boys' rooms when he found a stash of printed photos. The photos were of female counselors in swimsuits at the lake, and each picture had a number 1-10 scribbled on it. He confronted the male counselors about it, asking what the numbers meant, but no one confessed to taking the pictures or writing the numbers. [Mr. Pope] threw away the photos and wasn't sure how to move forward with the situation."

4. Negligent evaluation:

a) "[Mr. Pope] has been unwilling to discipline a childhood friend who currently serves as camp doctor."

"The staff is convinced that if [Dr. Rogers] was not close friends with [Mr. Pope] he would have been fired."

i. "Nurses at the Asheville location have complained about [Dr. Rogers] showing up to the infirmary late and obviously hungover.

ii. "[Dr. Rogers] often uses foul language around the campers"

iii. "[Dr. Rogers] tells the campers inappropriate stories about his days as a 'womanizer' in medical school"

iv. "[Dr. Rogers] has been accused of 'hitting on' some of the campers"

v. “In 2018, [Dr. Rogers] negligently gave a camper an over-the-counter pain reliever that caused an allergic reaction and resulted in the camper going home three days early. The camper’s medical records clearly indicated an allergy to certain pain relievers, but [Dr. Rogers] didn’t consult the file.”

(Chance, Fier, Liebenberg, 2022)

In the case of LRSC, the shareholders are Mr. Clark, Mr. Stiles, Mr. Pope, and the group of private investors. For the purpose of this investigation, the investors will be treated as a voting bloc. In order to acquire a majority vote, the other stakeholders will need to attain the votes of Mr. Clark, Mr. Stiles, and the private investors (80%); or the vote of the private investors and one of the other officers (60%). The cultivation of these votes will be relatively easy in my opinion. Although Mr. Pope is a longtime friend of Mr. Stiles and Mr. Clark, there have been various statements regarding lack of trust in Mr. Pope. The private investors “have voiced concerns to [Mr. Clark] regarding [Mr. Pope]” (Chance, Fier, Liebenberg, 2022). In the case of Mr. Stiles, he is “more sympathetic to the private investors’ grievances” and worries that Mr. Pope’s conduct “could have dire consequences” (Chance, Fier, Liebenberg, 2022). Mr. Clark is the most sympathetic to Mr. Pope’s explanations for his conduct, as he “believes that the night party rumors are unfounded and that [Mr. Pope] is being kind to his friend” (Chance, Fier, Liebenberg, 2022). Mr. Clark may need to be individually addressed in a diplomatic fashion regarding the truth about Mr. Pope’s conduct. In the event that Mr. Clark votes for the continuance of Mr. Pope’s tenure as COO, the petitioning parties will still have the majority of the vote.

If the board successfully leverages a vote for the removal of Mr. Pope, the final step is to inform Mr. Pope in writing that he is being removed. At this point, it is important to have a termination plan. This is vital for a successful removal. This plan should include who the new COO will be, why he/she is fit for the position, and how current employees will be informed of the change (Miksen, 2017). The risk control measures as well as the officer removal plan that this addendum has outlined are crucial to the continued success of LRSC. The ideal corporate governance structure for the firm as well as the addition of an outside CRO will create value for LRSC in the form of mitigated risks. This value will be apparent through the strategic decisions of the new COO as well as the policies and controls that are in place the next time there is a threat of exposure. In particular, this removal and new ideal corporate governance structure will provide notable reductions in risk in the Employment Related Practice Liability and Directors & Officers Liability sections of this report.

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