



WSTIP Policy Manual

Document Name:	Assessment Allocation Policy	Date Adopted:	6/25/2010
Category:	Finance	Revision Date:	8/25/2011
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Assessment Allocation Policy

Purpose

1. To memorialize the allocation the Pool utilizes to establish annual member contributions;
2. To add transparency to the Pool budget and allocation of member contributions; and
3. To promote understanding by all Pool's members on how member allocations are determined.

Authority

1. Interlocal Agreement, Sections 4f ("adopt an annual budget") and 13b ("contributions and assessments shall be established . . . in [the] annual budget");
2. Bylaws, Section 4b ("the **Board** . . . [shall adopt the] annual budget"); and
3. Budget Development Policy.

Policy Statement

1. Introduction.
 - a. Once the Pool's annual budget is established by the Board, this allocation formula shall be used to determine the annual assessment of each member.
 - b. Any member or the executive director may propose changes to this assessment policy. Any such proposed change shall be made to the Executive Committee no later than at its August meeting. The Board shall act on any proposed change no later than at its September quarterly meeting. This assessment policy or the assessment policy as modified and adopted by the Board shall be used to establish member assessments for the following year.
 - c. The following sections of this policy statement explain how the various components of the allocation policy are determined.
2. Self insurance loss (SIR) component or Gross Retained Losses. This is the largest component of member assessments. The amounts of the estimated losses are determined by the actuary. The estimated losses are apportioned to the members based upon their respective percentage of the total estimated exposures for the upcoming year.
3. Actuarial loss estimate. The actuarial loss estimate is based upon actual loss data and the self-insured retention and actuarial confidence level selected by the Pool excess of the expected rate of 55%.

4. Auto Liability rates are determined based upon the following criteria and allocation:
 - a. ADD, the Gross Retained Losses or self insured retention as determined by the actuary at the expected confidence rates of 55%; plus the program or operation administration cost; plus the reinsurance premium estimates; plus the confidence load excess of the 55% approved by the WSTIP Board; plus the estimated excess insurance premium plus the Ultimate Loss Adjustment Expense (ULAE) as determined by the actuary;
 - b. LESS, the estimated investment income; plus any affiliated member and miscellaneous income; plus the estimated excess premium; plus the uninsured motorist (UIM) premium and; plus any prior year adjustment of over or under reporting mile exposures.

The remainder is then divided by the current estimate of all exposure miles with the result setting the rate per mile and used as a multiplier to each member's estimated miles for the upcoming policy period.

5. General Liability rates is calculated by the actuary based on the number of employees and allocated on the members respective percentage of the total as follows:
 - a. ADD, the Gross Retained Losses or self insured retention as determined by the actuary at the expected confidence rates of 55%; plus the program or operation administration cost; plus the reinsurance premium estimates; plus the confidence load excess of the 55% approved by the WSTIP Board; plus the estimated excess insurance premium plus the ULAE as determined by the actuary;
 - b. LESS, the estimated investment income; plus any affiliated member and miscellaneous income.

The remainder is then divided by the current estimate of total employees with the result setting the rate per employee.

6. Pool SIR for auto physical damage (APD). The Board sets the SIR. The actuary determines the ultimate net loss of the selected SIR which is allocated to the members based on their respective percentage of the Total Insured Values (TIV).
7. Pool SIR for property. The Board sets the SIR. The actuary determines the ultimate net loss of the selected SIR which is allocated to the members based on their respective percentage of the total TIV.
8. Excess liability premium for members who wish to have liability limits excess of the Pool's standard limits and allocated only to those who select the option based on their percentage of the total miles
9. Property and APD excess coverage rates are allocated as follows:

- a. ADD, the Gross Retained Losses or self insured retention as determined by the actuary at the expected confidence rates of 55%; plus the program or operation administration cost; plus the Reinsurance premium estimates; plus the confidence load excess of the 55% approved by the WSTIP Board; plus the estimated excess insurance premium plus the Ultimate ULAE as determined by the actuary;
 - b. LESS: Underground Storage Tank (UST), pollution and Crime premiums.
 - c. The remainder is then divided by the current TIV of all insured property and allocated based on individual members respective percentage of TIV
10. Uninsured or Underinsured Motorist (UIM) coverage is optional by mode and is capped at \$60,000 per occurrence. The aggregate UIM loss is estimated by the actuary. Allocation is as follows:
 - a. ADD, the Gross Retained Losses or self insured retention as determined by the actuary at the expected confidence rates of 55%; plus the program or operation administration cost; plus the confidence load excess of the 55% approved by the WSTIP Board; plus the ULAE as determined by the actuary; This is the base rate.
 - b. The base rate is used by the Board to set a per mile rate for UIM coverage.
 - c. The difference between the base rate and the amount collect per mile is held in the Pool's reserve account.
11. Underground storage tank coverage (UST). This is an optional coverage provided via a commercial policy purchased by the Pool. The cost of this policy is allocated to those members that wish to have this coverage.
12. Blanket Pollution coverage. This coverage provided via a commercial policy purchased by the Pool for members participating in the property program.
13. Crime coverage. This is an optional coverage provided via a commercial policy purchased by the Pool. This cost is allocated to participating members based upon number of employees.
14. Optional excess liability coverage. Some members want coverage above the limits of the excess liability coverage provided by the Pool to all members. This excess optional coverage is provided by commercial policies purchased by the Pool and allocated by individual exposures
15. Contribution to surplus. The Board has historically included a contribution to surplus in the budget. This is the amount that is excess of the actuary's expected confidence rate of 55%.
16. Unallocated loss adjustment expense (ULAE) is determined by the actuary and allocated to the members based upon their respective percentage of the total estimated exposures for the upcoming year.

17. Experience adjustment. The self insurance loss component for each year is based upon Auto/General and UIM actuarially estimated losses and member estimated mileage. When actual losses and mileage become known, there is a credit or additional charge to each member based upon experience.

The experience adjustment relates only to liability losses. The most recently completed three loss years are considered in the experience rating calculation. For example, the experience adjustment for 2012 would take into consideration loss experience from 2008, 2009 and 2010. Each member's actual loss experience will be compared to their expected loss level based on their number of miles. The expected loss level calculation will consider the potential for different cost rates by mode of service. Individual losses will be capped at varying limits with such limits based on the size of member as measured by miles. The experience modification factors will be a weighted average between the prior year experience modification factor and the most recent comparison between actual and expected loss levels. The specific weights will be recommended by the actuary. Separate schedules detailing the experience rating calculation for each member will be prepared.

18. Retroactive mileage adjustment. The self insurance loss component is based upon estimated mileage from all modes. For the year two years prior to the budget year, i.e. 2008 for 2010 budget year, the actual mileage is now known. If a member underestimated mileage two years prior, the member will be assessed for the actual additional mileage at the rate per mile for the year two years prior. Conversely, if a member overestimated mileage two years prior, the member will receive a credit for the overestimated mileage at the rate per mile for the year two years prior.

19. Surplus is the amount collected excess of the expected actuarial estimates for the ultimate net loss for the upcoming year.

Amendment

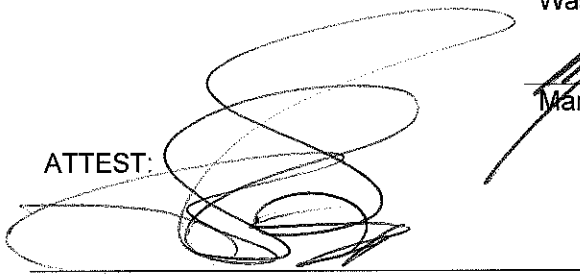
This policy may be amended by the Board.

Passed this 23 day of September, 2011
Board of Directors
Washington State Transit Insurance Pool



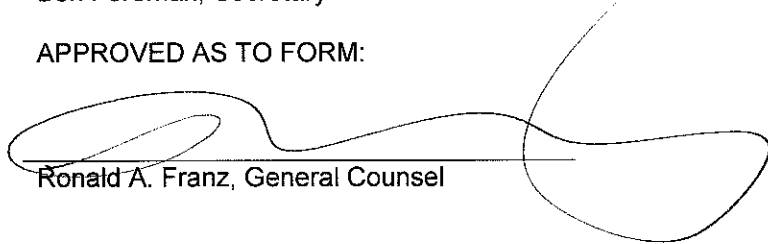
Mark Carlin, President

ATTEST:



Ben Foreman, Secretary

APPROVED AS TO FORM:



Ronald A. Franz, General Counsel