



## Assessment Allocation and Minimum Contribution Policy

Governance Section: Finance

Revision Date: 6/23/2023

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### Purpose

1. To memorialize the method the Pool utilizes to establish annual Member assessments;
2. To add transparency to the Pool budget and determination of Member assessments;
3. To promote understanding by Pool Members on how Member assessments are determined; and
4. To establish a minimum annual contribution for Pool Members.

### Authority

1. Interlocal Agreement, Section 3c (joint funding of self-insurance) and Section 13 (Member contributions and assessments established by Board)
2. Interlocal Agreement, Sections 4f (“adopt an annual budget”) and 13b (“contributions and assessments shall be established . . . in [the] annual budget”);
3. Bylaws, Section 4b (“the **Board** . . . [shall adopt the] annual budget”) and Section 4c (assessment of Member contributions and allocations).
4. 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 (EC) 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. Minimum Contribution - The minimum annual contribution for every Member shall be the greater of:
    - The Pool’s cost of services to each Member as determined by the Executive Director plus the Member’s expected mileage times the per mile assessment rate; OR
    - Twice the Pool’s cost of services to each Member as determined by the Executive Director.
2. Self-insurance loss fund. This is the largest component of Member assessments. The estimated self-insurance loss fund is determined by the actuary. The estimated loss is apportioned to the Members based upon an experience rating plan developed by the actuary.
3. Auto liability. Auto liability base rates are determined as follows:
  - a. Take the actuary’s determination of gross of deductible ultimate auto liability loss and allocated loss adjustment expense (ALAE) at the established retention level;
  - b. Add an allocated portion of the program administrative costs including unallocated loss adjustment expense (ULAE);



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- c. Add an allocated portion of the reinsurance/excess insurance premium estimates;
  - d. Add an allocated portion of the contribution to equity;
  - e. Less an allocated portion of the estimated investment income;
  - f. This figure is then divided by the current estimate of all exposure miles for each mode.  
This establishes the base rate per mile for each mode;
4. General Liability/Non-Auto Liability. The general liability/non-auto liability base rate is determined as follows:
- a. Take the actuary's determination of the ultimate general/non-auto liability loss (gross of deductibles);
  - b. Add an allocated portion of the program administrative costs;
  - c. Add an allocated portion of the reinsurance/excess insurance premium estimates;
  - d. Add an allocated portion of the contribution to equity;
  - e. Less an allocated portion of the estimated investment income;
  - f. This figure is then divided by the current estimate of total number of employees for all Members. This establishes the general/non-auto liability base rate per employee. The general/non-auto liability assessment for each Member is the base rate times the number of its employees as measured by headcount (as opposed to full/part-time status or leave status e.g. FMLA);
5. Auto Physical Damage (APD).
- a. Take the actuary's determination the ultimate net loss (gross of deductibles) at the established self-insured retention;
  - b. Add an allocated portion of the reinsurance/excess insurance premiums;
  - c. Add an allocated portion of the program administrative costs;
  - d. Add an allocated portion of the contribution to equity;
  - e. Less an allocated portion of the estimated investment income;
  - f. Less the uninsured motorist component otherwise inherent in the APD cost;
  - g. This figure is then divided by the current estimate of vehicle total insured value per Member which results in the APD base rate per Member;
  - h. The Member's vehicle insured value is the purchase price net of actuarial depreciation.
6. Prior Period Assessment Audit (PPAA). On an annual basis the Pool shall conduct an audit to reconcile actual performance as compared to estimates previously provided relative to miles, employee head counts, UIM miles and individuals monitored in WSTIP's driver record monitoring program. The audit will be completed in a timely fashion with a report provided to the EC at its February meeting and to the Members following the February EC Meeting. The Pool will record the results of the PPAA in the year it provided coverage (the closing financial year) along with a corresponding due to/from Members. Under normal circumstances the PPAA will be included as part of the annual assessment. In exceptional circumstances, the Board may approve Members in an owing status pay amounts due by June 30 and Members due a refund will be paid the overage by June 30.



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7. Property.
  - a. Take the actuary's determination the ultimate net loss (gross of deductibles) at the established self-insured retention;
  - b. Add an allocated portion of reinsurance/excess insurance premium;
  - c. Add an allocated portion of the program administrative costs;
  - d. Add an allocated portion of the contribution to equity;
  - e. Less an allocated portion of investment income;
  - f. This figure is then divided by the current estimate of total insured value for property (not including vehicle values) per Member which produces the property base rate per Member.
  - g. The Member's current estimate of total insured value for property is its most recent appraised value plus annual escalation of those values as determined by the Broker. These escalated values are based on the current market of construction costs. If there is no appraisal, total insured value for property will be set at the purchase price plus annual escalation of that value as determined by the Broker.
8. Excess liability coverage. Members may elect liability coverage above the limits offered to other Members as standard coverage. The premium for such excess coverage shall be allocated to participating Members based upon their estimated miles from all modes.
9. Underground storage tank coverage. Members may elect coverage for underground storage tanks. The premium for such coverage shall be allocated according to the policy's underwriter. If no such information is provided, the premium for such coverage shall be allocated based upon a Member's number of tanks insured.
10. Pollution liability coverage. Members may elect coverage for third party pollution liability. The premium for such coverage shall be allocated to participating Members based upon the total insured value for property. Property added outside the standard renewal cycle is paid for by WSTIP and billed back to the Member.
11. Crime and fidelity coverage. Members may elect coverage for crime and fidelity losses. The premium for such coverage shall be allocated based upon their number of employees as measured by headcount.
12. Driver record monitoring program. Participation in the driver record monitoring program is mandatory for all Members. The cost for each Member will vary depending upon the number of monitored drivers and level of monitoring service. These costs shall be established by the Pool.
13. Uninsured motorist (UIM) coverage. Members may elect UIM coverage by mode, except for the public rideshare mode which UIM is mandatory. The rates per mode shall be established by the actuary.
14. Origami licenses. Members with Origami licenses are assigned their respective costs.



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15. Experience adjustment. The experience adjustment is based on the most recently completed three loss years. Each Member's actual loss experience will be compared to its expected loss level. The expected loss level calculation will consider the potential for different cost rates by mode of service and employees. 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.

### Amendment

This policy may be amended by the Board.

### Policy History

This policy was amended to add new language about Prior Period Assessment Audit in 2021. This policy repeals the Minimum Contribution Policy as it was adopted by the Board on June 24, 2016. Amended in 2023 to clarify purchase price.

Passed by the Board of Directors on June 23, 2023.

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Scott Deutsch, President

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