

2019 Spring Insurance and Member Safety Bill FAQ

How does a chapter calculate its bill?

Here is an example based on a 75-member chapter as of the spring 2018 periodic member report:

Chapter: American Alpha

Spring 2018 PMR: 75

Tier: 2

Chapter Base Fee + (Per-man Fee + Self-insurance Contribution) * Periodic member report

$\$1,806 + (\$185 + \$35) * 75 = \$18,306$

How does a chapter become a completely substance-free facility?

- The chapter must take a vote to adopt the substance-free facility policy, and chapter bylaws must be revised to include language regarding the adoption of the substance-free facility policy. Chapters need to send a copy of their meeting minutes and revised chapter bylaws to Headquarters. (Documentation should be sent to Senior Chapter Services Director Paul Andersen).

Why did we implement a tiered premium model in 2017?

- Our insurance premiums increased 60 percent between 2012 and 2017. Since 2014, three major insurance carriers left the fraternity insurance market. In the same time period, our loss ratio increased to the highest it's been in the Fraternity's history. The Fraternity was not able to bear the burden of this increase without increasing costs. At the same time, we didn't want to uniformly increase the amount each chapter pays and require chapters that abide by SigEp's policies to pay the same as chapters that do not. So beginning with the spring 2017 bill, SigEp developed a tiered system to correlate insurance price paid with a chapter's behavior and performance. Chapters were assigned tiers objectively based on the number of member safety incidents related to risky behavior in the last two calendar years.

What is a member safety incident?

- A member safety incident occurs when a chapter violates [SigEp's risk management policies](#). This violation may or may not result in sanctions from university administration, intervention from Headquarters staff, an insurance claim or some combination of these.
- Member safety incidents that occurred in the calendar years 2017 and 2018 determine a chapter's tier assignment for the 2019 bill.

***Why was a self-insurance per-man fee established in addition to the tiered per-man fee?
How will this offset the costs of claims?***

- SigEp's general liability provider, Admiral Insurance, requires a deductible, or out-of-pocket contribution, of \$100,000 before it will cover any expenses tied to a claim. Historically, a portion of the spring bill's per-man fee has been allocated to a general self-insurance account used to cover any required out-of-pocket payments. This meant chapters with a history of behaving responsibly and adopting risk-reducing policies were paying for chapters responsible for claims. Chapter-specific general liability accounts were implemented to more appropriately assign deductible responsibilities to the chapter responsible for the claim.
- Each member of a chapter contributes \$25 to his chapter's general liability account and \$25 to the Fraternity's general self-insurance account. For clarity, this amount is included separately on the bill because it does not fluctuate based on a chapter's tier.
- For the 2019 bill, the National Board has authorized a one-time reduction of the chapter-specific general liability account contribution to \$10 instead of \$25 to allow chapters to apply this \$15 per-man savings toward the payment of the tiered per-member fee.
- The chapter-specific general liability account puts the Fraternity and chapters in a position to offset claim costs in the long run. The need for insurance and the need for chapters to help cover the claim costs they incur as a result of their behavior is also not going to go away. The intent of these funds is to be a long-term solution to a long-term challenge.
- The chapter-specific general liability account will be held and managed by the Fraternity staff, so you do not need to worry about claiming the account as an asset when you file taxes.

If my chapter doesn't incur a claim, can we stop contributing to our chapter-specific general liability account? What is significant about \$50,000 as the threshold for the chapter-specific general liability account?

- SigEp's general liability provider, Admiral Insurance, requires a deductible, or out-of-pocket contribution, of \$100,000 before it will cover any expenses tied to a claim. \$50,000 is currently 50 percent of the per-occurrence self-insured limit.
- The Fraternity, much like your car or health insurance, has to pay a deductible before the insurance provider begins payment on any claim. This deductible helps SigEp control or moderate premium increases.
- It will take time for most chapters to fund their self-insurance fund. For some chapters, it may take 30-40 years if the per-man contribution remains consistent over that time. If SigEp is able to secure a significant premium reduction for chapters by increasing the deductible, the National Board may reconsider contributions to the chapter-specific general liability account and the \$50,000 threshold.

What happens when a chapter incurs a claim and does not have enough funds in their chapter-specific general liability account to cover the claim costs?

- If the account is insufficient, the chapter may borrow from the general self-insurance account and establish a payback schedule. Payback contributions will be in addition to regular spring bill requirements until the account is replenished.
- If the chapter is closed with a pending claim, the chapter's contribution will be taken out of the chapter's account. Upon the chapter's return, new members will not be required to replenish the balance, but will begin new contributions to the account.
- If the chapter is closed and there are no pending claims against it, the account will be frozen until the chapter's return.

When a chapter reaches \$50,000, what can the funds be used for?

- Once a chapter's fund reaches \$50,000, 5 percent of the amount above \$50,000 can be used by chapters for educational purposes.
- Some examples for use include scholarships for brothers, covering the costs of SigEp's programs or other uses that will be determined on a case-by-case basis.

What does the base fee cover? Can our base fee be lowered?

- SigEp's base fee was the same amount (\$550) from 2005 to 2016. This means that the services and support offered to all chapters — which this fee is intended to cover — were not actually being covered. In 2017, the base fee was adjusted to \$1,610 to adequately cover the services and support provided equitably to all chapters. The 2018 base fee was \$1,642, and for 2019 the base fee is being set at \$1,806.
- The base fee is comprised of support and services offered to all SigEp chapters. These include member safety training and education activities, staff to support member safety education and crisis response, educational programming at Carlson and Conclave, and the fees charged by our insurance broker. The majority of the base fee is allocated to education/training, support services and crisis response rather than administrative fees.
- A chapter cannot opt out of the base fee or other insurance-related fees to reduce its bill. These fees are critical to securing coverage required by nearly all campuses and providing adequate protection to you as you deliver a life-changing experience on your campus.

Who do we call if we have questions about our tier assignment?

- Please contact your regional director if your chapter has questions about why you were placed in a particular tier.

It seems like we are paying for a lot more and not getting much more. Can you give me tangibles that we are receiving with the spring insurance and member safety bill increase?

- Unfortunately, chapters are not receiving additional services with this increase. As is explained in the letter, our ability to secure the same amount of coverage for chapters is

continuing to get more and more expensive as some chapters choose to behave outside of SigEp's policies. The cost of claims is what's causing our premiums to increase.

- To reduce insurance-related expenses, SigEp encourages all chapter leaders to educate members on [SigEp's risk management policies](#) and provide an experience consistent with SigEp's values.

We were a tier 1 chapter last year. Why did we jump to tier 3 and skip tier 2?

- When a tier 1 or 2 chapter doesn't follow [SigEp's risk management policies](#) and behavior results in a member safety incident or risk management violation, the chapter is moved into tier 3, which is for chapters that have had an incident in the previous two years.
- Tiers 1 and 2 are limited to chapters without incidents or violations.

Can implementing a completely substance-free facility policy help lower our bill?

- Any chapter in tiers 2, 3 or 4 that adopted and implemented a completely [substance-free facility policy](#) by Jan. 1, 2019, will be lowered one tier. All 2017 Buchanan Cup recipients and accredited RLCs (as of Jan. 1, 2019) with no member safety incidents will receive a **5 percent discount** off the per-member and base-fee charges.
- If your chapter moved from tier 1 to tier 3 as the result of an incident, there is no opportunity to lower your chapter's tier.

What is the breakdown of chapters in each tier?

Tier	Criteria Used	Count	Percentage of Total
1	Completely substance-free or unlicensed with no incidents	75	36%
2	Substance-free common space policy with no incidents	87	42%
3	1 Incident	32	15%
4	2 or more incidents	15	7%
	*Buchanan Cup chapters and RLCs receive a 5% discount off the per-man fee and base fee	36	17%

Will any of this affect the fall bill?

- No; the fall bill is determined by the Grand Chapter at Conclave. The most recent financial policy affecting the fall bill was determined at the 2015 Conclave. Reminders will be sent well before the beginning of the fall semester so chapters can budget accordingly.

Why was the decision made to not include Buchanan Cup or RLC-accredited chapters in tier 1?

- Claim data provided by SigEp's insurance broker indicates that nearly every incident and claim involves alcohol — overconsumption, misuse or improper distribution at events. Tier 1 criteria is focused on implementation of SigEp's [substance-free legislation](#) because SigEp believes the proper use of [third-party providers](#) and responsible consumption will allow our chapters to significantly minimize member safety incidents and therefore our loss ratio, which affects every chapter.
- In order to recognize our Buchanan Cup and RLC-accredited chapters, SigEp provides an additional 5 percent discount off the per-man and base fees.
- The 5 percent discount is only available to Buchanan Cup or RLC-accredited chapters in tiers 1 or 2.