

## 2011-2012 Risk Management Billing Allocation

Five years ago, Sigma Alpha Epsilon initiated a new program to more appropriately distribute our insurance premium across each chapter. The allocation model is based on the principles that each chapter's performance related to risk management is reflected in its per-man risk-management bill.

Every chapter starts at the same base fee of \$240, and a percentage credit or surcharge is applied to that base. The base has been increased \$65 over last year's base. Also, it has become necessary to allocate more risk-management expense to those chapters that cause more risk. Therefore, changes have been made to the categories of reductions or surcharges as follows:

- **Claims History** – This surcharge was increased from 15% to 35%. However, this charge will no longer affect chapters that have open claims where the date of loss occurred more than three years before July 1, 2011.
- **Risk-Management History** – The range of this surcharge used to be 5%-10%; it was increased to 10% -25%.
- **Risk-Management Behavior** – This surcharge was increased from 10% to 15%.
- **Chapter Achievement Award** – This reduction in fee was increased from 10% to 15%.
- **Chapter Advisor** – This reduction in fee remains unchanged.
- **Chapter Advisory Board** – This reduction in fee remains unchanged – but the number of advisers is increased from 3 to 5 – to create incentive to continue to recruit advisers.
- **Housing** – In this category, chapters without a house or chapters with a dry house received a 25% reduction while chapters with a wet house received a 25% surcharge.
- **Housing Inspection** – The reduction for chapters that have passed their most recent housing inspection was increased from 5% to 10%.
- **Scope of Association** – Sigma Alpha Epsilon has a Scope of Association agreement in place that is published in *Minerva's Shield* and on our website. Members can accept the Scope of Association by simply claiming their account on the members-only portion of [www.sae.net](http://www.sae.net). Chapters with 100% of their roster who have claimed their accounts and accepted the Scope of Association by September 1, 2011, will receive a 5% reduction.

An example of the formula used follows:

$$\text{\$240.00 (base fee)} \times \text{125\% (reduction/surcharge)} = \text{\$300.00 (total adjusted)}$$

### Claims History

During the past two fiscal years (July 1, 2009 – current), any chapter that has experienced a potential loss that resulted in an open investigation and/or lawsuit will receive a base surcharge. Any chapter with a current open claim regardless of the date of loss will receive a base surcharge unless the date of loss occurred before July 1, 2008.

### 35% Surcharge

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### **Risk-Management History**

In the yearly Regional Director's chapter evaluations, chapters are evaluated on each of the 12 core areas of the True Gentleman Initiative by point values. The Risk Management core area score and a general subjective assessment by your Regional Director were used to determine the appropriate surcharge.

**10% – 25% Surcharge**

### **Risk-Management Behavior**

Chapters that have been issued a warning letter/e-mail from the Director of Risk Management or Eminent Supreme Recorder prompted by risky behavior or failure to comply with risk-management policy or failure to cooperate with a risk-management investigation in the previous academic year will be assessed a 15% surcharge in this year.

**15% Surcharge**

### **Chapter Achievement Award**

The chapters that received a Chapter Achievement Award at the 2010 Leadership School will receive a base reduction.

**15% Reduction**

### **Chapter Advisor**

A chapter with an active chapter advisor, as indicated in each chapter evaluation, **and** noted in the database, will receive a base reduction.

**5% Reduction**

### **Chapter Advisory Board**

A chapter with an active chapter advisory board of at least five (5) alumni, as indicated in each chapter evaluation **and** noted in the database, will receive an additional base reduction.

**10% Reduction**

### **Housing**

A chapter that does **not** have a chapter house will receive a 25% base reduction. Chapters with lodges, resident halls, university-owned housing or other arrangements have been identified as chapters with a house. Chapters with a house that is designated as alcohol-free housing\* will also receive a 25% base reduction. Chapters with wet chapter houses will receive a 25% surcharge.

**25% Reduction or 25% Surcharge**

### **Housing Inspection**

A chapter that does have a chapter house that passed its most recent house inspection will receive a base reduction.

**10% Reduction**

### **Scope of Association**

A chapter that has 100% of its active roster claim their online members-only account at [www.sae.net](http://www.sae.net) and agree to the Scope of Association terms and conditions will receive a 5% reduction.

**5% reduction**

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If you should have any specific questions about your allocated cost, please contact Frank Ginocchio, General Counsel and Director of Risk Management, at (888) 237-0778 or at [fginocchio@sae.net](mailto:fginocchio@sae.net) or contact Steve Priepke, Eminent Supreme Recorder, at [spriepke@sae.net](mailto:spriepke@sae.net).

\*Alcohol-free housing is defined as follows: No alcohol whatsoever for any reason or any purpose at anytime is permitted on or in a chapter or colony house, including the entire property and all buildings on the property.

Chapters that commit to having alcohol-free housing and are later found in violation of the policy will have their risk-management fee reassessed as a wet house and will be billed the difference. Chapters that wish to adopt alcohol-free housing will be required to do so by having all active members sign a letter of intent to adopt alcohol-free housing and submit the letter to the Eminent Supreme Recorder by September 1, 2011.