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; and
3. To promote understanding by Pool Members on how Member assessments are determined.

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); and
4. Capital Funding Philosophy, ("To the maximum extent feasible, in the adoption of the Pool's annual budget, the Board will fund the Pool to a level which anticipates progressing the Pool's net position within the risk capital target range outlined by the most recent Capital Adequacy Assessment."); and
5. Budget Development Policy.

Policy Statement

1. **Introduction.**
   a. This allocation formula shall be used to determine the upcoming assessment of each Member.
   b. Any Member or the Executive Director may propose changes to this assessment allocation 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 allocation policy or the assessment allocation policy as modified and adopted by the Board shall be used to establish the Member upcoming assessments.

ALLOCATION OF RISK-BASED LINES OF COVERAGE

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 rates and experience adjustments both of which are developed by the actuary. To support rate stability, the actuary shall model a default rate increase of 5% where the total change in all risk-based lines of coverage does not exceed 5%. Each year's rate modeling would use a 5% default rate until the Pool's net position is above the mid-point of the risk capital target range at a $5 million self-insurance retention (SIR).

3. **Auto liability (GL coverage).** Auto liability base rates are determined as follows:
   a. Take the actuary's estimate 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 reinsurance/excess insurance premium estimates;
   c. Add an allocated portion of the program administrative costs including Unallocated Loss Adjustment Expense (ULAE);

d. Less an allocated portion of other revenues and estimated net investment income;
e. Add an allocated portion of the contribution to equity to arrive at a cost subtotal;
f. The cost subtotal is divided by the current estimate of exposure miles for all modes combined. This establishes the base rate per mile for all modes combined;
g. The selected auto base rate is further segmented into four sub-rates for each of the four transit modes based on the historical cost relativity: Fixed Route, Paratransit/General Demand, Rideshare & Administration/Maintenance.

4. **Non-Auto Liability/Public Official Liability (POL coverage).** The non-auto liability base rate is determined as follows:
   a. Take the actuary's estimate of the ultimate general/non-auto liability loss (gross of deductibles) at the established retention level;
   b. Add an allocated portion of the reinsurance/excess insurance premium estimates;
   c. Add an allocated portion of the program administrative costs;
   d. Less an allocated portion of other revenues and estimated net investment income;
   e. Add an allocated portion of the contribution to equity to arrive at a cost subtotal;
   f. The cost subtotal is 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).** The APD base rate is determined as follows:
   a. Take the actuary's estimate of the ultimate net loss (gross of deductibles) at the established retention level;
   b. Add an allocated portion of the reinsurance/excess insurance premiums;
   c. Add an allocated portion of the program administrative costs;
   d. Less an allocated portion of other revenues and estimated net investment income;
   e. Less the medical expense portion of APD cost based on Member elections for such coverage;;
   f. Add an allocated portion of the contribution to equity to arrive at a cost subtotal;
   g. The cost subtotal is divided by the insured vehicle 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. **All Risk Property.** The property base rate is determined as follows:
   a. Take the actuary's estimate of the ultimate net loss (gross of deductibles) at the established retention level;
   b. Add an allocated portion of reinsurance/excess insurance premium;
   c. Add an allocated portion of the program administrative costs;
   d. Less an allocated portion of other revenues and estimated net investment income;
   e. Add an allocated portion of the contribution to equity to arrive at a cost subtotal;
   f. The cost subtotal is divided by the insured property value (not including vehicle values) per Member which results in the property base rate per Member;
   g. The Member's total insured property value 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 property value will be set at the purchase price plus annual escalation of that value as determined by the Broker.

7. **Experience adjustment.** The liability base rates are experience adjusted by the actuary using 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 mileage level for each transit mode of service (Auto Liability) and number of employees (Non-Auto Liability/Public Official Liability). Individual losses for each year will be capped at varying limits with such limits based on the manual contribution for the Member in that year, where manual contribution is equal to the historical base rate for that year times the mileage/headcount (i.e., contribution before experience adjustment). 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.

   Separate experience modification factors are determined for each member and for each of the four transit modes and the general/non-auto liability coverage. The APD and property modes are not experience rated. Key aspects of the experience rating mechanism include:
   a. The most recently completed three loss years are considered in the formula;
   b. Specific losses and benchmark cost rates are capped depending on the manual contributions. Manual contribution is the base rate x rating unit before experience rating. The loss caps and their manual contribution thresholds are as follows:
      1. $25K cap for manual contribution up to $250K;
      2. $50K cap for manual contribution between $250K and $1M;
      3. $100K cap for manual contribution between $1M and $2M
      4. $250K cap for manual contribution between $2M and $4M
      5. $500K cap for manual contribution over $4M
   c. For each Member and experience rated coverage, benchmark loss levels are determined based on the specific member’s exposure units (mileage and employee headcount), average cost rates for the Pool as a whole and each of the various loss caps.
   d. The actual losses (capped) for the most recently completed three years is compared to the three-year benchmark loss level, resulting in a factor that measures the Member’s relative loss experience. Factors greater than 1.000 indicate the Member’s losses have been higher than average and vice versa.
   e. This latest relative loss experience factor is weighted with the prior year experience modification factor to determine the new experience modification factor. The weighting scheme is based on actuarial credibility concepts and rate stability objectives.

8. **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 headcounts, miles for other rating cost components 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

payments related to the PPAA will align with payment 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.

OTHER COSTS AS PART OF MEMBER ASSESSMENTS

OTHER INSURANCE PRODUCTS WHERE POLICIES ARE ISSUED

9. **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.

10. **Excess cyber coverage.** Members may elect to purchase cyber coverage above the limits offered to other Members as standard coverage. The premium for such coverage is determined according to the policy's underwriter as each Member is individually underwritten.

11. **Excess APD coverage.** Members may elect to purchase excess APD coverage above the limits offered to other Members as standard coverage. The premium for such coverage shall be allocated based upon the participating Members vehicle schedule of values (SOV).S.

12. **Underground Storage Tank (UST) coverage.** Members may elect coverage for UST. 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.

13. **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 property value. Property added outside the standard renewal cycle is paid for by WSTIP and billed back to the Member.

14. **Crime and fidelity coverage.** Members may elect coverage for crime and fidelity losses. The premium for such coverage shall be allocated based upon the estimated number of employees (headcount).

15. **Directors & Officers (D&O), Errors & Omissions (E&O) coverage.** Participation in this coverage is mandatory for all Members and the cost is allocated equally to all Members.

16. **Terrorism and Sabotage.** Participation in this coverage is mandatory for all Member who participate in APD and all risk property. The premium for such coverage shall be allocated based on the values in the Members vehicle SOV and property SOV.

17. **Optional coverages.** From time to time the Pool may be able to offer additional excess or optional coverages to its Members. The Pool will work to develop the appropriate methodology for allocating those costs to the Members based on the optional coverage being added.

OTHER RATING COST COMPONENTS

18. **Transit Rider Medical Expense Protection (TRMEP).** Members may elect TRMEP coverage by mode. The rate shall be established by the actuary. The cost is based on miles of the mode. An annual audit will be completed of TRMEP costs as part of the PPAA.
19. **Public Rideshare Driver Medical Expense (PRDME).** This coverage is mandatory for the Public Rideshare mode. The rate shall be established by the actuary. The cost is based on miles of the mode. An annual audit will be completed of PRDME costs as part of the PPAA.

20. **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 the cost of abstracts purchased. These costs shall be established by the Pool. An annual audit will be completed of driver record monitoring costs as part of the PPAA.

21. **Software licensing and other purchased services.** Members with Risk Management Information System (RMIS) licenses are assigned their respective costs. Members may elect to participate in other purchased services and if they do they will be assigned their respective costs of those services.

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. Re-organized in 2024 to match the rate sheets in 2024.
Amended in 2025 to remove UIM and add TRMEP and PRMEP references, also added Terrorism and how to cost allocate the excess auto physical damage insurance policy costs.

Passed by the Board of Directors on June 27, 2025.

	Attest:	Approved as to form:
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Joseph Macdonald, President	Miranda Nash, Secretary	Richard L. Hughes, General Counsel