



CHANGE SUMMARY

2017-2018 Academic Year

Introduction

In keeping with a pledge for improved communication from the Executive Committee at Grand Chapter 2006 and reaffirmed by the Executive Committee in 2013, we once again are issuing this summary to keep you informed.

Minor changes for undergraduate chapters have been made to the overall Insurance and Risk Assessment Allocation Methodology for the upcoming 2017-2018 academic year as approved by the Executive Board.

With changes to the programming offered, the Base Rate is being targeted at \$155 for next year; however, in this first estimate, there is a slight change that the rate could go up. We will not know this until we can confirm that this rate is practical based on chapter performance. Although we anticipate successful outcomes regarding these matters, we acknowledge and appreciate the costs that may be incurred, and thus we are erring on the side of cautiousness and budgeting so that we can properly and thoroughly address such matters.

Unfortunately this year, chapters performed poorly when it came to improving their performance on Insurance and Risk Assessment Allocation Methodology surcharge/discount criteria. **This past year was not the best for chapters making their insurance payments, submitting Membership Agreements, or completing GreekLifeEdu on time. This is where the changes to the program have resulted.**

The following is a summary of where the methodology stands for the upcoming 2016-2017 policy period.

Liability Insurance Methodology Change Overview

#1 – Deductible Fund Collection Amount

Target – CHANGE

Rationale: Our overarching goal for the collection process is to do our utmost to provide **base rate stability over the long term** for our chapters. Our deductible account is well-funded for actual deductible exposure, we selected to not add to it this year. Typically this would be done to cover expenses incurred and continue to position it in the event we have a major claim in the future and avoid raising the base rate.

Change: The 2017-2018 policy period will see a target of \$25,000 to replenish funds used over the 2016-2017 year. There was no target amount for the policy period 2016-2017, in the prior years it was \$25,000 or \$50,000.

#2 - Surcharge/Discount Criteria

Detailed category descriptions are available on www.PKS.org/insurance.

Risk History

Chapter 5-Year Claim History (Surcharge) – NO CHANGE

Rationale: While not recouping all incurred expense, this category does allow a portion of recovery which keeps chapter members vigilant of past major claim history/impact.

Chapter Risk Management Status (Surcharge) – NO CHANGE

Rationale: Chapters on “Probation” continue to be an issue. This surcharge allows us to recoup a small portion of the cost of the added administrative burden of handling incidents directly from the offending chapter.

“Show Cause” History (Discount) – NO CHANGE

Announced two years ago and effective with the 2013-2014 policy year using data from the 2012-2013 academic year. For the 2014-2015 academic year, chapters saw the first set of discounts for this category. For the 2017-2018 academic year, chapters have leveled out at the maximum discount.

Rationale: Chapters that prove an understanding of the value of prudent and sound risk management practices should be rewarded. When allegations of a violation of the Phi Kappa Sigma Risk Management Policy are brought to our attention, an investigation is launched. If a Chapter is found “responsible”, either through their own admission or based on evidence provided, of a Risk Management Policy violation, Chapters will not benefit from this discount.

Property Management

Chapter Property Formerly: House/No House (Surcharge) – NO CHANGE

Rationale: Chapters that utilize property pose a potential liability. However, we understand that there is a difference between property that has residents living in it and property that is used for events and meetings. Chapters in a “chapter house” continue to show higher risk elements and are in need of greater attention from a risk management perspective than chapters who are not in a “chapter house”. This surcharge reflects that risk. It should be noted that chapters incurring this surcharge are in essence taking on more of the insurance costs (i.e., shifting a portion of the cost away from chapters who are not in a “chapter house”).

Property Program Participation (Surcharge) – NO CHANGE

Rationale: ‘Owned’ chapter properties, which have their property insurance procured through the Fraternity’s program, have a strong, highly reputable insurance carrier supporting them and a comprehensive property insurance product. Our property claims experience to date has also been excellent both in terms of insurer responsiveness and coverage payments.

Notice: As of the 2016-2017 policy year will ONLY recognize FRMT, Ltd as our property program. Remember that if your property insurance is from a different provider but provides affords a better premium cost, after a review there can be an exemption from this surcharge.

Property Inspection and Loss Control (*Discount and Surcharge*) –
CHANGE ANNOUNCEMENT

Rationale: Chapters in any property (owned or otherwise) are benefiting from the inspection reports received every two years and are responding to the changes requested thus improving chapter member safety while also keeping claims low.

Change: Effective with September 2018, chapters with property will be charged a \$250 fee to cover the cost of a property inspection. However, chapters already enrolled in the Property Program will have this fee waived because they are already paying for an inspection as part of their participation and that information is shared with the Fraternity.

Notice: FRMT, Ltd. Partners received an inspection in the 2014-2015 policy year. However, inspections were conducted in spring 2012 for all others. Therefore, some Chapters will be required to have an inspection in the 2015-2016 policy year or in the 2016-2017 at the cost of \$530.

Chapter Performance

Mitchell Chapter Standards (MCS) (*Discount and Surcharge*) – **NO CHANGE**

Rationale: The number of Chapters submitting their MCS and achieving minimum expectations can still be improved. Strong chapter performance is evidence that a Chapter understands of the value of prudent and sound operations, including risk management practices.

Recent Change: A discount incentive has been created for timely submission for each quarter.

Chapter GPA (*Discount and Surcharge*) – **CHANGE**

Rationale: While chapters should always be focusing on academics as their number one priority, it is clear that retaining incentives helps keep Chapters focused on this area.

Change: Discounts and surcharges will be based on chapter GPAs will be determined using a full year of academic records, either Fall and Spring of the most recent year or the previous year's Spring and the recent year's Fall.

GreekLifeEdu (*Discount and Surcharge*) – **NO CHANGE**

Rationale: State of the art delivery mechanisms and reputable education on the topics of alcohol, hazing, and sexual assault will help improve our member's knowledge base and lead to improved decision making when it comes to these areas. However, completion of the program is obviously vital and therefore, surcharge and discount incentives have been continued for New Member participation.

Recent Change: Discount will now only be provided for completion of Part 1 **prior** to initiation

Membership Agreements (Discount and Surcharge) – NO CHANGE

Rationale: Chapters understand the value of effective, open communication. Securing a Membership Agreement from all New Members will allow the setting of clear expectations and ensure all New Members understand their commitment obligations of being a member of Phi Kappa Sigma. Incentives in the form of a 10% credit for 100% collection and submission to HQ are being afforded as is a 10% surcharge for less than 100%. We believe there will be other tangible and intangible benefits (improved collections, opportunity for transparent dialogue on membership expectations, fewer members who elect Undergraduate Inactive status, etc.) to Chapters as well.

Recent Change: Discount will now only be provided for submission of membership agreements **prior** to initiation of the member.

Chapter Financial Management (Surcharge) – NO CHANGE

Rationale: Chapters have performed well paying off current and back debt and therefore, it is reasonable to maintain the incentives implemented in the past.

Chapter Participation

Grand Chapter Delegate Attendance (Surcharge) – NO CHANGE

Rationale: Chapters understand the value of sending the required delegate to Grand Chapter. Retaining a surcharge will incent a chapter to comply as, depending on the size of a chapter, the trip expense involved will more than likely be less than the surcharge.

Men of Honor Attendance (Discount and Surcharge) – CHANGE

Rationale: Chapters understand the value of sending a member to Men of Honor. Introducing a surcharge will incent chapters to ensure at least one member attends this flagship, leading edge Fraternity event.

Change: Discounts will now be provided for chapters that send a certain number of members based on the chapter's size.

Carroll Simons Institute Attendance (Discount) – NO CHANGE

Rationale: Chapters understand the value of personal and professional development. By sending at least one member to attend the Carroll Simons Institute, Chapters will have the opportunity to understand and learn best practices that can help improve chapter performance and affect the categories of this Insurance Allocation Methodology.

#3 - Liability Insurance Payment Options

Payment Options

Based primarily on chapter's strong payment history in the past, and their need for an improved cash flow process relative to Fall Fee billings, we are retaining the 2-payment option for liability insurance.

Process

One invoice (not two) will still be issued using the same roster process, timeline, and calculation methodology as is done today (i.e., final rosters are **due July 1**, invoices are issued on September 15, and payments are due November 1.)

The chapter would then decide whether to employ the single-payment or 2-payment option **prior to November 1**.

Single Payment

Under the single-payment option, which is the default option, no change would ensue. Chapters would make their full liability insurance **payment by November 1**.

2-Payment

To select the 2-Payment option, you MUST notify staff@pks.org **before October 15**.

Under the 2-payment option, the chapter would make a **50% payment plus an additional 4% interest rate by November 1**. This interest rate used is for an unsecured, short-term loan based on a 16% per annum market rate. The interest rate chosen recoups the interest we'd lose from the loan needed to make the full insurance payment on time while also reflecting the risk associated with the unsecured nature of the loan to chapters.

The second payment of 50% would then be **due on or before February 15** of the following calendar year. A second invoice is issued (for informational purposes only) for Chapters choosing the 2-payment option! It is the Chapter's responsibility to make the second payment on time.

It is important to note under the 2-payment option that no changes would be allowed to the premium calculation nor would any premium changes be allowed as a result of roster changes during the loan time period AND any delinquent payment would trigger the normal Late Fee/Charter Suspension process we have in place today.

Example #1: Under the 2-payment option, a Chapter not making the required 50% payment plus 4% interest by November 1 would automatically be subject to the \$300 Late Fee and full payment due by December 1 or charter suspension would result (as is done today).

Example #2: A chapter having made the full November 1 payment as prescribed under the 2-payment option but not making the required 50% payment by February 15 would automatically be subject to the \$300 Late Fee and full payment due by March 1 or charter suspension would result.

Rationale: Feedback from Chapters indicates this would be a definitive benefit to their cash flow processes. Since chapter payment history has been strong, and we wouldn't expect that all chapters would take advantage of this (to save the interest charge), our projections are that we could afford to take a loan (to make up the difference) in the event enough cash isn't collected by November 1 to make the premium payment to our insurance company - since the need to still make our full payment to the insurance company on time will not change.