



**Sigma Phi Epsilon Fraternity**  
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January 20, 2017

Dear Brother,

Today I am writing to provide you another update on SigEp's insurance program, this time with information specific to the upcoming Spring Insurance and Member Safety Bill. This bill pays for our general liability and Member Accident Protection Program insurance, as well as the [member safety](#) resources and administrative services provided to you and your chapter.

Each year our staff meets with Holmes Murphy, SigEp's insurance broker, as well as multiple insurance companies in an effort to secure the best coverage at an affordable rate. In light of last year's substantial premium increases, Grand President Rick Bennet joined our staff at that meeting, presenting to insurance companies SigEp's current programs and future initiatives to best position us as a reliable customer in an increasingly complex insurance environment. I share this detail with you to illustrate the importance of our insurance-related efforts and the work that goes into securing the best coverage for you — our brothers and volunteers.

While each of the insurance providers continues to be impressed with our programs and supportive of what SigEp is doing to create a more relevant and safer experience, the claims involving SigEp over the last few years are cause for concern. Because certain individuals within our organization have chosen to haze, abuse alcohol, fight, or engage in other behaviors not aligned with our values, we have experienced costly claims that have driven the price of our insurance up dramatically. We have also seen fraternities across the country have premiums increase.

The majority of SigEp chapters operate consistently without an insurance claim or risk management incident. So, as we considered spring 2017 chapter bills in the face of rising rates, your National Board and staff thoughtfully restructured fees to more appropriately align premium responsibility with behavior. As a result, high-performing chapters that consistently comply with [SigEp's Risk Management Policies](#) will pay a lower per man rate than chapters that have violated those policies and prompted the increase in premium.

Further, the restructured model directs the staff to modify management of SigEp's self-insurance retention (used as a deductible for claims). Moving forward, 50 percent of each chapter's contribution to the self-insurance account will be allocated to a chapter-specific general liability account to be used if a chapter incurs a claim. The account will grow every year the chapter operates without a claim. Conversely, the account will be used to cover 50 percent of the deductible for claims resulting from the chapter's behavior.

Chapters with accounts exceeding \$50,000 will be eligible to use a percentage of the excess funds for educational purposes. This account will be held and managed by the Fraternity staff, so you do not need to worry about any tax implications or claiming the account as an asset when you file taxes.

This new structure will be discussed in more detail at the upcoming Carlson Leadership Academies during the “Time with National Board” session and your bill will be due **March 1**, at the conclusion of the Carlson season. If you have any questions about the spring bill, please reach out to Member Safety Director Kathy Johnston at [kathy.johnston@sigeo.net](mailto:kathy.johnston@sigeo.net) or 804.286.2191.

Attached is further information on the spring 2017 fee structure and chapter general liability accounts. I look forward to seeing many of you at an upcoming Carlson Leadership Academy and discussing these changes further. Thank you for all you do to serve our chapters.

Fraternally,

A handwritten signature in black ink, appearing to read "BC Warren". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Brian C. Warren  
Chief Executive Officer

## Spring 2017 fee structure

So that you are prepared to budget appropriately for the upcoming Spring Insurance and Member Safety Bill, I want to provide you with the outcomes of this year's renewal process as well as the fees you can expect to see following your Carlson Academy. This year we received an 11% increase in our general liability policy premium and a 22% increase in our excess liability insurance with no changes to the quality and breadth of coverage.

Specific rates and benefits of the restructured model are provided below:

- Chapter base fee - The chapter base fee will increase from \$550 to \$1,610 which accounts for all services and support shared equitably by all chapters.
- Tiered per man fee - Historically, all chapters have been billed at the same per man rate regardless of past behavior and performance. Under the revised structure, chapters will be assigned annually one of several per man rates. These rates are determined based on a tiered premium model in which chapters with a history of behavior conflicting with SigEp and university policies are required to pay a higher per man fee than chapters consistently operating without incidents or claims. More detail on tiers and rates is provided below.
- Self-insurance accounts - Chapters will contribute \$50 per man to fund SigEp's self-insurance retention. Half of this amount will be deposited into a general self-insurance account supporting all chapters. The other half will be deposited into a chapter-specific general liability account. Again, this chapter-specific account is being created to assign more financial responsibility for claims to chapters that originated the claim while also rewarding chapters that consistently comply with SigEp's Risk Management Policies. More detail on chapter-specific general liability accounts is provided below.

### Tiered per man fee

Chapters will be assigned annually to one of four tiers based on past behavior and performance. Those with no behavioral issues and those adopting practices and policies that support a safer chapter environment are assigned to tiers with a lower per man fee. It is likely that as a result of their exemplary behavior and performance chapters in the lowest tier will see a decrease in their spring bill relative to the prior year despite the aforementioned premium increase the Fraternity is experiencing.

#### Tier 1

- Criteria: 2015 Buchanan Cup Recipient, RLC accreditation, or substance-free housing policy, as well as no member safety incidents or claims in prior two years
- Per man fee: \$80

#### Tier 2

- Criteria: No member safety incidents or claims in prior two years
- Per man fee: \$120

#### Tier 3

- Criteria: One member safety incident or claim in the prior two years
- Per man fee: \$140

#### Tier 4

- Criteria: Two member safety incidents or claims in the prior two years
- Per man fee: \$180 (+\$40 per each additional incident beyond two during the two year period)

## **Self-insurance retention and chapter-specific general liability accounts**

SigEp's general liability policy requires a \$100,000 per occurrence deductible on any claim. Chapter-specific general liability accounts are being implemented to more appropriately assign deductible responsibilities to the chapter responsible for the claim.

\$50 per man will be allocated to SigEp's self-insurance retention accounts. \$25 to a general self-insurance account and \$25 to a chapter-specific general liability account. The monies that make up these accounts will be held in a low-yield money market or similar account with no nominal downside risk. The staff will account for each chapter's contributions separately and keep track of the balance of each chapter's account. These accounts will be assets of the Fraternity and should not be claimed on the chapter's tax filings.

A chapter will be responsible for 50% of total deductible costs resulting from claims brought against the Fraternity and chapter as a result of actions specific to the chapter and/or its members. Because SigEp's general liability policy has a deductible limit of \$100,000 per occurrence, the most a chapter will be charged is \$50,000 per occurrence. If the account is depleted or insufficient, the chapter may borrow from the general self-insurance account and establish a payback schedule with the staff. Payback contributions will be in addition to regular spring bill requirements until accounts are replenished. The previous surcharge model will be eliminated.

If a chapter does not incur a claim, this fund will grow. Chapters with general liability accounts exceeding \$50,000 will be eligible to use 5 percent of the excess funds for educational purposes.

If a chapter is closed as a result of a claim, the chapter's contribution toward the cost of the claim will be taken out of the chapter's account. Upon the chapter's return, new members will not be required to replenish the balance, only begin new contributions to the account.

If a chapter is closed and it is NOT related to a claim and there are no costs, the account will be frozen until the chapter's return.

## **Calculating your bill**

Below is an example of how you can calculate your spring member safety bill based on the tier you believe you will be assigned. Each chapter will receive their bill prior to the Carlson Leadership Academies. Staff will be available at these programs to answer any questions about the bill structure or the tier your chapter has been assigned. The spring bill must be paid in full by March 1. You can pay your bill online [here](#).

Chapter: America Alpha  
Spring 2016 PMR: 75  
Tier: 2

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

$$\$1610 + (\$120 + \$50) * 75 = \$14,360$$

Credits, discounts and/or special considerations will be reflected on your actual bill and discussed with your [Regional Director or Chapter Services Director](#).