Subject: **ALLOCATION OF PROPERTY PROGRAM LIMITS** Section: **5.10**

The Butte Schools Self-Funded Programs (BSSP) Board of Directors (Board) has determined that it is in the best interests of BSSP to provide an equitable means by which a deductible, limit of liability or amount of insurance (Limits) available under the BSSP coverage are to be allocated in the event more than one Member is involved in an Occurrence.

The purpose of this policy is to establish the guidelines by which Limits provided through BSSP is allocated in the event there is more than one Member involved in an Occurrence.

Certain Limitsprovided under BSSP are shared by all BSSP Property Program members. In the case of a large event, more than one BSSP member may be impacted and a Limit would apply and the result could be total payable claims in excess of the per occurrence Limits of the policy.

Limits shall be allocated between BSSP Property Program Members based on a percentage equivalent to the Total Insured Values (TIVs) of the covered property involved in the loss.

This formula would **ONLY** be used under the following circumstances:

1. It appears that a single occurrence will exceed the BSSP Limits; and
2. More than one BSSP member has experienced a loss under this occurrence.

INITIAL LIMIT POOL

The “initial limit pool” is defined by the total Limits carried under the BSSP property program. For the purposes of demonstrating the allocation methodology, the following examples are based on Limits of $500 million. Initially, each member’s portion of the “initial limit pool” would be allocated in the same percentage as the member’s TIV bears to the total TIV of those members incurring a loss. In the exceptionally unlikely case where all members incur losses in the same occurrence, this allocation currently breaks down as follows:

Total TIV of Members incurring losses: $5,844,771,604
Total limit available: $500,000,000

District A TIV	$378,066,160	6.47%	Initial Limit Allocation:	$ 32,350,000
District B TIV	$1,633,657,781	27.95%	Initial Limit Allocation:	$139,750,000
District C TIV	$1,792,653,398	30.67%	Initial Limit Allocation:	$153,350,000
District D TIV	$2,040,394,265	34.91%	Initial Limit Allocation:	$174,550,000
TOTAL TIV	$5,844,771,604	100.00%		$500,000,000

At the outset of such a claim, each member would be assured of receiving access to (at least) the above limits.

Should the claim impact only two or three members the allocation would adjust accordingly, using only the TIV of members involved in the claim for the allocation calculation.

REMAINING LIMIT POOL

As the claim develops it may become apparent that one or more members may not have enough Limits to cover their losses and one or more members may have more than enough. In this case, the Limits in excess of member's needs would go back into the "remaining limit pool" and be made available to those members needing it. The "remaining limit pool" will be allocated to those members needing it in the same percentage as their TIV bears to the total TIV of the members needing additional Limit. As additional members Limits are satisfied and should that member then have more than enough Limits, these Limits would again be allocated back to the "remaining limit pool" and be allocated in the same manner for the remaining members needing additional limit.

HYPOTHETICAL CLAIM EXAMPLE

As an example, imagine a single occurrence where losses impact districts A, C and D as follows:

Total TIV of Members incurring losses: $4,211,113,823

Total limit available: $500,000,000

District A TIV	$378,066,160	6.47%	Initial Limit Allocation:	$ 32,350,000
District C TIV	$1,792,653,398	42.57%	Initial Limit Allocation:	$212,850,000
District D TIV	$2,040,394,265	48.45%	Initial Limit Allocation:	$242,250,000
TOTAL TIV	$4,211,113,823	100.00%		$500,000,000

At the outset of this claim, each member would be assured of receiving access to (at least) the above Limits. As this claim progresses, losses develop as follows:

District A Losses:	$150,000,000	Limit Overage/Shortage:	($105,100,000)
District C Losses:	$350,000,000	Limit Overage/Shortage:	($137,150,000)
District D Losses:	$50,000,000	Limit Overage/Shortage:	$192,250,000
TOTAL	$550,000,000		

In this case, District D's limit overage of $192,250,000 would go back into the "remaining limit pool" for access by Districts A and C who are in need of additional Limits. The "remaining limit pool" would be allocated as follows:

Total TIV of Members needing access to the "remaining limit pool": $2,170,719,558
Total "remaining limit" available: $192,250,000

District A TIV	$ 378,066,160	17.42%	Remaining Limit Allocation:	$ 33,489,950
District C TIV	$1,792,653,398	82.58%	Remaining Limit Allocation:	$158,760,050
TOTAL TIV	$2,170,719,558	100.00%		$192,250,000

After the initial "remaining limit" is allocated, following is the claim status:

District A Losses:	$150,000,000	Limit Overage/Shortage:	($71,610,050)
District C Losses:	$350,000,000	Limit Overage/Shortage:	$21,610,050

District C's Limit overage of $21,610,050 would go back into the "remaining limit pool" for access by District A who is still in need of additional Limits. Since District A is the only remaining Member in need of additional Limits, they would receive 100% of the "remaining limit pool". At the conclusion of this particular claim scenario, the total allocation would be as follows:

District A Losses:	$150,000,000	Limit Overage/Shortage:	($50,000,000)
District C Losses:	$350,000,000	Limit Overage/Shortage:	$0
District D Losses:	50,000,000	Limit Overage/Shortage	$0
TOTAL LOSSES:	$550,000,000	Limit Overage/Shortage	($50,000,000)