



## VSBIT's Multi-Line Intermunicipal School Program

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TO: VSBIT Multi-Line Members

FROM: Don Morrill, Program Manager

RE: Renewal Pricing Process

DATE: October 11, 2005

With the advent of the 2006-2007 "budget season", I wanted to provide each member with as much information as possible in an effort to assist you with your budget development. Although the program would prefer to give each member precise pricing information at this point in the fiscal year, a number of factors prevent us from doing so.

The most significant reason is that the program's reinsurance costs, our single largest expense, are not known until at least April of any given year. This is especially true in years where natural disasters (Katrina/Rita) or other significant events (September 11...) take place. In these years the reinsurance market is slow to sort out how they will price their coverage and subsequently how that pricing decision will affect our program.

Given this reality, the program can not furnish members with solid renewal pricing information until May/June of any given year. For FY 06-07, the program recommends that each member budget for *at least* a 10% increase in contributions. Please note that this number is given for guidance only and most likely will not represent a member's actual contribution change. Members may experience increases above or below the 10% amount based on such factors as your individual loss experience, the program's overall loss experience, and the program's overall expenses. Those members who joined as of 7/1/05 may experience additional variability based on the results of the upcoming property appraisal process.

It should be noted that contribution limits in the program's early years may be slightly higher than those indicated by the above factors. This is done to ensure that the program continues to build a solid financial foundation which in turn will allow the program to provide future cost stability to all of its members.

Thank you for your continued support.