



Overhead Transfer Rate

**2004 - Recommended Cycle,
Rate, and Method**

- Annual
- 59.8%
- Refined Methodology



Overhead Transfer Rate (OTR) - Background

- 2001-2003 Cycle
- 2002 Deloitte and Touche Review
- Review of Method for 2004
 - Internal Group (Nov. – April)
 - Input from Industry
 - Issues to Address

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Working Group – Key Issues

- Transparency
- Value of SSA Work
- Further Validate Survey Process
- Preserve Mutual Nature of NCUSIF
- Method Available to External Parties

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Key Aspects of Formula

- Budget
- Distribution of Insured Shares
- Examiner Time Survey
- Imputed SSA Value
- Method and Data Available to Stakeholders

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SSA Value (Imputed)

- ① Imputed SSA Value is the incremental cost to the NCUSIF of doing the work the SSAs provide.
- ① Provides equity for FCUs and FISCUs since same assumptions costs, survey results, and programs are applied.

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OTR Alternatives

Alternatives for 2004

- 2002 and 2003 Method
 - Range 68 to 76%. Substantial increase due to risk-focused examination program.
- Recommended Method
 - 59.8%

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Recommended Method To Calculate OTR

- Set Formula.
- Determined Annually.
- Utilizes Improved Survey and Process.
- Factors in:
 - Value of State Supervisory Authority (SSA) Work.
 - Refined Assumptions for Workload Program.
 - Financial Budget with specific Cost Centers and Direct Charges to NCUSIF.
 - Insured Shares Distribution.

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Revised Examiner Time Survey

- Revised based on D&T Study.
- Random SE Group Selection.
- Uses Experienced Examiners.
- Surveys Completed over Full Year on Flow Basis.
- Automated Upload and Processing.
- Activities Defined, Training Provided.
- Applies to FCU Exam and Supervision.
- June 2003 survey cycle insurance-related results 71% exam, 74% supervision.

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Proposed Method Formula

Steps

1. Apply Survey Results and Other Allocation Factors to Workload Program.
2. Apply Allocation Factors to Financial Budget.
3. Calculate NCUSIF Costs.
 - Calculate Imputed SSA Value
4. Allocate NCUSIF Costs.

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SSA Value (Imputed)

Steps

1. Calculate FISCU Workload.
2. Calculate Staff Needed Based on Workload.
3. Calculate Imputed SSA Value.

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