Introduction

Risk management professionals are continuously seeking to improve methodologies designed to accurately capture the cost of risk. In addition, the capacity for taking these costs and allocating them in an understandable and equitable manner to individual business units has proven to be equally challenging. The benefits of a good allocation system are numerous, including (1) making certain the cost of risk is part of the costs associated with a firm’s products or services; (2) impartial distribution of the cost of risk; (3) measuring profit center performance and holding cost centers accountable for losses; and (4) recognizing efforts to control losses. As expressed by W. Edwards Deming and other organizational theorists, an organization’s major emphasis must be on the future and creating increasing value for stakeholders.

Cost-benefit analysis has always been an important component of the risk management process. The United States government is currently in the midst of such cost-benefit decisions in relation to homeland security. For example, at what point do the extra time, cost, and aggravation associated with airport precautions exceed the potential security benefits? Allocating costs in a meticulous manner is also imperative. For many corporations, accounting or tax rules require costs be assigned with reasonable accuracy. Precision is also necessary for determining the profitability of different profit centers. According to Rousmaniere (2002), in a survey of risk managers and risk consultants taken earlier this decade, about half confidently predicted that a well-run allocation system would generate savings in cost of risk of about 5 to 10 percent. The most popular candidates for allocation, based on the study results, were workers compensation and liability exposures.

Cost of risk metrics have improved significantly, but are far from the objective standardized assessments needed for comparative purposes, both internally and externally. While the task of developing advanced true measures is daunting, the benefits of such knowledge add to the efficiency of organizations. As somewhat of a “macro” example of the relationship between the cost of risk and insurance industry performance measures, consider Figure 1. This comparison of the cost of risk with insurance industry operating results from 1990–2004 illustrates that there is an imperfect, yet discernable inverse correlation between the two measures.¹

The purpose of this article is to expand the discussion revolving around some of the persistent challenges facing risk managers in developing cost allocation systems today, through a formal survey of companies intensely involved in cost of risk issues. The survey results provide a point of reference for those with cost of risk measurement and allocation responsibilities at smaller organizations that may not possess the resources to implement a stand-alone system. Another reason for gathering, analyzing, and sharing this information

Abstract

The purpose of this article is to expand the discussion revolving around some of the persistent challenges facing risk managers in developing cost allocation systems today, through a formal survey of companies intensely involved in cost of risk issues. The survey results provide a point of reference for those with cost of risk measurement and allocation responsibilities at smaller organizations that may not possess the resources to implement a stand-alone system. Survey results find that risk managers use a combination of exposure and experience allocation methods, and nearly three-fourths of the risk allocation decision-making process is handled by the risk management department. In addition, the results in this study find that 85 percent of risk managers are involved to some degree in allocation of financial risk decisions, and that allocation of policy-related costs are done retrospectively, or after the policy period, by a two-to-one margin over the prospectively method, before the policy period.

1. Figure 1 illustrates the inverse correlation between the cost of risk and insurance industry operating results.
is to assist various stakeholders as they strive to develop or improve charge-back systems. In today’s globally competitive environment, it is vitally important to explore every avenue available for cost savings and improved risk management efforts.

The next section provides a brief overview of the cost of risk’s conceptual development. This is followed by a discussion of the development of a cost allocation system for risk, including identifying and aligning goals. This section also addresses many of the opposing concerns that must be successfully balanced by risk managers, and the effect of technology on this issue’s development. A description of the survey methodology and analysis of results follow, with closing observations concluding the article.

**A Brief History of the Cost of Risk**

The cost-of-risk concept was developed in 1962 by the late Douglas A. Barlow, a former risk manager and a past president of the Risk and Insurance Management Society (RIMS). The elements included in Barlow’s concept were expenditures traditionally associated with an organization’s risk management functions—namely, net insurance premiums, retained losses, risk control, loss prevention expenses, and administrative costs. Beginning in 1979, the Risk and Insurance Management Society in conjunction with Tillinghast–Towers Perrin, produced a Cost of Risk Survey. This partnership lasted about 19 years, and then from 1998 to 2001, RIMS worked in conjunction with Ernst & Young to produce the RIMS Benchmark Survey. Since 2002, RIMS has partnered with Advisen, a provider of specialized information, analytic and benchmarking tools for commercial insurance professionals. Beginning with the 2003 survey, RIMS initiated an interactive web site to facilitate comparison of the cost of risk for risk managers in similar organizations. Over time, the RIMS Benchmark Survey has become a leading source of market intelligence for risk management decisions.
Other variations of the cost-of-risk survey have been produced by assorted entities, most with ties to the insurance industry. The list includes the Cost of Risk Evaluation in State and Local Government survey conducted by the Public Risk Management Association and Deloitte & Touche LLP; Chubb Group’s periodic Loss Control Spending Survey; Tillinghast’s ERM Survey; The Casualty Cost of Risk by Marsh; and the National Multi Housing Council’s Apartment Cost of Risk Survey.

In 1993, the cost-of-risk concept was formalized by the Institute of Management Accountants and RIMS with the publication of a standard of management accounting statement titled Practices and Techniques: Internal Accounting and Classification of Risk Management Costs. The goal of the statement was to provide risk managers with a consistent and comparable method to account for risks (2000 RIMS Benchmark Survey).

Developing an Allocation System for the Cost of Risk

What should be the goals of a cost-of-risk allocation system? In a survey of 30 institutions and university systems that allocate their insurance- and claims-related costs, United Educators Insurance finds that that most of the respondents have one of two stated purposes for their cost allocation programs: reducing risky behavior and spreading expenses out to components (Abraham, et al., 2003). Part of the challenge found throughout management accounting and certainly evident in risk-related costs, is that many of multiple goals sought are diametrically opposed to one another.

Perhaps one way to determine what the goals of the cost-of-risk allocation system should be is to examine the characteristics of ineffective arrangements. According to Lewis (2002), symptoms of suboptimal systems include:

- Participants do not understand the system.
- Results are frequently challenged.
- Individual large losses are improperly treated.
- Little documentation is provided to participants or management.
- Risks with worse-than-average loss experience are overly subsidized.
- There is too much volatility in year-to-year cost allocation changes for individual risks.
- The desired level of risk sharing (and hence subsidy) is not clearly articulated.

While the objectives for a cost-of-risk allocation system will vary according to the type of business, there are also some collective challenges and intentions that occur throughout a diverse mixture of industries.

Stability versus Loss Responsiveness

Lewis (2002) notes that a cost-allocation system that is overly weighted toward exposures will be stable but unresponsive to modifications in relative loss experience. Conversely, a system heavily weighted to loss experience will have greater volatility. Stability versus responsiveness is also an important component in the determination of how many years of loss experience to include as an input.

Risk managers setting up systems for allocating risk-financing costs to departments or subsidiaries generally prefer to build in strong incentives to curb losses. According to Katz (1998), factors like risk tolerance and organizational politics often determine the volatility or stability of a cost-allocation system. Methodologies that may increase the volatility of a cost-allocation system include using relatively higher caps on...
departmental premium charge backs, assigning more weight to large losses, and limiting the time frame referenced for a department's claims history.

Basing loss cost allocations on the size of various divisions is feasible when the various operations among the divisions are reasonably similar. However, the sensitivity of a division's budget to the costs being allocated and the size of loss costs being allocated in relation to the division's budget should also be carefully considered.

According to Van Slyke (1987), a plan for allocating loss costs among divisions would charge each division for its share of large losses (1) according to its share of loss costs over a longer historical period of time; or (2) according to its share of small losses. Van Slyke's suggested allocation plan is designed to have allocated loss costs directly reflect each division's experience and at the same time smoothing the fluctuations in allocating costs annually.

Benson-Grinnell, et. al (2001), also acknowledge the trade-off between budget stability and loss accountability when balancing risk bearing (experience) and risk sharing (exposure). They suggest traditional insurance mechanisms as: setting a deductible appropriate for each cost center to pay for small losses that occur frequently; encouraging prompt reporting of all losses; establishing an aggregate cap appropriate for each cost center so they bear only part of the large losses that occur infrequently; and utilizing a bonus-malus system to reward good loss experience, and penalize poor cost-center risk management practices such as late claim reporting, inadequate documentation, and loss control deficiencies.

There is a temptation by some organizations to directly allocate losses to individual units on an annual basis, in an attempt to recognize the bottom-line impact of accidents.

As noted by High (2005), this approach likely has an impact, but it also has several flaws:

- It doesn't factor in the law of large numbers. Thus, smaller units are exposed to higher budget variability from year to year, while larger units benefit from relatively stable budgets.

- It removes a couple of important insurance concepts, namely spreading the risk among participating units to reduce the impact to any one specific unit at any one time, and, neglecting to provide any upper limit of exposure or “cap.”

- It fails to recognize that units with no losses should still incur some base cost to cover the cost of insurance. Even self-insured programs have administrative costs that must be addressed by the organization.

- Managers who put significant effort in loss control, but incur an unforeseen and substantial accident, can become discouraged.

- It fails to take into account long-term performance.

In order to properly balance risk bearing (experience) and risk sharing (exposure), a cost-of-risk allocation system needs to avoid extremes in charges over time. In other words, there is going to be a trade-off between budget stability and loss accountability. The system must also encourage prompt reporting of losses.

Simplicity versus Fairness

As noted by panelists at a Near North Cost of Risk Seminar (RIMS 2001), there is a tautology in that cost-of-risk allocation systems should be simple and easy to understand, yet simple systems may not seem fair. Systems should be created to seem fair, but fair
systems tend to be complex. The simplicity/equity trade-off must also be analyzed from a cost-benefit perspective.

Distribution provisions need to reasonably mirror loss experience. A system that spreads risk-financing costs based exclusively on exposures (e.g., payroll, employee count, and budget) does not provide inducements for reducing losses. Claims frequency and severity should also be included as inputs into the system review. Systems that are comprehensible and explainable facilitate buy-in from participants.

**Technology and Allocating Costs**

Technological advances have played a critical part in the advancement of the cost-allocation process in risk management. While a steady progression has occurred in this area, the mid-1980s to mid-1990s in particular saw seminal improvements in risk management information systems that facilitated effective and cost-efficient allocation systems. According to Bradford (1986), using a risk management information system (RMIS) enhances the effectiveness of allocating corporate insurance and loss costs to operating units, and provides incentives for effective loss control. Including loss history versus using just an exposure base encourages safety management programs that can trim losses and result in lower premiums. Prior to the development of RMIS cost allocation programs, most risk managers allocated premiums to operating units based on revenues, which is relatively unsophisticated. Now, many companies can base cost allocations on loss experience and different measures of exposure with the assistance of an RMIS. Sophisticated loss data management systems are used to track frequency claims in areas such as general liability, commercial vehicle coverage, and workers compensation, which enables data mining to cross-reference and analyze losses by different variables (Pozzi, 2003).

The needs of cost allocation continue to increase in lockstep with technological improvements. Sound management accounting systems dedicate appropriate resources to maintain data and documentation. The system should also allow for periodic sensitivity testing. Sensitivity testing subjects the cost-allocation function to conditions of stress (such as large risk financing costs).

Enhanced claims functions, quick access to research, and international access are some of the reasons behind increasing use of web-based tools for risk management services (Parekh, 2006). With a variety of web services now available for little or no cost to risk managers, this may represent the next generation of information systems taking the cost of risk allocation process forward.

**Methodology and Discussion of Survey Results**

The data for the study were collected from responses to a questionnaire sent in the spring of 2006 to firms listed in the *Business Insurance 2005 Directory of Insurance Buyers of Insurance, Benefit Plans & Risk Management Services*. In order to be included in the study, a firm had to have an individual identified as being involved in the cost-of-risk allocation responsibilities. Because of this constraint as well as various logistical limitations such as current addresses and personnel, the final survey is based on the feedback of 98 firms. The self-reported sales of firms participating in the survey ranged from $14 million to $332 billion, with average sales a little over $12 billion. The questionnaire consists of closed-end and Likert scale questions that allow for the comparison of cost-allocation methodologies as well as input from risk management professionals regarding various issues and priorities facing them.

The first grouping of questions involved general feedback regarding the structure of the risk management cost allocation function at the company. As seen in Table 1, nearly three-fourths of the risk allocation decision-making process is handled by the
In Search of the Optimal Cost of Risk Allocation Systems

Survey results also show that nearly 80 percent of respondents allocate risk management administrative costs to various units. These costs can include, but are not limited to, the risk management department budget, consultant and broker fees, and third-party administration management. Of special interest to this section were the results to the question of whether the risk management department was involved in allocating financial risk management costs, and if so, to what extent? As noted in Liebenberg and Hoyt (2003), external influences that have compelled firms to approach risk management in a more holistic manner include an expansive scope of risks arising from factors such as globalization, industry consolidation, and deregulation; increased regulatory attention to corporate governance; and technological progress that facilitates improved risk quantification and analysis. While the prevarication of risks in traditional “risk silos” has been shown to reduce earnings volatility, some have posited that an enterprise risk management approach further stabilizes earnings by reducing losses that arise from interdependencies between traditional risk classes. The results in this study find that 64 percent of risk managers are involved in such financial risk decisions, and an additional 21 percent of respondents described themselves as being “somewhat” involved in the process. This appears to be in line with recent reports noting increased interest in the integrated risk management process.

The next area of interest in the survey specifically examines the cost-allocation methodologies used by the survey respondents. Experience measures may include such metrics as age of historical years, generally reducing the credibility for older data; number of historical years, with longer trend lines providing more dependable forecasting data in general; incurred, paid, or developed losses, limited/unlimited losses; and number of claims. Exposure-based allocation methods allocated cost of risk on a fair and simple basis, using an exposure measure (usually the same measure used in underwriting) closely related to the cost. Modified exposure-based allocations also take into account other factors that may affect the cost. Combined allocations include

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**Table 1**

<table>
<thead>
<tr>
<th>Structure of Risk Management Cost Allocation Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generally, how much of the risk allocation decision-making process is handled by:</td>
</tr>
<tr>
<td>Risk Management Department</td>
</tr>
<tr>
<td>Controller/Other Accounting</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Is the Risk Management Department involved in allocating financial risk management costs?</td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Somewhat</td>
</tr>
<tr>
<td>Are risk management administrative costs (such as the RM Dept. budget, TPA management, consultant and broker fees, etc.) allocated to various units?</td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
</tbody>
</table>
In Search of the Optimal Cost of Risk Allocation Systems

serving other identified goals, such as loss control (Benson-Grinnell, et. al., 2001).
In Table 2, nearly 43 percent of risk managers use a combination of exposure and
experience allocation methods, and 52 percent use this method only. Almost
28 percent use an exposure-based method, and a similar percentage use solely this
particular method. An overall percentage of nearly 14 percent use modified or
adjusted exposure-based methods, and slightly more than 10 percent use some other
allocation method not listed. There appears to be analytic support for the conjecture
that a plurality of companies is interested in developing a system that encourages and
motivates sound loss control principles.

Table 2
Cost Allocation Methodologies Employed

<table>
<thead>
<tr>
<th>Estimated usage of the following allocation methods as a percentage of all risk management allocations:</th>
<th>Average Overall Percentage Reported</th>
<th>Percentage of those Reporting Usage of Single Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combination of Exposure and Experience</td>
<td>43%</td>
<td>52%</td>
</tr>
<tr>
<td>Exposure-Based</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>Modified Exposure-Based or Exposure-Based with Adjustments</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
<td>8%</td>
</tr>
</tbody>
</table>

| General allocation of policy-related costs:                                                                  |                                   |
| After the Policy Period (Retrospectively)                                                                  | 60%                               |
| Prior to the Policy Period (Prospectively)                                                                 | 31%                               |
| During the Policy Period (Concurrently)                                                                   | 9%                                |

| Do you allocate the cost of employee health insurance? | Yes 45% | No 55% |

Allocation of policy-related costs are done retrospectively, or after the policy period,
by a two-to-one margin over the prospectively method, before the policy period
(60 percent to 31 percent). An additional question involved the allocation of
employee medical expense plan expenditures, which is a topic on the mind of many
employers today. Given the complexity of health care delivery systems in the United
States, it was not surprising to find that only 45 percent of companies responding
allocate such costs. In hindsight, it would have been insightful to have phrased the
question by type of medical expense plan(s) offered and financing techniques used
(managed care, indemnity, consumer-driven, self-insured, etc.).

The next area of interest in the survey solicited feedback as to which of several
general risk categories were the most exigent with respect to allocating cost to various
company units. An ordinal scale was used to rank the categories from 1 to 10, with 1
being the most challenging, 2 the second-most challenging, etc. Scores were sorted into
two groups—by density, which in this study is defined as the overall average score, and
by depth, defined as the number of responses in each category receiving one of the two
highest rankings as a percentage of total responses. By these measures found in Table 3, the “financial and market risk” category was ranked most challenging, followed by “environmental risk,” “general liability and legal expenses,” and “self-insurance and retentions.” “Automobile-related risk” and “property damage/fire risk” were considered less difficult costs to allocate. Generally, the density and depth measures agreed. One notable exception was “workers compensation,” which ranked sixth in density and fourth in depth, which suggests that there may be a wide range of opinions regarding this risk exposure and the ease of allocation.

### Table 3

<table>
<thead>
<tr>
<th>Risk Exposure</th>
<th>Density*</th>
<th>Depth**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial and Market Risk</td>
<td>2.74</td>
<td>21%</td>
</tr>
<tr>
<td>Environmental Risk</td>
<td>3.74</td>
<td>16%</td>
</tr>
<tr>
<td>General Liability and Legal Expenses</td>
<td>3.96</td>
<td>11%</td>
</tr>
<tr>
<td>Self-Insurance and Retentions</td>
<td>4.18</td>
<td>13%</td>
</tr>
<tr>
<td>Business Interruption and Extra Expense</td>
<td>4.32</td>
<td>7%</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>4.52</td>
<td>12%</td>
</tr>
<tr>
<td>Loss Control (Training, etc.)</td>
<td>4.55</td>
<td>5%</td>
</tr>
<tr>
<td>Insurance Premiums</td>
<td>4.99</td>
<td>8%</td>
</tr>
<tr>
<td>Property Damage and Fire Risk</td>
<td>5.11</td>
<td>4%</td>
</tr>
<tr>
<td>Automobile-Related Risk</td>
<td>5.22</td>
<td>4%</td>
</tr>
</tbody>
</table>

*Density is defined as the average overall score received by survey respondents.

**Depth is defined as number of responses in each risk category receiving a “1” or “2” ranking as a percentage of total responses receiving one of the two highest rankings.

The final area of analysis queried respondents on a variety of issues and their potential influence on corporate risk distribution decisions. The questionnaire used a Likert scale, which is described in the footnote to Table 4. Many of the inversely related issues that require a balancing of priorities topped the list, led by “rewarding good loss experience/motivating safety.” “Balancing simplicity with fairness” was next, followed by “corporate culture/support of upper management” and “penalizing poor risk management practices.” Interestingly, data and technology issues were ranked less influential, and particular events or legislation—“Sarbanes Oxley” and “9/11 terrorist attack/Patriot Act” specifically—were rated least important to the allotment decision-making process. Companies were further partitioned into large company or small company categories, with $5 billion in sales representing the dividing line. Large companies gave higher Likert numbers than their small company counterparts did for eight of the 10 issues. Small companies rated “corporate culture/support of upper management” and “other regulatory and legal compliance” slightly higher.
The survey also provided ample opportunities for respondents to elaborate on answers and to provide more thorough explanations for their responses. In the interest of brevity, only relatively similar responses recurring frequently are summarized below.

The question pertaining to the allocation of employee health insurance expenditures finds that most of those who allocate employer-provided medical expenses to business units do so based on either employee headcount or labor costs. Many of those who responded “no” to this question indicated that this function was handled exclusively by human resources.

Those who responded that the risk allocation decision-making procedure was handled by “other” included executive management and human resources as participating in the process.

Regarding the subject of cost-allocation methods employed, some respondents indicated that they used a pure “experience” model for some categories, which perhaps indicates that those companies may put a higher emphasis on loss control and accountability, and relatively less on budgetary stability. Other comments in this area included usage of a corporate model for certain coverages such as D&O, fiduciary, and excess liability.

As far as the challenges presented by different general risk categories, it was interesting to note that extra commentary was provided describing workers’ compensation as both the easiest to allocate by some, and the most challenging to

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### Table 4
Ranking of Issues by their Effect or Influence on Corporate Risk Allocation Decisions

<table>
<thead>
<tr>
<th>Issue</th>
<th>Overall Average</th>
<th>Large Company Average**</th>
<th>Small Company Average***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rewarding Good Loss Experience/</td>
<td>3.76</td>
<td>3.75</td>
<td>3.76</td>
</tr>
<tr>
<td>Motivating Safety</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balancing Simplicity with Fairness</td>
<td>3.57</td>
<td>3.69</td>
<td>3.48</td>
</tr>
<tr>
<td>Corporate Culture/Support of Upper Management</td>
<td>3.49</td>
<td>3.42</td>
<td>3.54</td>
</tr>
<tr>
<td>Penalizing Poor Risk Management Practices</td>
<td>3.34</td>
<td>3.53</td>
<td>3.20</td>
</tr>
<tr>
<td>Balancing Stability with Responsiveness</td>
<td>3.20</td>
<td>3.42</td>
<td>3.02</td>
</tr>
<tr>
<td>Access to Actuarial Data</td>
<td>2.89</td>
<td>2.92</td>
<td>2.87</td>
</tr>
<tr>
<td>RMIS or Other Technology</td>
<td>2.77</td>
<td>2.92</td>
<td>2.65</td>
</tr>
<tr>
<td>Other Regulatory and Legal Compliance</td>
<td>2.63</td>
<td>2.56</td>
<td>2.70</td>
</tr>
<tr>
<td>Sarbanes-Oxley</td>
<td>2.01</td>
<td>2.06</td>
<td>1.98</td>
</tr>
<tr>
<td>9/11 Terrorist Attack/Patriot Act</td>
<td>1.41</td>
<td>1.64</td>
<td>1.24</td>
</tr>
</tbody>
</table>

*Using a Likert Scale where 1 = Not a Consideration, 2 = Somewhat Important, 3 = Important, 4 = Very Important, and 5 = Critical.

**Survey respondents with sales greater than $5 billion.

***Survey respondents with sales less than $5 billion.
allocate by others. Finally, there were a number of remarks clarifying the response to the question about the allocation of risk management administrative costs. The Risk Management department budget was generally not allocated by these respondents, but the other components of RM administrative costs, such as TPA management, consultant and broker fees, etc. were indeed allocated to various units.

Conclusion

The results of this study suggest that the challenges facing risk managers involved with the continual improvement of allocation systems for the cost of risk continue to grow and evolve.

Notable survey outcomes are that the combination of exposure and experience allocation methods are most commonly used by risk managers; nearly three-quarters of the risk allocation decision-making process is handled by the risk management department; 85 percent of risk managers are involved to some degree in allocating financial risks; allocation of policy-related costs are done retrospectively by a two-to-one margin over the prospectively method; financial/market-related and environmental risks are the most challenging to allocate; contrary objectives such as stability versus responsiveness and simplicity versus equity were considered most influential in corporate cost allocation decision-making.

This study is not intended to end all debate on cost of risk-allocation issues. In fact, the true objective is to stimulate discussion of what is needed to improve the process. This issue has implications for the insurance industry, government regulators, risk management professionals, and every conceivable type of organization exposed to risk. Perhaps the significance of allocating the cost of risk is summarized best by W. Edwards Deming in his famous quote, “What gets measured, gets managed.”
References
High, Steven D., 2005, “A Loss-Based Methodology for the Allocation of Insurance Costs to Individual Operational Units within an Organization” white paper.

Endnotes
1. The cost of risk as defined by the RIMS survey is per $1,000 of revenue, while the overall operating ratio is the Combined Ratio minus the Investment Income Ratio.
2. Nine percent of respondents wrote in that they allocate policy-related costs concurrently, or during the policy period. This was not listed as one of the choices, so it is reasonable to accept the possibility that this percentage would have been even higher if concurrent allocations had been included as one of the options.