



CSURMA AORMA

POLICY AND PROCEDURE NO. W - 1

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| SUBJECT: | WORKERS' COMPENSATION MEMBER ALLOCATION FORMULA |
| ADOPTED: | MAY 15, 2008 |
| EFFECTIVE: | MAY 15, 2008 |
| AMENDED: | DECEMBER 8, 2009 SEPTEMBER 10, 2015 MAY 5, 2016 MARCH 9, 2017 MAY 4, 2017 MAY 2, 2019 |

PURPOSE:

It shall be the policy of the CSURMA Auxiliary Organizations Risk Management Alliance (AORMA) to determine each MEMBER's allocation of the workers' compensation TOTAL PROGRAM FUNDING as outlined in the Workers' Compensation Member Allocation Formula noted below:

PROCEDURE:

Annually, in September, the AORMA COMMITTEE will approve the TOTAL PROGRAM FUNDING for the workers' compensation program for the upcoming fiscal year.

Annually, in December, the AORMA COMMITTEE will approve or accept the following allocation distribution criteria with the Workers' Compensation Member Allocation Formula:

1. AORMA BASIC RATES for each class code.
2. EXPERIENCE MODIFICATION FACTOR (EMF) as determined by the actuary.
3. Minimum Premium.

ALLOCATION FORMULA:

1. The MEMBER's EXPERIENCE MODIFICATION FACTOR is applied separately to each of the AORMA BASIC RATES. Result – Member's modified rates.
2. MEMBER's modified rates are applied separately to the MEMBER's estimated payroll, separated by class code, for the upcoming fiscal year. Result – Member's final modified deposit premium.

3. The minimum premium is applied if the Member’s final modified deposit premium is less than the approved minimum premium.

**** Example ****

| | | | | | |
|-------------------|-------------|---|--------------------------------|---|--------------------------------|
| 1001 | .50 | * | .95 | = | .48 |
| 1002 | 1.00 | * | .95 | = | .95 |
| 1004 | 1.50 | * | .95 | = | 1.43 |
| 1005 | 3.00 | * | .95 | = | 2.85 |
| 1006 | 4.00 | * | .95 | = | 3.80 |
| 1007 | 5.00 | * | .95 | = | 4.75 |
| AORMA basic rates | | | Experience modification factor | | Modified rates |
| 1001 | .48 | * | \$1,000,000 | = | \$4,800 |
| 1002 | .95 | * | \$800,000 | = | \$7,600 |
| 1004 | 1.43 | * | \$0 | = | \$0 |
| 1005 | 2.85 | * | \$0 | = | \$0 |
| 1006 | 3.80 | * | \$0 | = | \$0 |
| 1007 | 4.75 | * | \$0 | = | \$0 |
| | | | | | \$12,400 |
| Modified rates | | | Estimated payroll | | Final modified deposit premium |

ANNUAL PAYROLL AUDIT:

The MEMBER’s final payroll separated by AORMA class code will be requested at the end of each program year. The MEMBER’s final workers’ compensation premium will be calculated by multiplying the MEMBER’s actual payroll per class code by the MEMBER’s modified rates. The MEMBER will receive either a refund or additional deposit billing based on how their audited contribution compares with their initial deposit. MEMBERS will allocate their payroll to each of the AORMA class codes as outlined in the (1) AORMA Workers’ Compensation Explanation of Classification Codes and (2) AORMA Workers’ Compensation Payroll Rules to Follow publications. For those MEMBERS involved in federal sponsored programs, the refund can be retained on account with CSURMA to be used to lower contributions for the upcoming fiscal year. If the MEMBER chooses to receive the refund, then the MEMBER will be required to calculate the percentage of its payroll and salary that is attributable to federal sponsored programs to determine what percentage of the dividend will need to be returned to the federal government.

If the final audit is not received by the deadline, then the Program Administrator may increase that MEMBERS payrolls by the average payroll increase for all MEMBERS for the prior two years.



MEMBER APPEAL PROCESS:

If a MEMBER wishes to appeal any decision regarding the application of the Workers' Compensation Program Member Allocation Formula Policy and Procedure, the MEMBER must present an appeal in writing to the CSURMA Secretary-Auditor within 30 days of the disputed decision. The Secretary-Auditor shall place the MEMBER's appeal on the AORMA COMMITTEE's agenda at its next regularly scheduled meeting. The AORMA COMMITTEE will review the appeal and inform the MEMBER of the final decision within 5 business days of the final decision.

If a MEMBER wishes to appeal the AORMA COMMITTEE's decision, the MEMBER will notify the CSURMA Secretary-Auditor in writing within five (5) business days of receipt of the AORMA COMMITTEE's decision. The CSURMA EXECUTIVE COMMITTEE will then review the appeal at its next meeting or sooner. The CSURMA EXECUTIVE COMMITTEE's decision will be the final determination.



DEFINITIONS:

AORMA – Auxiliary Organizations Risk Management Alliance is a group of PROGRAMs that operate within the California State University Risk Management Authority representing the auxiliary organizations.

AORMA COMMITTEE – The governing body of AORMA.

AORMA BASIC RATES – The AORMA Basic Rates will be approved annually by the AORMA COMMITTEE. The WCIRB class code rates shown below will be utilized when determining the AORMA BASIC RATES. A normalization factor will be added to the WCIRB class code rates in order to achieve the TOTAL PROGRAM FUNDING required as approved by the AORMA COMMITTEE.

| Class Code Description | AORMA | WCIRB |
|---|--------------|--------------|
| Clerical | 1001 | 8810 |
| Off-site activities / professional / student activities | 1002 | 8868 |
| Retail | 1004 | 8071 |
| Sports / day care | 1005 | 9053 |
| Food service | 1006 | 9079 |
| Manual labor | 1007 | 9101 |

CSURMA – The California State University Risk Management Authority, a California Joint Powers Authority, comprised of the California State University and its auxiliary organizations.

CSURMA EXECUTIVE COMMITTEE – The California State University Risk Management Authority Executive Committee.

EXPERIENCE MODIFICATION FACTOR (EMF) – The experience rating system is a merit rating system intended to provide MEMBERS a direct financial incentive to reduce work-related accidents. The experience rating system objectively distributes the cost of the workers’ compensation program more equitably among the MEMBERS. An EMF less than 100% reflects better than average experience. The actuary will determine each MEMBER’s EMF based on the current published WCIRB method. The EMF will be adjusted for the normalization factor and capped at a maximum change of +20% from the prior (normalized) EMF. The EMF will not include a maximum decrease cap.

MEMBER – The Member is a signatory to the CSURMA Joint Powers Authority as well as the AORMA Workers’ Compensation Program Participation Agreement.

MEMORANDUM OF COVERAGE – The AORMA Liability Program MEMORANDUM OF COVERAGE is a governing document which outlines the AORMA Liability Program’s definitions, coverages, exclusions and provisions. The AORMA Liability Program MEMORANDUM OF COVERAGE does not provide insurance, but instead provides for pooled-insurance. The



MEMORANDUM OF COVERAGE is a negotiated agreement among the MEMBERS of CSURMA AORMA.

PARTICIPATION AGREEMENT – A governing document of CSURMA AORMA which outlines the roles and responsibilities of AORMA and its MEMBERS.

TOTAL PROGRAM FUNDING - The Total Program Funding costs will include (1) the pooled layer funding requirement, as recommended by the actuary, (2) administrative costs and (3) excess insurance or reinsurance costs.