

**MINUTES OF THE
CSURMA EXECUTIVE COMMITTEE MEETING
DECEMBER 5, 2014
ALLIANT INSURANCE SERVICES
1301 Dove Street, 2nd Floor • Newport Beach, CA
8:30 AM**

MEMBERS PRESENT

Robert de Wit (AORMA Chair) - Forty-Niner Shops, Inc., CSULB
Lori Gentles - CSU Fullerton
Linda Hawk (Vice-Chair) - CSU San Marcos
Mike Lee - CSU Sacramento
Michael Thorpe - CSU Chico
Frank Mumford (AORMA Vice-Chair) - CSU Fullerton (*Arrived at 8:45 AM*)
Cynthia Teniente-Matson (Chair) - CSU Fresno

MEMBERS ABSENT

George V. Ashkar (Treasurer) - CSU Office of the Chancellor
Lisa Chavez - CSU Los Angeles (*Participated via teleconference in a non-voting capacity*)

STAFF, GUESTS & CONSULTANTS

Kelly Cox - CSU Office of the Chancellor
Gordon DesCombes - Alliant Insurance Services, Inc.
Robert Eaton (Secretary/Auditor) - CSU Office of the Chancellor
Mike Fleming – CSAC EIA
Zachary Gifford - CSU Office of the Chancellor
Jacki Graf - Alliant Insurance Services, Inc.
Daniel Howell - Alliant Insurance Services, Inc.
William Hsu - CSU Office of General Counsel
Robert Leong - Alliant Insurance Services, Inc.
Mimi Long - Alliant Insurance Services, Inc.

A. CALL TO ORDER

The meeting was called to order by the Chair, Cynthia Teniente-Matson at 8:32 AM.

A1. Approval of the Agenda

A motion was made to approve the order of the agenda as presented.

MOTION: Mike Lee

SECOND: Mike Thorpe

| NAME | AYE | ABSTAIN | NAY | ABSENT |
|-------------------------|----------|---------|-----|----------|
| George Ashkar | | | | X |
| Lisa Chavez | | | | X |
| Robert de Wit | X | | | |
| Lori Gentles | X | | | |
| Linda Hawk | X | | | |
| Mike Lee | X | | | |
| Frank Mumford | | | | X |
| Cynthia Teniente-Matson | X | | | |
| Michael Thorpe | X | | | |

MOTION CARRIED

B. PUBLIC COMMENTS

There were no comments from the public.

C. CONSENT CALENDAR

C1. Approval of Minutes – October 24, 2014

C2. Financial Information - Treasurer’s Report @ September 30, 2014

A motion was made to approve the items on the consent calendar.

MOTION: Mike Thorpe

SECOND: Lori Gentles

| NAME | AYE | ABSTAIN | NAY | ABSENT |
|-------------------------|----------|---------|-----|----------|
| George Ashkar | | | | X |
| Lisa Chavez | | | | X |
| Robert de Wit | X | | | |
| Lori Gentles | X | | | |
| Linda Hawk | X | | | |
| Mike Lee | X | | | |
| Frank Mumford | | | | X |
| Cynthia Teniente-Matson | X | | | |
| Michael Thorpe | X | | | |

MOTION CARRIED

D. GENERAL ADMINISTRATION

D1. Risk Management Innovation Grant Program

Cynthia Teniente-Matson asked Rob Leong to summarize the agenda item. At the last meeting the Executive Committee approved the Risk Management Grant applications submitted by the twelve campuses. The Executive Committee applied the existing grant criteria when approving the grants for the first year. At today’s meeting, the Executive Committee was asked to approve the revisions to the grant criteria and the disposition of the unused funds. Zachary Gifford let the committee know that the CSU WERCS Committee is leading the charge on training the sub-committees with regard to the types of grant projects that are appropriate. Some of the items being discussed are theater safety and/or lab safety. The Executive Committee members reiterated that the unused funds should only be used for innovative Systemwide projects. The committee also requested that applications for the Employee Health & Wellness and Safety & Risk Control grants be combined into one application and that the maximum grant per campus be limited to \$10,000.

A motion was made to approve the revisions to the grant criteria within Policy and Procedure No. 21 – Risk Management Innovation Grant Program and to approve the use of the remaining \$73,433 in unused grant funds for innovative Systemwide grant projects.

MOTION: Linda Hawk

SECOND: Lori Gentles

| NAME | AYE | ABSTAIN | NAY | ABSENT |
|-------------------------|----------|---------|-----|----------|
| George Ashkar | | | | X |
| Lisa Chavez | | | | X |
| Robert de Wit | X | | | |
| Lori Gentles | X | | | |
| Linda Hawk | X | | | |
| Mike Lee | X | | | |
| Frank Mumford | X | | | |
| Cynthia Teniente-Matson | X | | | |
| Michael Thorpe | X | | | |

MOTION CARRIED

D2. Evaluation of Primary Coverage Program for Workers’ Compensation

Daniel Howell stated the CSAC EIA workers’ compensation program allows CSURMA to purchase workers’ compensation at below the actuarially “expected” funding level, which is an opportunistic purchase. The quote provided by CSAC EIA for workers’ compensation insurance is lower than CSURMA’s estimated losses at an “expected” actuarial confidence level. As shown in the exhibits below, historically, CSURMA’s loses tend to trend up as they mature. By purchasing the CSAC EIA workers’ compensation coverage, CSURMA will lock-in pricing below “expected”. If CSURMA’s losses trend up (as they historically have) CSURMA would receive a significant financial benefit.

The Executive Committee reviewed the exhibits below which show how CSURMA's workers' compensation losses tend to trend up from the original "expected" loss picture.

Campus Workers' Compensation Risk Pool:

| Valuation Date: | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | % Change from FY Year End |
|-----------------|----------|----------|----------|----------|----------|----------|----------|---------------------------|
| 07-08 | \$16.587 | \$16.678 | \$15.869 | \$16.293 | \$16.668 | \$16.849 | \$16.959 | 102.24% |
| 08-09 | | 17.996 | 19.008 | 18.743 | 19.599 | 20.261 | 19.889 | 110.52% |
| 09-10 | | | 17.118 | 16.520 | 16.362 | 16.810 | 17.598 | 102.80% |
| 10-11 | | | | 20.657 | 21.178 | 22.752 | 23.318 | 112.88% |
| 11-12 | | | | | 19.575 | 20.697 | 22.347 | 114.16% |
| 12-13 | | | | | | 21.565 | 21.193 | 98.27% |
| 13-14 | | | | | | | 23.201 | N/A |

AORMA Workers' Compensation Risk Pool:

| Valuation Date: | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | % Change from FY Year End |
|-----------------|---------|---------|---------|---------|---------|---------|---------|---------------------------|
| 07-08 | \$1.992 | \$2.326 | \$2.420 | \$2.768 | \$2.793 | \$2.875 | \$3.035 | 152.36% |
| 08-09 | | 1.427 | 1.200 | 1.281 | 1.440 | 1.309 | 1.428 | 100.07% |
| 09-10 | | | 1.364 | 1.518 | 1.655 | 1.784 | 1.551 | 113.71% |
| 10-11 | | | | 2.770 | 2.771 | 2.756 | 3.108 | 112.20% |
| 11-12 | | | | | 2.728 | 2.495 | 2.353 | 86.25% |
| 12-13 | | | | | | 2.388 | 2.512 | 105.19% |
| 13-14 | | | | | | | 2.184 | N/A |

Valuation by CSURMA's Actuary (Aon) of Selected Ultimate Claims
Discounted Expected Value at June 30 Each Year
All Values in \$ thousands (000)

Purchasing the CSAC EIA workers' compensation insurance also frees up funds which would normally need to be held in trust to fund future claims. As proposed by staff the program costs invoiced to each member will still include the risk margin to increase the program confidence level to a 70% (Campus Risk Pool) or 80% (AORMA) confidence level. This would allow both programs to release dividends back to its members.

The Executive Committee members asked how CSAC EIA would be different from SELF. Daniel noted that CSAC EIA may assess each member as well; however, the problems with SELF resulted from a number of issues. The SELF excess workers' compensation pool had an extremely low self-insured retention, and the rating did not include member experience modifications factors. Because of this, the members with the low loss ratios left the program and the members with the high loss ratios stayed. This created adverse selection. CSAC EIA does include an experience modification factor in each member's premium calculation. Therefore, the members with the high loss ratios will pay more. Also, SELF did not for many years audit the members' claims administrators and had only one claims consultant on staff to oversee the claims administration of all of the members. CSAC EIA audits each member's claims administrator every two years to verify that the claims are being reserved appropriately and that claims are being administered effectively. CSAC EIA also has seven staff members who are devoted to loss control. SELF required a six month notice of cancellation which made leaving the program difficult. CSAC EIA requires only 60 days' notice of cancellation and the notice of cancellation is rescindable. Also, SELF did not purchase reinsurance for the risk pool. CSAC EIA does purchase reinsurance when the cost to insure the program is less than the cost to self-insure the program. This allows CSAC EIA to transfer the liability for some of its losses.

With regard to dividends and assessments, CSAC EIA calculates each member's percentage based on its premium for a rolling 10-year period. After ten years, the former member would not be subject to any assessments. Dividends, however, are only paid to current members. SELF's assessments were forever. CSAC EIA has had only one assessment in FY 02/03 for \$9,000,000. The SELF assessment was \$60,000,000. Also, SELF based the assessment on payroll and did not include loss rating. CSURMA had the largest payroll percentage in SELF, but had one of the lowest loss ratios. Therefore, CSURMA was responsible for the largest portion of the assessment.

CSAC EIA has a very long history and the program costs are very stable. Members can expect stability in pricing. After 18 months, CSURMA's renewal premium will be calculated. The final numbers will be available for the Executive Committee to review at its March meeting which allow ample time for the 60 days' notice of cancellation should CSURMA decide to leave the program.

Gordon DesCombes wanted to make sure that the Executive Committee is aware of how joining the CSAC EIA program would impact Alliant's compensation. The Alliant Newport Beach office would receive additional compensation as authorized by CSAC EIA for his team's work on the reinsurance program placed for CSAC EIA. The CSURMA team at the Alliant San Francisco office would at the July 1, 2015 renewal no longer be compensated for placement of excess workers' compensation coverage as that coverage would be renewed by CSAC EIA as a part of the EIA XSWC program. Alliant Newport Beach will be compensated by CSAC EIA for the excess coverage renewal at rates determined by CSAC EIA.

A motion was made that CSURMA join the CSAC EIA primary and excess workers' compensation programs for both the Campus Risk Pool and AORMA WC Programs effective

January 1, 2015 with a strong recommendation that CSU seek participation on CSAC EIA’s governing board and committees, especially the worker’s compensation underwriting committee.

MOTION: Linda Hawk
SECOND: Mike Thorpe

| NAME | AYE | ABSTAIN | NAY | ABSENT |
|-------------------------|----------|---------|-----|----------|
| George Ashkar | | | | X |
| Lisa Chavez | | | | X |
| Robert de Wit | X | | | |
| Lori Gentles | X | | | |
| Linda Hawk | X | | | |
| Mike Lee | X | | | |
| Frank Mumford | X | | | |
| Cynthia Teniente-Matson | X | | | |
| Michael Thorpe | X | | | |

MOTION CARRIED

D3. Liability Claims Administration Audit

Rob Leong noted that it is the policy of CSURMA that its third-party claims administrators (TPAs) be audited biennially. The audits for Campus Liability, Campus Worker’s Compensation, AIME, and AORMA Liability are to occur in odd-numbered calendar years. Staff solicited proposals from Bickmore Risk Services to perform the claims audits during 2015 for the Campus Liability and AORMA Liability programs. The Campus Workers’ Compensation will be performed by Jacki Graf at Alliant Insurance Services. Rob requested that the Executive Committee defer the AIME claims administration audit pending resolution of the service issues that may result in an RFP for a claims service provider.

Bickmore Risk Services performed the last liability program claims audits 2013. To ensure consistency of review, staff recommended that the Executive Committee authorize the Secretary-Auditor to engage Bickmore as claims auditor for the Campus Liability and AORMA Liability programs. The audit will be completed and presented to the Executive Committee at its March, 2015 meeting. The cost for the audits will be \$10,000 (\$5,000 each); two years ago Bickmore charged \$9,500.

A motion was made to authorize the CSURMA Secretary-Auditor to engage Bickmore Risk Services to perform the claims administration audits for the Campus Liability Risk Pool and AORMA Liability Program and to defer the AIME claims administration audit until the services issues are resolved.

MOTION: Mike Lee
SECOND: Linda Hawk

| NAME | AYE | ABSTAIN | NAY | ABSENT |
|-------------------------|-----|---------|-----|--------|
| George Ashkar | | | | X |
| Lisa Chavez | | | | X |
| Robert de Wit | X | | | |
| Lori Gentles | X | | | |
| Linda Hawk | X | | | |
| Mike Lee | X | | | |
| Frank Mumford | X | | | |
| Cynthia Teniente-Matson | X | | | |
| Michael Thorpe | X | | | |

MOTION CARRIED

D4. Aviation Operations Liability Insurance - Rocketry

Daniel noted that some CSU campuses offer rocketry activities and as a part of the curriculum or club activities, students may construct and launch rockets under the supervision of faculty. The Campus Risk Pool -Liability Program does not contemplate this risk exposure and our excess liability insurers have coverage limitations. Staff received a quote from ACE Aviation and Aerospace Group.

ACE quoted a \$5,000,000 limit with annual cost of \$3,881.25 per launching location. According to the survey conducted by staff, only four campuses reported rocketry exposures – Long Beach, Loss Angeles, Pomona and San Diego. Seven launching locations have been identified. This would result in a total annual premium of \$27,168.75. Coverage will only be extended to those accidents occurring at a disclosed launching location.

Daniel noted that the CSU Los Angeles incident is the first in twenty years. The Executive Committee discussed whether to continue to self-insure this exposure in the pooled layer or to purchase the first dollar coverage. Because of the CSULA incident and because auxiliary organizations may also be involved in rocketry the committee felt that it makes sense to purchase the coverage. The committee wanted to make sure the CABO group, as well as the Campus Risk Managers, were aware of this exposure and coverage options, and that only incidents at disclosed launch sites would be covered by the new program. Staff was directed to send out a bulletin to all campus and auxiliary staff. A discussion item will also be added to the February CABO agenda.

A motion was made to authorize the purchase the Aviation Operations Liability Insurance for campus and auxiliary rocketry exposures.

MOTION: Mike Thorpe

SECOND: Linda Hawk

| NAME | AYE | ABSTAIN | NAY | ABSENT |
|---------------|-----|---------|-----|--------|
| George Ashkar | | | | X |

| | | | | |
|-------------------------|----------|--|--|----------|
| Lisa Chavez | | | | X |
| Robert de Wit | X | | | |
| Lori Gentles | X | | | |
| Linda Hawk | X | | | |
| Mike Lee | X | | | |
| Frank Mumford | X | | | |
| Cynthia Teniente-Matson | X | | | |
| Michael Thorpe | X | | | |

MOTION CARRIED

D5. Evaluation of Campus Climate Reporting

Daniel Howell stated that he and Zachary Gifford had a discussion with CSU’s Academic Affairs regarding whether or not CSU should consider utilizing the UCOP Ethics Point platform for campus climate reporting. The feedback received was that CSU has a pending procurement. The Executive Committee asked Daniel and Zachary to continue to investigate this very important service as there was some understanding that CSU’s pending procurement related to Title IX and sexual assault programs rather than a broader campus climate portal. Staff was asked to provide additional information at the next meeting.

D6. Underwriter Meetings Report

Robert Eaton summarized the meetings that were held with CSURMA’s underwriters in London in late November. CSU was represented by CSU Chancellor White, CSU Executive Vice Chancellor & CFO Steven Relyea, CSURMA Secretary-Auditor Robert Eaton and CSURMA Program Director Howell. Meetings were held with Beazley, the Cyber Underwriters, Miller Insurance Services, who provides the underwriting for the SPLIP and SAFECLIP programs, the fidelity program the Trustees E&O including the AORMA fiduciary liability. Meetings with RKHIB and the property underwriters were held as well. Robert reported on the market conditions, uncertainty over renewal of the Federal Government terrorism reinsurance program and pending mergers of our trading partners.

Beazley has agreed to present on Cyber exposures at the Fitting the Pieces Together conference in April, 2015.

D7. Mental Health Inquiry

Cynthia Teniente-Matson discussed the Diverse Issues in Higher Education article which provided some insightful information.

E. AUXILIARY ORGANIZATIONS INSURANCE PROGRAMS

E1. AORMA Programs Update

Robert de Wit, the AORMA Chair, updated the Executive Committee on recent AORMA Committee activities. The AORMA Committee approved a new Liability Program allocation formula. The minimum required limit on the Participant Accident Insurance policies for childcare or camps involving minors was reviewed and the AORMA Committee recommended providing quotes for increased limits and raising the minimum required limit at a later date. Policy and Procedure L-1 – Liability Claims Reporting was updated to be consistent with the provisions within the Liability Memorandum of Coverage. Similar to the Executive Committee’s decision, the AORMA Committee as well revised its Risk Reduction Grant program to be more innovative in nature. The AORMA Committee also reviewed the optional earthquake coverage available to condominium owner’s to cover assessments by an HOA due to earthquake damage or the owner’s reduction in value due to earthquake damage.

F. CLOSED SESSION Pursuant to Cal. Gov. Code Sec. 11126(e)(1) & 11126(f)(1)

F1. Luna et al vs. SJSU

A motion was made at 10:52 AM to enter closed session.

MOTION: Mike Thorpe

SECOND: Linda Hawk

| NAME | AYE | ABSTAIN | NAY | ABSENT |
|-------------------------|----------|---------|-----|----------|
| George Ashkar | | | | X |
| Lisa Chavez | | | | X |
| Robert de Wit | X | | | |
| Lori Gentles | X | | | |
| Linda Hawk | X | | | |
| Mike Lee | X | | | |
| Frank Mumford | X | | | |
| Cynthia Teniente-Matson | X | | | |
| Michael Thorpe | X | | | |

MOTION CARRIED

The Executive Committee came out of closed session at 11:02 AM. Cynthia Teniente-Matson reported that action had been taken during closed session.

G. INFORMATION ITEMS

G1. Review of FY 2014/2015 Long Range Planning Goals

Daniel Howell briefly reviewed the FY 14/15 Long Range Action Plan. The CSURMA 101 presentation has been completed and is currently being utilized. The actions within the Unemployment Insurance project have been modified and the project is in progress. The Workers’ Compensation Claims Closure Initiative is in progress and the Executive Committee

will hear an update at its March, 2015 meeting. The Workers' Compensation Reinsurance program is now complete. OCIP Renewal information will be presented at the CABO meeting in February, 2015. The Unmanned Aerial Vehicles project has been completed. Daniel Howell is working with the CSU Chancellors Office on the master insurance and indemnity language within the Student Placement Agreements.

There was no discussion regarding the remaining information items.

- G2. 2015 CSURMA Meeting Calendar**
- G3. CSURMA Administrative Service Calendar**
- G4. CSURMA Executive Committee & Staff Contact List**

H. ADJOURNMENT

A motion was made to adjourn the meeting at 11:09 AM.

MOTION: Mike Lee
SECOND: Frank Mumford

| NAME | AYE | ABSTAIN | NAY | ABSENT |
|-------------------------|------------|----------------|------------|---------------|
| George Ashkar | | | | X |
| Lisa Chavez | | | | X |
| Robert de Wit | X | | | |
| Lori Gentles | X | | | |
| Linda Hawk | X | | | |
| Mike Lee | X | | | |
| Frank Mumford | X | | | |
| Cynthia Teniente-Matson | X | | | |
| Michael Thorpe | X | | | |

MOTION CARRIED.