



APPROVED

**MINUTES OF THE CSURMA AORMA
PROGRAMS COMMITTEE MEETING**

JUNE 27, 2013

**TELECONFERENCE MEETING
2:00 PM**

MEMBERS PRESENT

Guy Dalpe, Cesar Chaves Student Center (San Francisco State University)
Haleh Minakary, The Cal Poly Pomona Foundation, Inc. (Cal Poly Pomona)
Mark Day, Santos Manual Student Union (CSU San Bernardino)
Gigi Kiama, University Corporation (CSU Monterey Bay)

MEMBERS ABSENT

Kurt Borsting, Associated Students, Inc. (CSU Fullerton)

STAFF, GUESTS AND CONSULTANTS

Mimi Long, Alliant Insurance Services, Inc.
Tevea Him, Alliant Insurance Services, Inc.

A. CALL TO ORDER

The meeting was called to order by Guy Dalpe at 2:03 PM.

B. PUBLIC COMMENTS

There were no public comments.

C. GENERAL ADMINISTRATION

C1. Approval of Minutes – June 6, 2013

The Committee reviewed the minutes from the June 6th meeting. The Committee asked Mimi Long to review the deductible section within item C3 to make sure the statement is accurate. “A 5% deductible credit has been added should a member decide to increase its deductible to \$10,000 from \$5,000.” This statement is accurate.

A motion was made to approve the minutes from the June 6, 2013 meeting as presented.

First: Haleh Minakary
Second: Gigi Kiama

MOTION CARRIED

| NAME | AYE | ABSTAIN | NAY | ABSENT |
|----------------|------------|----------------|------------|---------------|
| Kurt Borsting | | | | X |
| Guy Dalpe | X | | | |
| Gigi Kiama | X | | | |
| Haleh Minakary | X | | | |
| Mark Day | X | | | |

C2. Review of the Draft FY 14/15 Property Program Rating and Allocation Method

Mimi Long explained that based on discussions during the June 6, 2013 Programs Committee meeting, staff has revised the draft FY 14/15 property rating allocation method to include a minimum deductible based on TIV size. Two options are being provided – one with a minimum deductible based on total TIV and one with a split deductible. The split option has a higher deductible for real property and business interruption / rents and a \$5,000 deductible for personal property.

Basic Rates - The property allocation uses two rates – one for real property and business interruption / rents and the other for personal property. The personal property rate is 20% than the real property rate. These rates will change each year depending on the total program premium. The rates for each option are noted below:

- Option F – Real Property .2340 / Personal Property .2808
- Option G – Real Property .2220 / Personal Property .2664

Size Credits – No change was made to the size credit. The property allocation currently includes a maximum size credit of 30%. Each member is assigned a size credit percentage which is based on their basic premium compared to the maximum premium of \$600,000. Only one member receives the total 30% credit. Staff added a size credit to the property allocation which allows the largest members to receive rate relief. In the standard insurance marketplace, rates are commensurate with TIV size. The larger your TIV, the lower your rate. Overall, AORMA receives a lower rate due its size; therefore, the smaller members are still benefiting from an AORMA pool size credit.

Loss Rating – No change was made to the loss rating surcharges. A loss rating surcharge is assigned to each member based on the following criteria:

- Loss ratio under 20% - no surcharge
- Loss ratio between 20% and 40% - 5% surcharge
- Loss ratio between 40% and 60% - 10% surcharge
- Loss ratio between 60% and 80% -15% surcharge
- Loss ratio between 80% and 100% - 20% surcharge
- Loss ratio in excess of 100% - 25% surcharge

Deductible Credits – The Committee reviewed the two deductible options - Option F (one deductible based on total TIV) and Option G (split deductible – one for real property and business interruption / rents and a separate deductible of \$5,000 for personal property). For both options a minimum deductible based on TIV size is assigned for each member. For Option F, the minimum deductible is assigned as follows:

- TIV less than \$5,000,000 - \$5,000 deductible
- TIV between \$5,000,000 and \$15,000,000 - \$10,000 deductible
- TIV between \$15,000,000 and \$25,000,000 - \$25,000 deductible
- TIV between \$25,000,000 and \$50,000,000 - \$50,000 deductible
- TIV in excess of \$50,000,000 - \$100,000 deductible

Note for Option F: The TIV includes all values.

For Option G, the minimum deductible uses the same assigned values as noted above, exception for the TIV total excludes personal property. The deductible for personal property is \$5,000 for all members.

The deductible credits are noted below:

- \$5,000 – no rate credit
- \$10,000 – 1% rate credit
- \$25,000 – 2% rate credit
- \$50,000 – 3% rate credit
- \$100,000 – 5% rate credit

The deductible credits were reviewed. Now that the property allocation assigns a deductible based on TIV size, more members are receiving the deductible credit. This in turn reduces the total premium collected. Therefore, Staff was forced to reduce the deductible credits.

The deductible credits for both options are noted below:

| Deductible | Rate Credit |
|-------------------|--------------------|
| 5,000 | - |
| 10,000 | 0.9900 |
| 25,000 | 0.9800 |
| 50,000 | 0.9700 |
| 100,000 | 0.9500 |

Collared Rates - No change was made to the minimum or maximum rate collar. The collars will change every year, until no collars are necessary. The current property allocation uses collars of .90 and 1.25. These collars result in six members at the minimum collar and nine members at the maximum collar.

Minimum rate collar – 90% of the previous year’s rate
Maximum rate collar – 125% of the previous year’s rate

Minimum Premium – No change was made to the minimum premium. The minimum premium for FY 14/15 was increased to \$600 rather than \$500, because the FY 13/14 premium is \$623.

The Programs Committee liked Option G which includes a minimum deductible for real property and business interruption / rents and a separate deductible of \$5,000 for personal property. The Programs Committee recommended that the Option G be brought to the AORMA Officers Retreat in July for comments.

A motion was made to recommend approval to the AORMA Officers of FY 14/15 Property Program Rating and Allocation Method Recommendation - Option G.

First: Mark Day
Second: Gigi Kiama

MOTION CARRIED

| NAME | AYE | ABSTAIN | NAY | ABSENT |
|----------------|-----|---------|-----|--------|
| Kurt Borsting | | | | X |
| Guy Dalpe | X | | | |
| Gigi Kiama | X | | | |
| Haleh Minakary | X | | | |
| Mark Day | X | | | |

C3. Review of the Draft FY 14/15 Crime Program Rating and Allocation Method

Mimi Long explained that based on discussions at the June 6, 2013 Programs Committee meeting, Staff was directed to explore the following revisions to the draft FY 14/15 crime rating allocation.

1. Allocate the admin costs evenly to each member.
2. Remove the \$10,000 deductible option; assign a \$5,000 deductible to all members.

Basic Rates - With the admin cost change, the basic rate was reduced from .0650 to .04.

Size Credit - No change was made to the size credit. Staff added a size credit to the crime allocation which allows the largest members to receive rate relief. Overall, AORMA receives a lower rate due its size; therefore, the smaller members are still benefiting from an AORMA pool size credit. The maximum size credit is 30%. Each member is assigned a size credit percentage which is based on their basic premium compared to the maximum premium of \$10,000.

Collared Rates - No change was made to the collared rate percentages. Rate collars are included as follows and will change every year, until no collars are necessary:

Minimum premium collar – 85% of the previous year’s premium
Maximum premium collar – 145% of the previous year’s premium

Loss Rating – No change was made to the loss rating surcharges. The loss rating surcharges are as follows and have not changed from the previous crime allocation version:

Loss ratio of less than 50% - no surcharge
Loss ratio between 50% and 100% - 10% surcharge
Loss ratio in excess of 100% - 20% surcharge

Minimum Premiums – The minimum premium for each member have been established based on the member’s total expenditures. Because the minimum premiums now include a flat admin fee, the minimum premiums were reduced as follows:

- Expenditures under \$2,000,000 – MP ~~\$500~~ \$250 (Median \$383)
- Expenditures between \$2,000,001 and \$6,000,000 – MP ~~\$1,500~~ \$1,250 (Median Premium \$1,876)
- Expenditures between \$6,000,001 and \$10,000,000 – MP ~~\$2,500~~ \$2,250 (Median Premium \$2,608)
- Expenditures between \$10,000,001 and \$20,000,000 – MP ~~\$3,000~~ \$2,750 (Median Premium \$4,108)
- Expenditures over \$20,000,000 – MP ~~\$3,500~~ \$3,250 (Median Premium \$11,739)

Admin Costs – The JPA program administration cost for the crime program is \$23,256. This cost is now being divided evenly to each member. $23,256 / 88 = 264$. The insurance brokerage fee of \$27,412 will remain a part of the excess insurance cost and therefore will be spread to the members as a part of the standard crime program allocation.

Deductible – The optional \$10,000 deductible was removed. All members will have a \$5,000 deductible.

A motion was made to recommend approval of the FY 14/15 Crime Program Rating and Allocation Method to the AORMA Officers.

First: Mark Day
Second: Guy Dalpe

MOTION CARRIED

| NAME | AYE | ABSTAIN | NAY | ABSENT |
|---------------|-----|---------|-----|--------|
| Kurt Borsting | | | | X |

| | | | | |
|----------------|----------|--|--|--|
| Guy Dalpe | X | | | |
| Gigi Kiama | X | | | |
| Haleh Minakary | X | | | |
| Mark Day | X | | | |

D. ADJOURNMENT

A motion was made to adjourned the meeting

First: Mark Day
Second: Guy Dalpe

MOTION CARRIED

| NAME | AYE | ABSTAIN | NAY | ABSENT |
|----------------|------------|----------------|------------|---------------|
| Kurt Borsting | | | | X |
| Guy Dalpe | X | | | |
| Gigi Kiama | X | | | |
| Haleh Minakary | X | | | |
| Mark Day | X | | | |

The meeting was adjourned at 3:13 PM.