

**MINUTES OF THE
CSURMA EXECUTIVE COMMITTEE MEETING**

SEPTEMBER 7, 2018

ALLIANT INSURANCE SERVICES

2180 HARVARD STREET, SUITE 460 • SACRAMENTO, CA

8:30 AM

MEMBERS PRESENT

Scott Apel, California State University Long Beach
Dwayne Brummett (AORMA Chair), Associated Students, Inc. at San Luis Obispo
Lisa Chavez (Chair), California State University Los Angeles
Thom Davis, California State University, Bakersfield
Robert Eaton (Treasurer), California State University, Office of the Chancellor (*via Teleconference*)
Lisa Kao, California State University, Fresno
Dave Nakamura (AORMA First Vice Chair), Humboldt State University Center (*via teleconference*)
Kevin Saunders (Vice-Chair), California State University, Monterey Bay
Amy Thomas, California State University, Stanislaus

MEMBERS ABSENT

None

STAFF, GUESTS & CONSULTANTS

Christina Carcamo, Risk and Safety Solutions, University of California
Diana Cox, Risk and Safety Solutions, University of California
Zachary Gifford, (CSURMA Secretary/Auditor), CSU Office of the Chancellor
Tevea Him, Alliant Insurance Services, Inc.
Daniel Howell, Alliant Insurance Services, Inc.
William Hsu, CSURMA General Counsel, CSU Office of the Chancellor (*via Teleconference*)
Alice Kim, CSU Office of the Chancellor, CSURMA Accounting (*via Teleconference*)
Rob Leong, Alliant Insurance Services, Inc.
Amy Lightner, Alliant Insurance Services, Inc.
Mimi Long, Alliant Insurance Services, Inc.
Elvyra (Vi) San Juan, Capital Planning, Design and Construction (*via Teleconference*)

A. CALL TO ORDER

The meeting was called to order by the Chair, Lisa Chavez at 8:30 AM. Robert Eaton stated his desire to abstain from voting on all items, unless specifically stated otherwise.

A1. Approval of the Agenda

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

Motion: Kevin Saunders

Second: Scott Apel

NAME	AYE	ABSTAIN	NAY	ABSENT
Amy Thomas	X			
Dave Nakamura				X
Dwayne Brummett	X			
Kevin Saunders	X			
Lisa Chavez	X			
Lisa Kao	X			
Robert Eaton		X		
Scott Apel	X			
Thom Davis	X			

MOTION CARRIED

B. PUBLIC COMMENTS

There were no comments from members of the public.

C. CONSENT CALENDAR

- C1. Approval of Minutes – April 25, 2018.** The meeting minutes will reflect that Robert Eaton attended via Teleconference
- C2. Adoption of CSURMA Executive Committee and Board of Directors 2019 Meeting Calendar**
- C3a. Financial Report – Receipt and Review of the Draft Financial Statements at June 30, 2018**
- C3b. Financial Report – Treasurer’s Report at June 30, 2018**

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

Motion: Kevin Saunders

Second: Scott Apel

NAME	AYE	ABSTAIN	NAY	ABSENT
Amy Thomas	X			
Dave Nakamura				X
Dwayne Brummett	X			
Kevin Saunders	X			
Lisa Chavez	X			
Lisa Kao	X			

Robert Eaton		X		
Scott Apel	X			
Thom Davis	X			

MOTION CARRIED

Daniel Howell noted that the December 7, 2018 meeting may be cancelled as the Executive Committee usually has a meeting in January during the AOA Annual Conference.

D. GENERAL ADMINISTRATION

D1. Insurance Renewals Report

The majority of the CSURMA excess insurance programs renew on July 1st. Daniel Howell updated the Committee on the insurance renewals, providing a cost comparison as well as a summary of the major changes to the programs' terms.

Program	AORMA Percent Change	Campus Percent Change
Excess Liability	8%	13%
Property	19%	14%
Worker's Compensation	-7%	3%
Builder's Risk	N/A	Flat
Fine Arts	N/A	10%
SPLIP & SAFECLIP	N/A	Flat
FTIP	18%	18%
Aviation	Flat	Flat
Medical Malpractice	Flat	Flat
Fidelity	Flat	Flat
Trustees E&O / Fiduciary	6%	71%
Cyber	-32%	-32%

Howell explained that Staff was able to structure the excess liability program to provide concussive injuries and employment practices liability coverage up to \$100MM; excess of \$100MM, the program provides general liability and auto liability only. Staff negotiated lower pricing for workers' compensation from CSAC-EIA for a new two-year term. The Trustees E&O policy was enhanced for FY 18/19 to increase the systemwide trustees coverage limit from \$2MM to \$5MM.

D2. Actuarial Reports for Liability, Workers' Compensation, and Athletic Injury Medical Expense Programs

Rob Leong provided a summary of the key findings and exhibits within the actuarial reports for the Campus Liability, Campus Workers' Compensation and Athletic Injury Medical Expense

programs. Leong noted that the AIME costs are rising due to the increase in medical expense costs. Each sport is rated separately.

A motion was made to accept actuarial reports.

Motion: Thom Davis

Second: Dwayne Brummett

NAME	AYE	ABSTAIN	NAY	ABSENT
Amy Thomas	X			
Dave Nakamura				X
Dwayne Brummett	X			
Kevin Saunders	X			
Lisa Chavez	X			
Lisa Kao	X			
Robert Eaton		X		
Scott Apel	X			
Thom Davis	X			

MOTION CARRIED

D3. Campus Risk Pools Funding Status at June 30, 2018 and Evaluation of Potential Campus Risk Pool Dividends and Assessments

Rob Leong summarized the funding status of Campus Liability, Campus Workers’ Compensation and Athletic Injury Medical Expense risk pools at June 30, 2018. Funding in excess of the Targeted Funding levels indicate an opportunity to return dividends to campus members. Dividend declaration that may be taken have not been included in the adopted budget for FY 2018/19. Thus, any expenditures will reduce pool reserves accordingly. Target Equity indicates a surplus of \$28,892,607 of which \$4,889,503 is eligible for dividends.

A motion was made to accept the Target Surplus Funding Analysis report.

Motion: Lisa Chavez

Second: Scott Apel

NAME	AYE	ABSTAIN	NAY	ABSENT
Amy Thomas	X			
Dave Nakamura				X
Dwayne Brummett	X			
Kevin Saunders	X			
Lisa Chavez	X			
Lisa Kao	X			
Robert Eaton		X		

Scott Apel	X			
Thom Davis	X			

MOTION CARRIED

Cash flow has been an issue the past two years due to the change in the OCIP program structure, prefunding of workers’ compensation losses through CSAC-EIA and paying off old liabilities through the workers’ compensation claims closure initiative. The Committee discussed the liquidity of CSURMA’s long-term investments. Robert Eaton indicated that the current budget indicates negative cash flow. Eaton noted that \$80MM was recently moved from long-term to short-term investments.

The Committee directed Staff to provide a two-year cash flow projection, as well as addressing the following questions:

1. *How liquid are the long-term investments?*
2. *If liquidated, would it be at a loss?*

As shown below, a motion was made to approve dividends of \$1,127,520 from the Campus Liability Program, \$3,647,367 from the Campus Workers’ Compensation Program, and \$114,615 from the AIME Program. The AIME dividend is to be used to return to the Liability Program a portion of the \$500,000 loan that was approved by the Executive Committee at its September 8, 2017 meeting.

Target Surplus Funding Analysis				
	Liability	WC	AIME	Total
Excess of 70% CI	\$7,646,090	\$20,240,528	\$1,005,989	\$28,892,607
Maximum Available	2,255,041	7,294,734	229,231	9,779,005
Indicated Dividend	\$1,127,520	\$3,647,367	\$114,615	\$4,889,503
Loan Repayment	\$0	\$0	(\$114,615)	(\$114,615)
Dividend Payable	\$1,127,520	\$3,647,367	\$0	\$4,774,887

Motion: Scott Apel
 Second: Kevin Saunders

NAME	AYE	ABSTAIN	NAY	ABSENT
Amy Thomas	X			
Dave Nakamura				X
Dwayne Brummett	X			
Kevin Saunders	X			
Lisa Chavez	X			
Lisa Kao	X			
Robert Eaton		X		

Scott Apel	X			
Thom Davis	X			

MOTION CARRIED

The Committee directed Staff to;

1. *Book a loan of \$500,000 within the AIME program which represents the loan to the AIME program from the Campus Liability Program.*
2. *Footnote the Target Surplus Equity report to show the \$500,000 loan.*

D4. FY 2019/20 Rates and Gross Funding Campus Coverage Programs

Rob Leong summarized the FY 18/19 proposed gross funding as shown in the table below. Upon the recommendation of the Executive Committee, the Board of Directors adopts rates and funding for the upcoming fiscal year at its Fall meeting. Staff has prepared FY 2019/20 funding recommendations for the Campus coverage programs using the draft actuarial reports completed August 2018.

As summarized by Leong, the liability costs are increasing primarily due to an increase in payroll as well as increased excess liability costs. The workers’ compensation rate is flat; however, the premium is increasing due to an increase in payroll. Staff expects a 4% increase to the property program due to loss experience. The auto liability program through the State of California increased as well due to two large losses.

The Campus Liability Program rates are undiscounted for anticipated investment income, whereas the funding of the Workers’ Compensation program includes discounted rates, with authority delegated by the Board of Directors for the Executive Committee to finalize funding on either a discounted or undiscounted basis when it meets in the Spring.

Coverage Program	FY 18/19 Actual Cost	FY 19/20 Proposed	\$ Chg	% Chg
Liability	\$16,173,148	\$18,605,268	\$2,432,120	15.0%
Workers' Compensation	38,837,384	40,781,992	1,944,608	5.0%
IDL/NDI/UI	15,500,000	15,316,000	(184,000)	-1.2%
Property	8,450,000	8,788,000	338,000	4.0%
AIME	4,660,547	4,760,949	100,402	2.2%
Automobile Liability	772,833	1,408,547	635,714	82.3%
Total	\$84,393,912	\$89,660,756	\$5,266,844	6.2%

A motion was made to recommend acceptance of the proposed gross funding for FY 2019/20 as presented in the table above to the Board of Directors.

Motion: Kevin Saunders
 Second: Scott Apel

NAME	AYE	ABSTAIN	NAY	ABSENT
Amy Thomas	X			
Dave Nakamura				X
Dwayne Brummett	X			
Kevin Saunders	X			
Lisa Chavez	X			
Lisa Kao	X			
Robert Eaton		X		
Scott Apel	X			
Thom Davis	X			

MOTION CARRIED

D5. Task Group Report on OCIP and Revision to Policy and Procedure No. 20 – Owner Controlled Insurance Program (OCIP)

At its last meeting on April 25, 2018, the Executive Committee formed a task group to review the proposed changes to Policy & Procedure No. 20 for CSURMA to pay insurance premiums for campus construction projects that are enrolled in the Owner Controlled Insurance Program managed by the Chancellor’s Office Capital Planning Design & Construction (CPDC). The changes in procedure enable projects enrolled in OCIP to realize the savings expected to be derived by OCIP. The changes also serve to facilitate premium payments, including project audits and premium adjustments. OCIP premiums paid by CSURMA are to be reimbursed by the projects via CPDC. The new procedures are to apply beginning with OCIP 2. The Task Group met on July 25, 2018 with CPDC, OCIP broker, and CSURMA staff. The revisions to Policy and Procedure No. 20 serve to memorialize the understanding and responsibilities of CPDC and CSURMA. The proposed timeline for reimbursements is at the project’s midpoint during construction and at final project completion.

The Committee reviewed the current OCIP project exhibit as well as the OCIP program cash flow estimates. The Committee expressed the need to take a second look at how prefunding of the OCIP costs by CSURMA is affecting the JPA’s cash flow and investment income. The current structure of the OCIP 2 has created an investment income loss for CSURMA and the JPA should be made whole. Currently, only ten campuses have projects enrolled in OCIP 2; however, those members with no OCIP projects are paying a percentage of the investment loss as it is allocated to the entire OCIP program. Loss of investment income is not currently part of the OCIP cash flow estimates. The Committee would like to discuss in detail whether the investment loss of CSURMA should be allocated to the campuses participating in OCIP 2. The Committee also questioned how CSURMA will catch up after inception of OCIP 3.

The Committee directed Staff to;

- 1. Update the OCIP cash flow estimate to include loss of investment income.*
- 2. Work with CPDC to update the OCIP MOU to include imputed interest.*

The Committee tabled this item to the next meeting in October.

D6. CSURMA Support of Systemwide EH&S Software Package

Diana Cox and Christina Carcamo from Risk and Safety Solutions, University of California presented information regarding the new software available to all CSU campuses through Risk and Safety Solutions. The presentation included information regarding the three software systems purchased:

- 1. Assessment** - A tool for assessing hazards in laboratories and other workspaces and tracking the recommendations provided by the system based on the assessment, such as protective equipment, required training and safe handling procedures.
- 2. Chemicals** - A chemical inventory management system that includes a library that places chemicals into a record or “family” grouping of like products and assigns hazard bands automatically. Administrators can manage their chemical inventory compliance across multiple labs and review inventories and details of chemical use. The associated dashboard includes built-in reporting for Maximum Allowable Quantity, CFATS, OSHA-related carcinogens and hazard classification reports with real-time results.
- 3. Inspect** - An inspection tool that allows users in a variety of settings to complete audits and inspections with the convenience of a mobile app. It provides a streamlined way to record issues, track resolutions and analyze trends.

The contract also provides an 80% discount for any system used by a campus outside of the CSURMA MOU. The Chancellor’s Office has agreed to provide \$500,000 annually to support this program. The program costs, other than the \$500,000, will be included in the liability program allocation as an unmodified cost (the liability experience modification factor will not apply; it will be a straight allocation to each campus.) The cost will be split evenly between campuses and not allocated based on campus size.

A motion was made to;

1. Delegate authority to the CSURMA Secretary-Auditor to execute the contract with RSS,
2. Approve a mid-term budget amendment of \$500,000 for implementation of the broader package of modules, and
3. Approve the change to include the costs within the liability program allocation as an unmodified cost.

Motion: Kevin Saunders

Second: Amy Thomas

NAME	AYE	ABSTAIN	NAY	ABSENT
Amy Thomas	X			
Dave Nakamura				X
Dwayne Brummett	X			
Kevin Saunders	X			
Lisa Chavez	X			
Lisa Kao	X			
Robert Eaton		X		
Scott Apel	X			
Thom Davis	X			

MOTION CARRIED

D7. Change in Calculation of the Campus WC Risk Pool Premium Audit Adjustment

CSAC Excess Insurance Authority (*EIA*) has been providing Primary Workers’ Compensation since January 1, 2015. EIA’s coverage structure involves primary reinsurance and excess insurance. EIA recently replaced *Great American* as the reinsurer in the primary layer with *State National Insurance Co.* EIA and CSURMA had agreed to a premium audit process allowing Campus WC to over-report payroll projections by 2.5% while reducing the premium rate by 2.5%, thereby creating a margin for premium adjustments upon audit of the final actual payroll. This strategy was developed to minimize the fiscal impact on CSU’s budget and was intended to be cost neutral while complying with Great American’s need for premium audits based on final actual payrolls. The new reinsurer prefers to calculate the final premium per standard industry practice. In so doing, State National agrees to waive the first 2.5% of additional premium that otherwise is earned at final audit.

A motion was made to accept the change in payroll audit process as described above.

Motion: Kevin Saunders
 Second: Thom Davis

NAME	AYE	ABSTAIN	NAY	ABSENT
Amy Thomas	X			
Dave Nakamura				X
Dwayne Brummett	X			
Kevin Saunders	X			
Lisa Chavez	X			
Lisa Kao	X			

Robert Eaton		X		
Scott Apel	X			
Thom Davis	X			

MOTION CARRIED

D8. CSURMA AORMA Benefits Program

At its meeting on September 6th, the AORMA Committee approved the CSURMA AORMA Benefits Program participation agreement as well as reviewed the addendum to the Broker/Consultant Services Agreement dated January 1, 2016 between Alliant Insurance Services, Inc. and the California State University Risk Management Authority which allows Alliant to receive compensation for benefits purchased through CSAC EIA. The AORMA Committee recommends approval of the addendum.

A motion was made to approve the addendum to the Broker/Consultant Services Agreement dated January 1, 2016 between Alliant Insurance Services, Inc. and the California State University Risk Management Authority which allows Alliant to receive compensation for benefits purchased through CSAC EIA.

Motion: Dwayne Brummett
 Second: Kevin Saunders

NAME	AYE	ABSTAIN	NAY	ABSENT
Amy Thomas	X			
Dave Nakamura				X
Dwayne Brummett	X			
Kevin Saunders	X			
Lisa Chavez	X			
Lisa Kao	X			
Robert Eaton		X		
Scott Apel	X			
Thom Davis	X			

MOTION CARRIED

D9. Renewal of the VEOCI Agreement

The Committee reviewed the contract extension of the existing contract with Veoci, the Virtual Emergency Operations Center which provides a systemwide cloud-based emergency management, business continuity and disaster recovery platform. The original contract with Veoci was approved by the Executive Committee on March 9, 2017, as an innovation grant submitted by the Emergency Managers Affinity Group. The renewal contract provides 230 Veoci licenses (10 per campus.)

Staff was directed to reach out to Veoci for a utilization report. Committee members express concern that the system was not being utilized as it is not performing as it should.

A motion was made to approve the contract extension with Veoci.

Motion: Scott Apel
Second: Thom Davis

NAME	AYE	ABSTAIN	NAY	ABSENT
Amy Thomas	X			
Dave Nakamura				X
Dwayne Brummett	X			
Kevin Saunders	X			
Lisa Chavez	X			
Lisa Kao	X			
Robert Eaton		X		
Scott Apel	X			
Thom Davis	X			

MOTION CARRIED

D10. California Maritime Academy – Day on the Bay

Daniel Howell explained California Maritime Academy (CMA) does not purchase Protection and Indemnity (i.e. Liability Coverage) for the Training Ship Golden Bear (TSGB). CMA is hosting its annual alumnae and community event on October 7, 2018 and has been asked for proof of liability coverage. It has been proposed that CSURMA cover injuries to the approximately 700 guests attending the event. No coverage would be provided for operation of the vessel, damage to the hull, or resulting third-party damages (other than injuries to the guest). Campus Liability and Workers’ Compensation Programs cover injuries CMA officers, employees and cadets during TSGB operations.

A motion was made to cover injuries to passengers only within the Campus Liability program up to \$5,000,000 excess of primary insurance purchased by CMA, if available.

Motion: Kevin Saunders
Second: Thom Davis

NAME	AYE	ABSTAIN	NAY	ABSENT
Amy Thomas	X			
Dave Nakamura				X
Dwayne Brummett	X			
Kevin Saunders	X			
Lisa Chavez	X			
Lisa Kao	X			
Robert Eaton		X		
Scott Apel	X			

Thom Davis	X			
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MOTION CARRIED

The Committee directed Staff to find a long-term solution to cover the TSGB.

E. OTHER PROGRAMS

E1 AORMA Programs Update

Dwayne Brummett reported on the recent activities of the AORMA Committee.

E2 AIME Program Update

Lisa Kao reported on the recent activities of the AIME Committee.

F. CLOSED SESSION

1. Sargent v. CSU (Sonoma)
2. Benjamin v. CSU (Sonoma)
3. Hudson v. CSU (LA)
4. Shepler v. CSU
5. SFSU Science Building Insurance Coverage Claim
6. SLO Landside Insurance Coverage Claim
7. CNA v. CSU

A motion was made to enter closed session at 11:20 AM.

Motion: Scott Apel

Second: Kevin Saunders

NAME	AYE	ABSTAIN	NAY	ABSENT
Amy Thomas	X			
Dave Nakamura		X		
Dwayne Brummett	X			
Kevin Saunders	X			
Lisa Chavez	X			
Lisa Kao	X			
Robert Eaton		X		
Scott Apel	X			
Thom Davis	X			

MOTION CARRIED

The Committee came out of closed session 12:09 PM. The Chair reported that no action was taken during the closed session.

G. INFORMATION ITEMS

The Committee reviewed and discussed the information items.

- G1. Campus Workers' Compensation Program Aggregate Stop Loss Coverage Status (PARCEL)**
- G2. FY 2018/2019 Long Range Planning Goals – Update on Completion Status**
- G3. CSURMA Administrative Service Calendar**
- G4. 2018 CSURMA Meeting Calendar**
- G5. CSURMA Executive Committee & Staff Contact List**

H. ADJOURNMENT

The meeting was adjourned at 12:09 PM.