



APPROVED

**MINUTES OF THE CSURMA AORMA
PROGRAMS COMMITTEE MEETING
DECEMBER 12, 2013
TELECONFERENCE MEETING
2:04 PM**

MEMBERS PRESENT

Guy Dalpe, Cesar Chavez Student Center (San Francisco State University)
Kurt Borsting, Associated Students, Inc. (CSU Fullerton) – *Left at 4:01pm*
Gigi Kiama, University Corporation (CSU Monterey Bay)
Mark Day, Santos Manuel Student Union (CSU San Bernardino) – *in attendance as a non-voting member*

MEMBERS ABSENT

Haleh Minakary, The Cal Poly Pomona Foundation, Inc. (Cal Poly Pomona)

STAFF, GUESTS AND CONSULTANTS

Mimi Long, Alliant Insurance Services, Inc.

A. CALL TO ORDER

The meeting was called to order by Guy Dalpe at 2:04 PM.

B. PUBLIC COMMENTS

There were no public comments.

C. GENERAL ADMINISTRATION

C1. Approval of the Agenda Order

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

First: Kurt Borsting
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. Approval of Minutes – October 3, 2013

A motion was made to approve the minutes from the October 3, 2013 meeting.

First: Gigi Kiama
Second: Kurt Borsting

MOTION CARRIED

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

C3. Approval of the FY 14/15 Liability Program Member Cost Allocations

The Committee reviewed the FY 14/15 Liability Program Member Cost Allocation. Mimi explained that Phil Lendaris, the Alliant staff underwriter, still continues to provide underwriting support and he sets the recommended allocation of costs for each member based on the member’s losses and changes in operation year over year. Mimi explained that the Programs Committee will be reviewing alternate rating models for FY 15/16. Phil individually rates each member based on ISO classifications.

A motion was made to approve the FY 14/15 Liability Program Member Cost Allocation as presented.

First: Gigi Kiama
Second: Kurt Borsting

MOTION CARRIED

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

C4. Approval of the FY 14/15 Workers’ Compensation Program Member Cost Allocations

The Programs Committee reviewed the FY 14/15 workers’ compensation program member cost allocation spreadsheet. Mimi explained that the costs are allocated to the members based on their proposed payroll for FY 14/15 and loss experience.

Every year the actuary reviews losses within each of AORMA’s six class codes and provides estimated rates for those class codes. Because AORMA members have relatively few losses within each class code one bad year, or good year, can completely skew the rate for that class code. Mimi explained that the actuary does not believe that AORMA will ever have enough losses in any one AORMA class code to make the AORMA workers’ compensation rates stable. Historically, the rates for the six AORMA class codes have been set by using a combination of between two and five WCIRB rates and a percentage of the AORMA loss rate calculated by the actuary. The AORMA loss rates differ significantly year or year.

In order to stabilize AORMA’s workers’ compensation rates, staff recommends using one WCIRB rate within each of the AORMA class codes rather than the current AORMA/WCIRB combined rate. The workers’ compensation experience modification factor will then serve to modify a member’s premium based on its own loss experience.

Staff is proposing the use of the following WCIRB class code rates within each AORMA class code:

Proposed Workers’ Compensation Rates for FY 14/15

WCIRB	AORMA	Description
8810	1001	Clerical
8868	1002	Colleges - professors, teachers or academic professional employees
8071	1004	Stores, books, retail
9053	1005	Exercise, health institutes - all ee's
9079	1006	Restaurants or taverns - all employees
9101	1007	Colleges - all ee's except professors, teachers or academic professional employees

The AORMA workers’ compensation class code descriptions will remain unchanged.

<u>WCIRB</u>	<u>AORMA</u>	FY 13/14 Combined AORMA / WCIRB Rates	FY 14/15 WCIRB Rate (w/o Collar)	FY 14/15 WCIRB Rate (Collared)	% Difference
8810	1001	0.578	0.560	0.560	-3%
8868	1002	1.011	1.450	1.432	42%
8071	1004	1.932	2.360	2.360	22%
9053	1005	2.309	4.120	3.272	42%
9079	1006	3.639	5.150	5.150	42%
9101	1007	2.744	7.600	3.888	42%

The Committee asked Staff to review the 25% surcharge for those members with an experience modification in excess of 1.25. This will be reviewed along with the member allocation later in the year.

A motion was made to approve (1) the use of the FY 14/15 WCIRB Rates (Collared) in the member allocation and (2) the allocation of the total program costs to the AORMA members as shown on the FY 14/15 Workers' Compensation Program – Member Costs Allocation.

<u>AORMA</u>	FY 14/15 WCIRB Rate (Collared)
1001	0.560
1002	1.432
1004	2.360
1005	3.272
1006	5.150
1007	3.888

First: Kurt Borsting

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

C5. Approval of the FY 14/15 Property Program Member Cost Allocations

Mimi explained that in accordance with Policy and Procedure P-1 – Property Program Member Allocation, the Programs Committee is responsible for approving the final member allocation and the allocation factors for FY 14/15. The AORMA Committee approved the total property program costs for FY 14/15 of \$3,179,019. These costs have been allocated based on the property program member allocation formula. The Committee reviewed two options. Option 1 has an 80% minimum collared rate whereas Option 2 has an 85% minimum collared rate. Option 2 results in a significantly lower rate because all but nine members are capped at the minimum rate, which means that only nine members benefit from the reduced rate. The allocation factors for each option are noted below.

Option 1

1. Basic rate
 - a. .1730 – Real Property and BI / Rents
 - b. .2076 – Business Personal Property
2. Maximum premium for calculating the size credit - \$600,000
3. Maximum size credit rate percentage – 30%
4. Maximum collared rate percentage – 20% increase (two members are collared at the maximum rate)
5. Minimum collared rate percentage – 20% reduction (eight members are collared at the minimum rate)
6. Minimum premium - \$600
7. Loss ratio surcharge schedule
 - a. Less than 20% - 0%
 - b. Between 20% and 40% - 5%
 - c. Between 40% and 60% - 10%
 - d. Between 60% and 80% - 15%
 - e. Between 80% and 100% - 20%
 - f. Excess of 100% - 25%

Option 2

1. Basic rate (Only nine members benefit from these lower rates; the remaining members are collared at the 15% maximum reduction)
 - a. .1400 – Real Property and BI / Rents
 - b. .1680 – Business Personal Property
2. Maximum premium for calculating the size credit - \$600,000
3. Maximum size credit rate percentage – 30%
4. Maximum collared rate percentage – 20% increase (no members are collared at the maximum rate)
5. Minimum collared rate percentage – 15% reduction (all members are collared at the minimum rate except nine members)
6. Minimum premium - \$600

- 7. Loss ratio surcharge schedule
 - c. Less than 20% - 0%
 - d. Between 20% and 40% - 5%
 - e. Between 40% and 60% - 10%
 - f. Between 60% and 80% - 15%
 - g. Between 80% and 100% - 20%
 - h. Excess of 100% - 25%

A motion was made to approve the FY 14/15 Property Program Member Cost Allocation - Option 1.

First: Kurt Borsting
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

C6. Approval of the FY 14/15 Crime Program Member Cost Allocations

Mimi explained that in accordance with Policy and Procedure C-1 – Crime Program Member Allocation, the Programs Committee is responsible for approving the final member allocation and the allocation factors for FY 14/15. The AORMA Committee approved the total crime program costs for FY 14/15 of \$337,000. These costs have been allocated based on the crime program member allocation formula which includes the following allocation factors:

1. Maximum premium for calculating the size credit - \$15,000 (the original allocation formula approved by the Programs Committee and AORMA Committee used \$10,000. Staff recommended \$10,000 for FY 14/15 to help aid in the premium stability from FY 13/14 to FY 14/15.)
2. Maximum size credit rate percentage – 30%
3. Maximum collared rate percentage – 40% increase (sixteen members are collared at the maximum rate)
4. Minimum collared rate percentage – 20% reduction (the original allocation formula approved by the Programs Committee and AORMA Committee used a 15% reduction; however, taking into consideration the other allocation factors and the reduction in overall all program funding, a 15% reduction is not large enough to reduce the funding to the amount required. With a 20% reduction, three members are collared at the minimum rate.)

5. Minimum premium
 - a. Expenditures less than \$2,000,000 - \$250
 - b. Expenditures between \$2,000,001 and \$6,000,000 - \$1,250
 - c. Expenditures between \$6,000,001 and \$10,000,000 - \$2,250
 - d. Expenditures between \$10,000,001 and \$20,000,000 - \$2,750
 - e. Expenditures greater than \$20,000,001 - \$3,250

6. Loss ratio surcharge schedule
 - a. Less than 50% - 0%
 - b. Between 50% and 100% - 10%
 - c. Excess of 100% - 20%

A motion was made to approve the FY 14/15 Crime Program Member Cost Allocation as presented.

First: Kurt Borsting
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

C7. Approval of the FY 14/15 Unemployment Insurance Program Rating Allocation

Mimi explained that Staff is requesting that the Committee discuss two items within the UIP.

Per Policy and Procedure UI-1, each member’s annual Unemployment Insurance Program annual contribution will be calculated as follows:

Member’s average annual paid claims for five years ending 6/30
Plus
Administrative costs
Plus
Additional “safe level” funding (as required)

Each member is required to maintain two times its average annual losses within the Unemployment Insurance Program as a safe level fund balance. If the member’s fund balance is below the minimum, the member will be assessed 20% of its annual contribution until the

member’s fund balance is at the minimum required safe level. Staff is recommending that the following changes be made to Policy and Procedure UI-1:

Each MEMBER must maintain in the AORMA UIP fund a minimum fund balance of two times its average annual losses. If a MEMBER’s fund balance is below the minimum, annually, the additional funding required will be calculated and the MEMBER will be assessed at the program anniversary date an amount not to exceed 20% of the additional funding required to achieve the minimum fund balance. The MEMBER will be assessed annually ~~its annual contribution~~ until the MEMBER’s fund balance is at the minimum fund balance.

Mimi explained that the University Enterprises, Inc., CSU Sacramento (UEI) had to lay off all of its Federal Work Study Student Assistants. Therefore, UEI’s UI claims within FY 12/13 increased significantly for two quarters. Staff is recommending that UEI’s premium calculation for FY 14/15 take into consideration the fact that the spike in UI claims is not a continuing trend. For the purpose of calculating the deposit for FY 14/15, staff substituted UEI’s FY 12/13 claims with the FY 11/12 claims. This lowered their five year average claim amount from \$551,683 to \$396,544 and reduced their safe level from \$1,103,366 to \$793,089. UEI’s fund balance at 6/30/13 does, however, include the actual claims paid during FY 12/13 and therefore, the additional funds required to achieve the minimum fund balance contemplates their actual negative fund balance. UEI will be required to reimburse the AORMA unemployment insurance program for its actual claim costs.

UEI’s historical claims are noted below

Actual	Capped
FY 12/13 \$1,127,492	FY 12/13 \$351,801
FY 11/12\$351,801	FY 11/12 \$351,801
FY 10/11\$412,716	FY 10/11\$412,716
FY 09/10\$428,898	FY 09/10\$428,898
FY 08/09\$437,506	FY 08/09\$437,506
Five Year Average.....\$551,683	Five Year Average\$396,544

The Committee asked Staff to use the actual five year average losses of \$551,683 for the capped FY 12/13 losses rather than the actual FY 11/12 losses of \$351,801 for the capped FY 12/13 losses as noted below.

Actual	Capped
FY 12/13 \$1,127,492	FY 12/13 \$551,683
FY 11/12\$351,801	FY 11/12 \$351,801
FY 10/11\$412,716	FY 10/11\$412,716
FY 09/10\$428,898	FY 09/10\$428,898
FY 08/09\$437,506	FY 08/09\$437,506
Five Year Average.....\$551,683	Five Year Average\$436,521

A motion was made to recommend approval to the AORMA Committee of the revisions to Policy and Procedure UI-1 and to approve the FY 14/15 Unemployment Insurance Program Member Allocation with the substitution of UEI's actual FY 12/13 claims of \$1,127,492 with its actual five year average claims of \$551,683.

First: Kurt Borsting
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

C8. Liability Program Dividend Allocation (July, 2014 Distribution)

Mimi explained that the AORMA Committee approved the Target Surplus Funding Analysis and Dividend Calculation and a total dividend distribution of 33% of the maximum dividend available or \$978,346. The total dividend has been allocated to the members based on the formula outlined in Policy & Procedure A-4 – Dividends and Assessments.

A motion was made to approve the liability program dividend allocation (July, 2014 distribution) as presented.

First: Gigi Kiama
Second: Kurt Borsting

MOTION CARRIED

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

C9. Workers' Compensation Program Dividend Allocation (July, 2014 Distribution)

Mimi explained that the AORMA Committee approved the Target Surplus Funding Analysis and Dividend Calculation and a total dividend distribution of 33% of the maximum dividend available or \$845,387. The total dividend has been allocated to the members based on the formula outlined in Policy & Procedure A-4 – Dividends and Assessments.



APPROVED

A motion was made to approve the workers' compensation program dividend allocation (July, 2014 distribution) as presented.

First: Kurt Borsting
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

D. INFORMATION ITEMS

The following information items were presented. There was no discussion.

- D1. FY 12/13 Long Range Action Plan**
- D2. CSURMA AORMA 2013 Meeting Calendar**
- D3. CSURMA AORMA Program Administrator's Contact Lists**
- D4. AORMA Committee Members - Effective 7/1/13**

E. ADJOURNMENT

The meeting was adjourned at 3:40 PM.