

**MINUTES OF THE
CSURMA EXECUTIVE COMMITTEE MEETING**

SEPTEMBER 23, 2016

**ALLIANT INSURANCE SERVICES
1301 Dove Street, Suite 200 • Newport Beach, CA**

10:00 AM

MEMBERS PRESENT

Scott Apel, California State University Long Beach
Lisa Chavez, California State University Los Angeles
Guy Dalpe (AORMA Vice-Chair), Associated Students, Inc., San Francisco State University (*via Teleconference – Non Voting*)
Robert Eaton (Treasurer), California State University, Office of the Chancellor
Linda Hawk (Chair), California State University, San Marcos
Mike Lee (Vice-Chair), California State University, Sacramento
Frank Mumford (AORMA Chair), CSU Fullerton Auxiliary Services Corporation (*Arrived at 10:26 AM*)
Kevin Saunders, California State University, Monterey Bay
Jody Van Leuven, California State University, San Bernardino

MEMBERS ABSENT

None

STAFF, GUESTS & CONSULTANTS

Anthony Botro – Ventiv
Kelly Cox – CSU, Office of the Chancellor
Zachary Gifford (CSURMA Secretary/Auditor), CSU Office of the Chancellor
Daniel Howell - Alliant Insurance Services, Inc.
William Hsu – CSU, Office of General Counsel
Carrie James - Ventiv
Rob Leong - Alliant Insurance Services, Inc.
Mimi Long - Alliant Insurance Services, Inc.
Chris Ray - KPMG
Rebecca Skidmore – CSU, Office of the Chancellor

A. CALL TO ORDER

The meeting was called to order by the Chair, Linda Hawk at 10:00 AM.

A1. Approval of the Agenda

Item D9 - Insurance Policy Database - Presentation by Ventiv – was moved up on the agenda to be discussed immediately after Item D1 - Report on Independent Auditor’s Financial Audit as of June 30, 2016.

A motion was made to approve the new order of the agenda as noted above.

MOTION: Mike Lee
SECOND: Robert Eaton

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Guy Dalpe				X
Robert Eaton	X			
Linda Hawk	X			
Mike Lee	X			
Frank Mumford				X
Kevin Saunders	X			
Jody Van Leuven	X			

MOTION CARRIED

B. PUBLIC COMMENTS

There were no comments from members of the public.

C. CONSENT CALENDAR

- C1. Approval of Minutes – May 6, 2016 and September 7, 2016**
- C2a. Receipt and Review of the Draft Financial Statements at June 30, 2016**
- C2b. Treasurer’s Report at June 30, 2016**
- C3. AIME Claims Administration Service Agreement**
- C4. Adoption of CSURMA Executive Committee and Board of Directors 2017 Meeting Calendar**

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

MOTION: Kevin Saunders
SECOND: Mike Lee

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Guy Dalpe				X
Robert Eaton	X			

Linda Hawk	X			
Mike Lee	X			
Frank Mumford				X
Kevin Saunders	X			
Jody Van Leuven	X			

MOTION CARRIED

D. GENERAL ADMINISTRATION

D1. Report on Independent Auditor’s Financial Audit as of June 30, 2016

Kelly Cox introduced Chris Ray from KPMG who discussed the audited financial statements of the CSURMA. Ray summarized the findings as presented in the KPMG letter dated September 22, 2016. KPMG provided a clean opinion of CSURMA’s financial statements.

A motion was made to accept the audited financial report ending June 30, 2016 and recommend approval to the Board of Directors.

MOTION: Lisa Chavez
 SECOND: Mike Lee

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Guy Dalpe				X
Robert Eaton	X			
Linda Hawk	X			
Mike Lee	X			
Frank Mumford				X
Kevin Saunders	X			
Jody Van Leuven	X			

MOTION CARRIED

D9. Insurance Policy Database - Presentation by Ventiv

At its May 5, 2016 meeting, the Executive Committee reviewed staff’s recommendation to expand its current liability claims management system software contract with Ventiv Technologies to add an insurance policy database module that could be further expanded to include benchmarking dashboards across the various insurance programs, such as property, AIME, general liability etc.

The Committee was introduced to Carrie James and Anthony Botro from Ventiv. James and Botro demonstrated the policy management capabilities as well as the “risk console” which would allow

CSURMA to upload all of its loss information to be used in benchmarking, report presentation and risk management solutions.

The Committee felt the expanded risk console capabilities may be useful to the Campus Risk Managers, but wanted their input before making a final decision. Zachary Gifford agreed to invite all Campus Risk Managers to a webinar to demonstrate the Ventiv risk console capabilities in order to receive a recommendation from the Risk Managers for the Executive Committee's consideration.

This item was tabled until the November meeting.

D2. Insurance Renewals Report

Daniel Howell provided an overview of the insurance and reinsurance programs that renewed on July 1, 2016. The AORMA primary excess liability program experienced a substantial increase due to recent losses. The AORMA increase was \$219,542 (24%) which was largely anticipated in the budget; however, some of the additional premium will be absorbed from AORMA program reserves. Two new insurers are taking the AORMA primary excess reinsurance contract – Markel and Great American. The excess tower was stable, with the \$15 million excess of \$5 million underwriters agreeing to cover the programs on a reinsured basis. Staff is working with the reinsurers to finalize the coverage language which will be consistent with expiring terms. The Campus Liability Risk Pool received an increase of \$66,132 (4%). For the Property Insurance, the AORMA program saw a flat rate renewal and the University program a rate increase of 9% and a premium increase of \$566,499 increase due to a recent large loss. Regarding the Workers' Compensation Program, the initial 18 month primary coverage program costs with CSAC EIA should come in below CSU and AORMA's funded loss cost. Systemwide Risk Management agreed to participate in a two year commitment that utilizes EIA's captive insurer to achieve additional savings. The new Fine Arts, Artifacts and Archives property insurance program is being expanded to a Systemwide offering. Members must report any single item with a value excess of \$2.5 million.

D3. Evaluation of Captive Insurance Vehicle

Robert Eaton discussed the captive insurance vehicle evaluation. CSURMA can benefit by utilizing a captive in two ways – the ability to invest in a broader array of instruments including equity positions with the goal of earning a higher return than is earned on investments allowed for public agencies; and, the ability to offer insurance products to third parties such as CSU employees and alumnae, offering the opportunity to retain profits otherwise earned by commercial insurers. Eaton discussed the recommendation on the formation of a captive insurance company as provided by Pinnacle Actuarial Resources, Inc. The pro forma notes a long-term return of 7.5%. Additional costs to run the captive is around 2%; therefore, the net improvement in investment income appears to be 3% to 3.5% additional asset yields to CSURMA. CSURMA may be able to narrow the delta with new investment options.

The Committee discussed the option of moving approximately \$50,000,000 of CSURMA's outstanding liabilities for old open claims into the captive. A captive could be created to pay off

the old claims. As much as \$20,000,000 would need to be ceded into the captive as the initial funding. Eaton will continue to work with Pinnacle as well as Peter Taylor and will provide additional information to the Committee at its next meeting in November.

No action was taken.

D4. CSURMA Member Loan Policy and Allocation of Investable Assets

The Committee discussed the idea of increasing member loans rather than forming a captive. The idea would be to invest back into the CSU system rather than outside sources.

Staff was directed to add this item to the next Executive Committee meeting for additional discussion.

No action was taken.

D5. FY 2017/18 Rates and Gross Funding Campus Coverage Programs

Rob Leong noted that upon the recommendation of the Executive Committee, the Board of Directors adopts rates and funding for the upcoming fiscal year at its Fall meeting. The Committee reviewed the FY 2017/18 funding recommendations for the Campus Coverage Programs using the draft actuarial reports dated August 2, 2016.

The Campus Liability Program costs include premium deposits for the Student Professional Liability Insurance Program (SPLIP) and the Student Academic Field Experience for Credit Liability Insurance Program (SAFECLIP). Campus Property Program costs include Blanket Employee Fidelity coverage, Cyber Risk insurance and Fine Arts Artifacts & Archives insurance (FAAAP). Auto Liability is covered by the State Vehicle Liability Self-Insurance Program (VELSIP), whose cost is determined by the Office of Risk and Insurance Management (ORIM), which is expected to be issued in March 2017. The costs for the purchased insurance programs (SPLIP, SAFECLIP, Property, Fidelity, and Cyber) are estimates at this time since actual rates will not be known until negotiations are finalized in June 2017.

Campuses will have the opportunity to select a new Liability deductible for the next three coverage periods beginning FY 2017/18. The proposed Liability costs have been calculated at present campus deductibles. Campus Property costs have been adjusted for the elimination of the systemwide central fund that previously paid for SPWB funded facilities. As such, in accordance with the instructions from the Office of the Chancellor, all bond-funded facilities are chargeable to the respective campuses beginning with FY 2017/18.

The following summarizes total program costs, with individual campus costs shown in the attachments to this item:

	FY 2016/17	FY 2017/18	% Chg	FY 2017/18	% Chg
	<i>Actual</i>	<i>Undiscounted</i>		<i>Discounted</i>	
Liability	14,240,860	15,561,071	9.3%	15,192,370	6.7%
Workers' Compensation	37,823,215	38,822,622	2.6%	36,337,621	-3.9%
IDL/NDI/UI	13,500,000	15,000,000	11.1%	15,000,000	11.1%
Property	8,250,000	8,250,000	0.0%	8,250,000	0.0%
Auto Liability	845,823	829,510	-1.9%	829,510	-1.9%
AIME ¹	4,158,323	4,158,323	0.0%	4,158,323	0.0%
Total	78,818,221	82,621,526	4.8%	79,767,824	1.2%

(1) AIME Committee to recommend final funding for 2017/18.

The Executive Committee was asked to review and recommend to the Board of Directors adoption of the Campus Coverage programs funding for FY 2017/18 as presented in the table above. It has been the Executive Committee’s general practice to recommend funding on an undiscounted basis for the Board’s Fall meeting, and to review and adopt final funding on an undiscounted or discounted basis, or combination thereof, at its Spring meeting.

A motion was made to adopt discounted funding of \$36,337,621 for the Workers’ Compensation Program and undiscounted funding of \$15,561,071 for the Liability Program and \$15,000,000 for IDL/NDL/UI, \$8,250,000 for Property and \$829,510 for Auto Liability.

MOTION: Mike Lee
 SECOND: Lisa Chavez

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Guy Dalpe				X
Robert Eaton	X			
Linda Hawk	X			
Mike Lee	X			
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

MOTION CARRIED

D6a. Campus Risk Pools Funding Status at June 30, 2016

The Committee reviewed the risk pools funding status reports. Daniel Howell explained that Staff evaluates the funding status of CSURMA’s major risk pool programs and presents its findings to the Executive Committee. In its evaluation, Staff uses the most recent actuarial reports and

financial statements prepared by the Accountant. Staff has completed its evaluation of the funding status for Campus Liability, Campus Workers' Compensation and Athletic Injury Medical Expense risk pools at June 30, 2016.

D6b. Evaluation of Potential Campus Risk Pool Dividends and Assessments

Rob Leong noted that according to CSURMA Policy and Procedure No. 14, the Executive Committee evaluates and approves dividends and assessments for the Campus Risk Pools. The practice has been to declare a dividend of up to fifty percent (50%) of unencumbered program funds where available and an assessment to cover existing and anticipated funding shortfalls for funds that have a negative fund balance.

Pursuant to proposed Policy and Procedure No. 14, staff recommends the Executive Committee approve the proposed dividends and/or assessments for Campus Liability, Campus Workers' Compensation and IDL/NDI/UI risk pools. Staff also recommends the Executive Committee delegate authority to the AIME Committee to determine if a dividend can be distributed from the AIME risk pool in accordance with CSURMA's policies and procedures.

PROPOSED CAMPUS RISK POOLS DIVIDEND

Program	FY 15/16 Dividend	FY 16/17 Dividend
Liability	\$5,038,862	\$5,576,910
Workers' Compensation	\$3,461,497	\$8,111,485
Total	\$8,500,359	\$13,688,395

CSURMA adopted a funding policy that calls for each program to fund its liabilities. CSURMA allows inter-fund borrowing if a fund has a deficit position. Last year, CSURMA declared a dividend of \$8,500,359.

Staff's proposal would have the effect of reducing the Liability and Workers' Compensation funds by half of their excess reserves.

A motion was made to approve the dividends of \$5,576,910 from the liability program and \$8,111,485 from the workers' compensation program.

MOTION: Robert Eaton
 SECOND: Kevin Saunders

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Guy Dalpe				X
Robert Eaton	X			
Linda Hawk	X			

Mike Lee	X			
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

MOTION CARRIED

D7. Updated Liability Program Memoranda of Coverage

Daniel Howell explained that Staff continues to work on completing the updates to the MOC. The revised MOC is being reviewed by reinsurers and Staff has incorporated changes as appropriate.

At its meeting on May 6, 2016, the Executive Committee delegated authority to the CSURMA Secretary-Auditor to finalize the Campus Liability Risk Pool memorandum of coverage to be used effective July 1, 2016, subject to ratification.

This item was tabled to the next meeting in November.

D8. Campus Risk Pools Rating Plans Task Group

Rob Leong summarized the findings from the Rating Plans Task Groups (RPTG) and the Committee reviewed the recommendations as included within the Rating Plans Task Group Report dated September 23, 2016.

No action was taken. The recommended changes to the rating plans will be presented to the Board of Directors for approval at its next meeting on November 2, 2016.

D10. Campus Workers' Compensation Program Aggregate Stop Loss Coverage Status (PARCEL)

As explained by Rob Leong, CSURMA purchased an Aggregate Stop Loss insurance policy known as the Pool Aggregate Retention Casualty Excess Loss (PARCEL) from Safety National Casualty Company. PARCEL caps the Campus Workers' Compensation risk pool's claims liabilities to a maximum of \$101,000,000 for the six (6) year period beginning July 1, 2002 to June 30, 2008. Thereafter, PARCEL pays up to \$16,000,000 in additional claim liabilities. PARCEL is triggered once \$101,000,000 has been paid by the Campus WC risk pool on claims with dates of injury within the six year coverage period. Paid losses at June 30, 2016 are \$93,190,972; however, total incurred losses are \$102,206,347. Staff will monitor the losses as the risk pool approaches the \$101,000,000 trigger. CSURMA paid \$2,000,000 for the aggregate stop loss insurance.

No action was taken.

D11. Master Out-of-State On-Line Education Surety Bond

Rob Leong summarized the progress on securing a surety bond for the CSU's out-of-state online educational activities. Staff continues to review the out-of-state surety requirements for online education, and will develop a master out-of-state online education surety bond for all CSU campuses where possible. Staff will provide an update at the Committee's next meeting in November.

No action was taken.

D12. Risk Program Benchmarking and Trend Analysis Project Update

Zachary Gifford updated the Committee on the progress of the benchmarking project. CSURMA joined the California Workers' Compensation Institute (CWCI), a statewide database on claims costs. This membership enables CSURMA to evaluate claims experience of CSU campuses and auxiliary organizations against similar institutions. The Committee will continue to explore benchmarking capabilities through Ventiv for the other lines of coverage.

No action was taken.

D13. CSURMA Communications and Outreach Plan

Zachary Gifford and Daniel Howell discussed the CSURMA Communications and Outreach Plan which was included as a long range goal for FY 16/17. Staff has identified strategies for an effective communication plan to keep all members apprised of CSURMA resources. An electronic tri-fold brochure is being created. The Insurance Requirements in Contracts manual has been updated and two in-person training sessions as well as one webinar have been conducted.

No action was taken.

D14. Risk Management Innovation Grant Program

Rob Leong reviewed the Innovation Grant Applications submitted.

1. CSU Bakersfield - BullsEx fire extinguisher training. Leong noted that this training has been approved for other campuses.
2. CSU Long Beach – UPD External Vest Carrier. Leong found that CSU Long Beach had already been awarded to full amount available for FY 16/17 for a different project.
3. EH&S Directors Affinity Group – FIT Backsafe, Systemwide Train the Trainers
4. CSU San Luis Obispo – Risk assessment and program development to reduce repetitive and strenuous work tasks of housekeeping and custodial staff. The Committee agreed that the proposal did not include enough information to make a final decision.

A motion was made to:

1. Approve the grant proposal submitted by CSU Bakersfield for the BullsEx Fire Extinguisher Training

2. Not approve the grant proposal submitted by CSU Long Beach for BPS Tactical, Inc., UPD External Vest Carrier
3. Approve the EH&S grant proposal for risk assessment and program development to reduce repetitive and strenuous work tasks of housekeeping and custodial staff
4. Not approve the grant proposal submitted by CSU San Luis Obispo but to instead request additional information and review again at the next Committee meeting.

MOTION: Kevin Saunders

SECOND: Lisa Chavez

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel		X		
Lisa Chavez	X			
Guy Dalpe				X
Robert Eaton	X			
Linda Hawk	X			
Mike Lee	X			
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

MOTION CARRIED

D15. Workers’ Compensation Program Claims Closure Initiative Update

Zachary Gifford provided an update of the workers’ compensation program claims closure initiative (Double Play). This is the second year of the Double Play initiative. Forty claims have been reviewed and the results are positive. The continuation of the Double Play program has been approved for the next two fiscal years, at which point the Committee will be asked to reevaluate and determine continuation of the program.

D16. Member Loan Requests

Mike Lee recused himself from the discussion of this item. Robert Eaton summarized the two loan requested that CSURMA received. CSU Sacramento has requested a \$1,800,000 loan to upgrade five elevators. The Committee felt that elevator maintenance and upgrades is within the normal course of operations for a campus. Also, CSU Sacramento currently has an outstanding loan with CSURMA.

CSU Fresno did not provide a formal loan request, but has inquired as to a loan to fund safety related improvements at their stadium. The handrails at the Bulldog Stadium keep becoming loose. The estimated cost to upgrade the handrails is \$20,000,000 to \$25,000,000. The Committee asked for historical loss information.

The Committee did not approve these loan requests and no action was taken. CSU Fresno will be asked to submit a formal loan request with the required backup documentation.

E. OTHER PROGRAMS

E1. AIME Programs Update

Jody Van Leuven provided an update as to the recent activities of the AIME Committee.

E2. AORMA Programs Update

Frank Mumford, the AORMA Committee Chair, reported on the recent activities of the AORMA Committee.

F. CLOSED SESSION

F1. Sargent vs Sonoma State University

F2. Gupta vs San Francisco State University

F3. Burns vs San Diego State University

The Committee was in closed session from 1:40 PM to 2:00 PM. The Chair reported that no action was taken during closed session.

G. INFORMATION ITEMS

G1. Review of FY 2016/2017 Long Range Planning Goals

G2. CSURMA Administrative Service Calendar

G3. 2016 CSURMA Meeting Calendar

G4. CSURMA Executive Committee & Staff Contact List

H. ADJOURNMENT

The meeting was adjourned at 2:02 PM.