



APPROVED

**MINUTES OF THE CSURMA AORMA
COMMITTEE MEETING**

SEPTEMBER 08, 2016

ALLIANT INSURANCE SERVICES

2180 HARVARD STREET, SUITE 460 • SACRAMENTO, CA

9:00 AM

MEMBERS PRESENT

Cheree Aguilar, San Jose State University Research Foundation
Leslie Davis, University Union Operation of CSUS, Inc.
Robert de Wit, Forty-Niner Shops, Inc., CSU Long Beach
Gigi Kiama, The University Corporation at Monterey Bay
Frank Mumford (AORMA Chair), CSU Fullerton Auxiliary Services Corporation
Dave Nakamura, Humboldt State University Center
Dave Nirenberg, University Glen Corporation, CSU Channel Islands
Jim Reinhart, University Enterprises, Inc., CSU Sacramento

MEMBERS ABSENT

Brian Nowlin, CSU Long Beach Research Foundation
Guy Dalpe (AORMA Vice-Chair), Associated Students, Inc., San Francisco State University

STAFF, GUESTS AND CONSULTANTS

Zachary Gifford, CSU Office of the Chancellor – Systemwide Risk Management
Tevea Him, Alliant Insurance Services
Daniel Howell, Alliant Insurance Services, Inc.
William Hsu, General Counsel
Mimi Long, Alliant Insurance Services, Inc.
Mauri McGuire, Carl Warren and Company

A. CALL TO ORDER

The meeting was called to order by the Chair, Frank Mumford at 9:00 AM.

A1. Approval of the Agenda

A motion was made to approve the agenda

MOTION: Leslie Davis

SECOND: Dave Nirenberg

NAME	AYE	ABSTAIN	NAY	ABSENT
Brian Nowlin				X
Cheree Aguilar	X			
Dave Nakamura	X			
Dave Nirenberg	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe				X
Jim Reinhart	X			
Leslie Davis	X			
Robert de Wit	X			

MOTION CARRIED

B. PUBLIC COMMENTS

There were no comments from the public.

C. STANDING COMMITTEE REPORTS

C1. Programs Committee Report

Gigi Kiama provided a brief report of the committee's recent activities.

C2. AOA Executive Committee Report

No report was made at this meeting.

D. CONSENT CALENDAR

D1. AORMA Committee Meeting Minutes – May 5, 2016

D2. FY 17/18 AORMA Liability and Workers' Compensation Program Actuarial Studies

D3. CSURMA AORMA 2017 Meeting Calendar

A motion was made to approve or accept all items on the Consent Calendar.

MOTION: Jim Reinhart

SECOND: Leslie Davis

NAME	AYE	ABSTAIN	NAY	ABSENT
Brian Nowlin				X
Cheree Aguilar	X			
Dave Nakamura	X			

Dave Nirenberg	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe				X
Jim Reinhart	X			
Leslie Davis	X			
Robert de Wit	X			

MOTION CARRIED

E. CLOSED SESSION

A motion was made to enter closed session at 9:03 am

MOTION: Leslie Davis

SECOND: Robert de Wit

NAME	AYE	ABSTAIN	NAY	ABSENT
Brian Nowlin				X
Cheree Aguilar	X			
Dave Nakamura	X			
Dave Nirenberg	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe				X
Jim Reinhart	X			
Leslie Davis	X			
Robert de Wit	X			

MOTION CARRIED

1. Klein Settlement Committee
2. Arce vs. Associated Students, CSU Northridge, Inc.
3. Harryman vs. The Student Union of San Jose State University
4. New Fatility vs. Associated Students of CSU, Sacramento
5. Adams vs. Associated Students of CSU, Sacramento
6. Evangelina Grajeda vs The Cal Poly Pomona Foundation, Inc.
7. India Baker vs San Diego State University Research Foundation
8. Xing Mu vs CSU Dominguez Hills Foundation

The Committee left closed session at 9:22 AM and the chair reported that no action was taken during closed session.

F. GENERAL ADMINISTRATION

F1. Insurance Renewals Report

Daniel Howell provided a brief overview of the major renewals. The premium for the AORMA primary excess liability program experienced a substantial increase due to recent losses. The AORMA increase was \$219,512 (24%) which was largely anticipated in the budget; however, some of the additional premium will be absorbed from AORMA program reserves. Two new participants 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 AORMA program saw a flat rate renewal and the University program received an 8% increase due to a recent large loss. With regard to Workers’ Compensation, Systemwide Risk Management agreed to participate in a two year commitment that utilizes CSAC EIA’s captive insurer to achieve additional savings.

F2. Target Surplus Funding Report and Dividend Calculation

The Committee discussed the Target Surplus Funding Analysis. Staff recommended the distribution of 25% of the maximum dividend available from both the Workers’ Compensation and Liability Programs. Historically, both of these programs were funded at an 80% confidence level. However, effective July 1, 2014 for the Liability Program and July 1, 2016 for the Workers’ Compensation Program, the AORMA Committee decided chose a 70% confidence level, which means less money is being collected prospectively to fund the programs. Staff also notes that the Liability Program losses have been volatile in the past five years.

A motion was made to approve a dividend in the amount of \$824,133 for the Liability Program and \$888,622 for the Workers’ Compensation Program which is 25% of the maximum dividend available from each program.

MOTION: Dave Nirenberg

SECOND: Robert de Wit

NAME	AYE	ABSTAIN	NAY	ABSENT
Brian Nowlin				X
Cheree Aguilar	X			
Dave Nakamura	X			
Dave Nirenberg	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe				X
Jim Reinhart	X			
Leslie Davis	X			
Robert de Wit	X			

MOTION CARRIED

F3a. Review and Approval of the FY 17/18 – Total Funding - Liability Program

The Committee reviewed the two Liability Program funding options for FY 17/18 as shown below.

Liability Program			
70% Confidence Level (Discounted)			
Expense Item	Current Program Costs 70% CL / Discounted	Proposed Program Costs 70% CL / Discounted	% Change
Pool Layer Funding	1,700,777	1,770,878	4.12%
Claims Administration	14,000	15,000	7.14%
Program Administration	812,179	813,000	0.10%
Reinsurance / Excess Insurance	1,434,459	1,500,000	4.57%
Total Costs	3,961,415	4,098,878	3.47%
80% Confidence Level (Discounted)			
Expense Item	Current Program Costs 70% CL / Discounted	Proposed Program Costs 80% CL / Discounted	% Change
Pool Layer Funding	1,700,777	2,166,071	27.36%
Claims Administration	14,000	15,000	7.14%
Program Administration	812,179	813,000	0.10%
Reinsurance / Excess Insurance	1,434,459	1,500,000	4.57%
Total Costs	3,961,415	4,494,071	13.45%
<p><i>The current program is funded at a 70% confidence level and is discounted for investment value. The discount rate is calculated based on a 2% yield on investments.</i></p>			

F3b. Review and Approval of the FY 17/18 – Total Funding - Workers’ Compensation Program

The Committee reviewed the two Workers’ Compensation Program funding options for FY 17/18 shown below. In order to provide pricing stability as well as the accumulation of surplus within the program, Staff recommends continuing the current protocol of accepting the actuary’s recommended funding level for the pooled layer rather than basing the funding on the CSAC EIA reinsurance pricing. Staff believes that the CSAC EIA reinsurance pricing for FY 17/18 will be close to the CSURMA actuary’s recommended funding at “discounted expected.”

Therefore, the pool will continue to increase surplus while funding at a 70% or 80% confidence level.

Workers' Compensation Program			
70% Confidence Level			
Expense Item	Current Program Costs 70% CL / Discounted	Proposed Program Costs 70% CL / Discounted	% Change
Pooled Layer Funding	3,236,000	3,162,000	-2.29%
Claim Administration	219,765	224,160	2.00%
Program Administration	606,521	607,000	0.08%
Excess Insurance	487,597	488,000	0.08%
Total Costs	4,549,883	4,481,160	-1.51%
<p><i>The current program is funded at a 70% confidence level and is discounted for investment value. The discount rate is calculated based on a 2% yield on investments.</i></p>			

80% Confidence Level			
Expense Item	Current Program Costs 70% CL / Discounted	Proposed Program Costs 80% CL / Discounted	% Change
Pooled Layer Funding	3,236,000	3,468,000	7.17%
Claim Administration	219,765	224,160	2.00%
Program Administration	606,521	607,000	0.08%
Excess Insurance	487,597	488,000	0.08%
Total Costs	4,549,883	4,787,160	5.22%
<p><i>The current program is funded at a 70% confidence level and is discounted for investment value. The discount rate is calculated based on a 2% yield on investments.</i></p>			

F3c. Review and Approval of the FY 17/18 – Total Funding - Property Program

The Committee reviewed the FY 17/18 Property Program costs of \$2,075,000 which is a 4.86% increase over the FY 16/17 program costs. The AORMA Property Program pooled layer has an aggregate limit of \$250,000. Which means the majority of AORMA's property losses will be capped at the aggregate pooled layer of \$250,000.

Property Program			
Expense Item	Current Program Costs	Proposed Program Costs	% Change
Pooled Layer Funding	250,000	250,000	0.00%
Excess Insurance	1,401,411	1,500,000	7.03%
Program Administration	327,408	325,000	-0.74%
Total Costs	1,978,819	2,075,000	4.86%

F3d. Review and Approval of the FY 17/18 – Total Funding - Crime Program

The Committee reviewed the FY 17/18 Crime Program costs of \$277,000 which is a 15% decrease compared to the FY 16/17 program costs. The Crime Program has an annual aggregate of \$100,000. At June 30, 2016, the Crime Program fund balance was \$408,581; therefore, Staff is recommended that the Committee waive the pooled layer funding for FY 17/18.

Crime Program			
Expense Item	Current Program Costs	Proposed Program Costs	% Change
Pooled Layer Funding	50,000	-	-100.00%
Excess Insurance	244,421	245,000	0.24%
Program Administration	31,845	32,000	0.49%
Total Costs	326,266	277,000	-15.10%

The AORMA Crime Program pooled layer has a \$25,000 per claim limit and an aggregate limit of \$100,000. Because of this, AORMA’s crime losses, within the pooled layer, in any one year cannot exceed \$100,000; therefore, an actuarial study is not necessary. Currently, the Crime Program has a fund balance of \$408,581. Because the program’s surplus is sufficient to cover all claims paid within FY 16/17 and FY 17/18, Staff recommends that the Committee waive funding of the pooled layer for 17/18.

A motion was made to fund the FY 17/18 Liability Program at a 70% confidence level (\$4,098,878), Workers’ Compensation Programs at a 70% confidence level (\$4,481,160) and the Property (\$2,075,000) and Crime (\$277,000) as recommended by Staff.

MOTION: Robert de Wit
SECOND: Dave Nirenberg

NAME	AYE	ABSTAIN	NAY	ABSENT
Brian Nowlin				X
Cheree Aguilar	X			
Dave Nakamura	X			
Dave Nirenberg	X			

Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe				X
Jim Reinhart	X			
Leslie Davis	X			
Robert de Wit	X			

MOTION CARRIED

F4. Policy and Procedure W-3 – Claims Handling Procedures and Guidelines

AORMA requires that all Policies and Procedures be reviewed biennially. Staff reviewed Policy and Procedure W-3 – Workers’ Compensation Claims Handling Procedures and Guidelines and made some minor revisions. The bulk of the changes are a result of the claim system conversion from iVOS to Sedgwick’s proprietary claims system called Juris. Staff was asked to make the appearance of the numbers consistent as well.

A motion was made to approve the revisions to Policy and Procedure W-3.

MOTION: Gigi Kiama
SECOND: Cheree Aguilar

NAME	AYE	ABSTAIN	NAY	ABSENT
Brian Nowlin				X
Cheree Aguilar	X			
Dave Nakamura	X			
Dave Nirenberg	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe				X
Jim Reinhart	X			
Leslie Davis	X			
Robert de Wit	X			

MOTION CARRIED

F5. Policy and Procedure L-8 – Liability Program Member Allocation Formula

The AORMA Liability Program Member Allocation Formula was revised effective July 1, 2015. Staff created Policy and Procedure L-8 to document the allocation formula which has been approved by the Programs Committee and the AORMA Committee. The Policy and Procedure also notes the allocation criteria which requires annual approval by the Programs Committee.

A motion was made to approve of Policy and Procedure L-8.

MOTION: Leslie Davis
SECOND: Cheree Aguilar

NAME	AYE	ABSTAIN	NAY	ABSENT
Brian Nowlin				X
Cheree Aguilar	X			
Dave Nakamura	X			
Dave Nirenberg	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe				X
Jim Reinhart	X			
Leslie Davis	X			
Robert de Wit	X			

MOTION CARRIED

F6. Policy and Procedure A-2 – AORMA Committee and Standing Committee Roles and Responsibilities

The Committee reviewed revisions to Policy and Procedure A-2 – AORMA Committee and Standing Committee Roles and Responsibilities. The role of the AORMA Committee Chair has been expanded to include;

1. Authority to call meetings from time to time and in compliance with applicable open meeting regulations to conduct business and planning for the AORMA program including an AORMA Officer’s Retreat.
2. Authority to invite additional attendees to meetings as the Chair deems appropriate and to authorize reimbursement of invitee travel expenses provided the expenses are within amounts budgeted for AORMA expenses and in compliance with AORMA travel expense reimbursement Policy and Procedure.

These changes have been added so that the Chair can invite to the Officer’s Retreat a meeting facilitator who can guide and manage the retreat to ensure that the objectives are met effectively, with clear thinking and good participation.

A motion was made to approve the changes to Policy and Procedure A-2.

MOTION: Jim Reinhart
SECOND: Dave Nakamura

NAME	AYE	ABSTAIN	NAY	ABSENT
Brian Nowlin				X

Cheree Aguilar	X			
Dave Nakamura	X			
Dave Nirenberg	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe				X
Jim Reinhart	X			
Leslie Davis	X			
Robert de Wit	X			

MOTION CARRIED

F7. Liability Memorandum of Coverage effective July 1, 2016

At its meeting on May 5, 2016, the AORMA Committee delegated authority to the CSURMA Secretary/Auditor to finalize the AORMA Liability Program Memorandum of Coverage (MOC) to be used effective July 1, 2016, subject to ratification by the AORMA Committee at its September meeting. The MOC has been customized to meet the specific needs of the CSU Auxiliary Organizations. Insurance companies regularly review their policy forms and make revisions to reflect industry trend and claims experience. Similarly, it is prudent for AORMA to review its coverage form and make amendments as necessary to maintain coverage quality for its members, and as may be needed for effective placement of reinsurance and excess insurance to manage AORMA’s claim liabilities.

The MOC is currently being reviewed by the two new reinsurers, Great America and Marcel. Staff expects to have their comments within the next few weeks. The final MOC will be available for the Committee’s review and ratification in October.

A motion was made to adopt the attached MOC as the tentative coverage document and to delegate authority to the CSURMA Secretary-Auditor to finalize.

MOTION: Dave Nirenberg

SECOND: Cheree Aguilar

NAME	AYE	ABSTAIN	NAY	ABSENT
Brian Nowlin				X
Cheree Aguilar	X			
Dave Nakamura	X			
Dave Nirenberg	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe				X
Jim Reinhart	X			
Leslie Davis	X			

Robert de Wit	X			
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MOTION CARRIED

F8. AORMA Workers’ Compensation Program Claims Administration Audit Report

Zachary Gifford summarized the results of the claims administration audit of Sedgwick CMS, the third-party claims administrator for the AORMA Workers’ Compensation Program.

A motion was made to accept the Workers’ Compensation Claims audit report.

MOTION: Dave Nakamura

SECOND: Gigi Kiama

NAME	AYE	ABSTAIN	NAY	ABSENT
Brian Nowlin				X
Cheree Aguilar	X			
Dave Nakamura	X			
Dave Nirenberg	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe				X
Jim Reinhart	X			
Leslie Davis	X			
Robert de Wit	X			

MOTION CARRIED

F9. AORMA Committee Meeting - October 20, 2016 Discussion of Meeting location

The Committee discussed the October 20, 2016 location. It will be held at the Alliant office in Newport Beach at 10:00am.

A motion was made to approve the meeting location to be held at the Alliant Newport Beach office.

MOTION: Cheree Aguilar

SECOND: Gigi Kiama

NAME	AYE	ABSTAIN	NAY	ABSENT
Brian Nowlin				X
Cheree Aguilar	X			
Dave Nakamura	X			
Dave Nirenberg	X			

Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe				X
Jim Reinhart	X			
Leslie Davis	X			
Robert de Wit	X			

MOTION CARRIED

F10. Maximum Allowable Hourly Rate for Legal Counsel

Policy and Procedure L-3 – Legal Counsel Selection, stipulates that Carl Warren & Company (AORMA’s liability third party claims administrator) will survey legal counsel compensation, at least every 36 months, and recommend to the AORMA Committee a fair and equitable maximum allowable hourly rate. Carl Warren believes that they have an acceptable list of employment attorneys at who are willing to work at a rate of \$225 per hour. Currently, most non-employment attorneys are billing \$185 per hour.

CSU Systemwide Risk Management reiterates that if Legal Counsel is handling the defense of any University case, then Legal Counsel must be retained at the University’s hourly rate. The AORMA Committee has accepted this caveat and has included it in Policy and Procedure L-3.

Mauri McGuire, from Carl Warren & Company believes that there are a sufficient numbers of attorneys on AORMA’s list of approved attorneys who will work at the \$225 rate. However, AORMA’s maximum rate has not been increased in several years and therefore, a discussion of increasing the maximum hourly rate for legal counsel is appropriate.

A motion was made to approve the current maximum allowable hourly rate of \$225 per hour.

MOTION: Dave Nakamura

SECOND: Robert De Wit

NAME	AYE	ABSTAIN	NAY	ABSENT
Brian Nowlin				X
Cheree Aguilar	X			
Dave Nakamura	X			
Dave Nirenberg	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe				X
Jim Reinhart	X			
Leslie Davis	X			
Robert de Wit	X			

MOTION CARRIED

G. INFORMATION ITEMS

The committee reviewed the following information items.

- G1. Praesidium Contract for Prevention of Abuse of Minors**
- G2. Master Enabling Agreement for Transportation with GoGround**
- G3. Fine Arts, Archives and Artifacts Program Launch**
- G4. CSURMA AORMA 2016 Meeting Calendar**
- G5. CSURMA AORMA Program Administrator’s Contact Lists**
- G6. AORMA’s Travel Reimbursement Policy**
- G7. AORMA Committee Members - Effective 7/01/16**
- G8. CSURMA Administrative Service Calendar**

H. ADJOURNMENT

The meeting was adjourned at 10:34 AM.

MOTION: Dave Nirenberg

SECOND:

NAME	AYE	ABSTAIN	NAY	ABSENT
Brian Nowlin				X
Cheree Aguilar	X			
Dave Nakamura	X			
Dave Nirenberg	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe				X
Jim Reinhart	X			
Leslie Davis	X			
Robert de Wit	X			

MOTION CARRIED