



**APPROVED**

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

**SEPTEMBER 7, 2016**

**ALLIANT INSURANCE SERVICES**

**2180 HARVARD STREET, SUITE 460 • SACRAMENTO, CA**

**10:00 AM**

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**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**

Kevin Bibler, Alliant Insurance Services, Inc.  
Zachary Gifford, CSU Office of the Chancellor, Systemwide Risk Management  
Tevea Him, Alliant Insurance Services, Inc.  
Daniel Howell, Alliant Insurance Services, Inc.  
Mimi Long, Alliant Insurance Services, Inc.

**A. CALL TO ORDER**

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

**B. PUBLIC COMMENTS**

There were no comments from members of the public.

**C. GENERAL ADMINISTRATION**

**C1. Review of FY 15/16 AORMA Long Range Action Plan**

The AORMA Committee reviewed the items on the FY 15/16 Long Range Action Plan.

- LRP-1: Risk Reduction Innovation Matching Grant Incentive Program
- LRP-2: Monthly AORMA Update Newsletter
- LRP-3: Workers' Compensation Claims Closure Initiative
- LRP-4: Campus Visit Member Presentation
- LRP-5: CSURMA Website
- LRP-6: Cyber Risk Control Services
- LRP-7: Benchmarking Initiative
- LRP-8: Evaluation of Campus Threat Assessment
- LRP-9: Watercraft Program / Insurance Tracking Program
- LRP-10: Creation of Executive Overview CSURMA AORMA Presentation
- LRP-11: Smart Phone Application for CSURMA AORMA Contact Information

## **C2. AORMA Officers' Retreat Recap**

Frank Mumford summarized the AORMA Officers Retreat items. The Officers discussed the following proposed FY 16/17 Long Range Action Items:

1. Benchmarking beyond workers' compensation
2. Watercraft – follow-up on data collected and design next steps
3. Evaluation of participation in possible CSU captive vehicle
4. Fine Arts, Artifacts and Artifacts rollout and schedule of development
5. GoGround communication and rollout plan
6. Drive traffic to the CSURMA website (i.e., links, newsletters, etc.)
7. AORMA participation in captive's third party programs

The Officers also considered a risk financing plan to pay prevailing wages should the DIR determine that prevailing wages should have been paid on an auxiliary project. This could be set up similar to an earthquake fund. The Officers concluded that a fund could be developed if there was enough interest from other auxiliary organizations. The master enabling agreement for transportation with GoGround was discussed. The MEA is currently being reviewed by CSURMA legal counsel and should be finalized by January 1, 2017. Excess insurers / reinsurers have expressed concern regarding the members' transportation exposure. This MEA may help reduce potential liability with regard to transportation.

## **C3. 2017 AOA Conference Risk Management Sessions**

CSURMA AORMA has been asked to co-present on two topics during the 2017 AOA Conference - Insurance Requirements in Contracts and Cyber Liability. The AOA Conference planning team decided that it would be beneficial to incorporate a risk management session into each AOA track area. There are nine track areas.

## **C4. CSU Auxiliary Organization – Revised Campus Visit Presentation**

The Committee viewed the Campus Visit Presentation and made suggestions for change. Mimi Long and Tevea Him will incorporate those changes.

#### **C5. Review of FY 17/18 AORMA Liability and Workers' Compensation Program Actuarial Reports**

The actuarial report was made available for the Committee's review. Daniel Howell and Mimi Long reviewed several key findings and exhibits. The information provided by the actuary is used to establish fiscal year-end financial reports, and as the starting point in consideration of rates and funding for FY 17/18 as well as evaluating potential dividends.

The Actuary's findings and recommendations include:

##### AORMA Liability

1. The estimated outstanding losses at June 30, 2016 decreased by \$29,341 (a 1% decrease) compared to the prior estimated as of June 30, 2015.
2. The projected funding (discounted) for FY 17/18 at a 70% confidence level increased by \$70,071 (a 4% increase) compared to the projected funding for FY 16/17.
3. The projected funding (discounted) for FY 17/18 at an 80% confidence level increased by \$85,709 (a 4% increase) compared to the projected funding for FY 16/17.

##### AORMA Workers' Compensation

1. The estimated outstanding losses at June 30, 2016 decreased by \$2,865,643 (a 34% decrease) compared to the prior estimated as of June 30, 2015.
2. The projected funding (discounted) for FY 17/18 at a 70% confidence level decreased by \$74,000 (a 2% decrease) compared to the projected funding for FY 16/17.
3. The projected funding (discounted) for FY 17/18 at an 80% confidence level decreased by \$190,000 (a 5% decrease) compared to the projected funding for FY 16/17.

The action recommended will have the direct effect of establishing liabilities reported in CSURMA's financial statements. Indirectly, information from the accepted actuarial studies will be used in rate setting and funding forecasts.

No action was taken.

#### **C6. Estimated Pool Layer Funding Exhibit**

The Committee reviewed the estimated fund balance exhibits for both the Liability and Workers' Compensation Programs. These reports show a comparison of the program assets, outstanding liabilities and estimated fund balances at 6/30/16, as well as historical estimated fund balance and dividend information.

Within the Workers' Compensation Program, the outstanding liabilities have declined substantially. This is due to the reinsurance agreement with CSAC EIA. Effective January 1, 2015, AORMA began purchasing reinsurance for its \$500,000 pooled layer. Therefore, no outstanding liabilities have accumulated for the period January 1, 2015 to June 30, 2016. 18 months of reserves on reported claims and potential claims (outstanding liabilities) have been removed from the program's liabilities. The purchase of reinsurance for AORMA's pooled layer has resulted in a significant increase of the program's unencumbered funds.

### **C7. Target Surplus Funding Report and Dividend Calculation**

Kevin Bibler presented the findings from his target surplus funding analysis. Staff prepares this analysis to provide guidance to the Committee for development of annual funding, dividends and assessment decisions. The Committee has adopted three benchmark ratios which measure the program's financial stability.

1. Gross Premium to Surplus Ratio
2. Surplus to Pool Retention Ratio
3. Outstanding Reserves to Surplus Ratio

The gross premium to surplus ratio is a measure of how the programs surplus is leveraged against possible pricing inaccuracies. A favorable goal is anything below 150%. The ratio on the liability program is 56% and on the workers' compensation program is 64%. The surplus to pool retention ratio is a measure of the maximum amount that surplus could decline due to a single loss. A favorable goal is 5 to 10 times the maximum program retention. The ratio on both the liability and workers' compensation programs is 12 times the maximum retention. The outstanding reserves to surplus ratio is a measure of how the surplus is leveraged against possible reserve inaccuracies. A favorable goal is anything below 150%. The ratio on the liability program is 7% and on the workers' compensation program is 45%.

Bibler explained that the "confidence level" is a statistical term used to express the degree to which an actuarial projection will be an accurate prediction of the dollar losses ultimately paid for a given program year or combination of years. The higher a confidence level the greater certainty the actuary has that losses will not exceed the dollar value used to attain the confidence level. The surplus is the amount of funds remaining, after deducting all administrative and excess insurance costs, available to pay claims in excess of losses (undiscounted for investment income) at the actuarially determined expected confidence level. Gross Premium includes the total contributions from members less the excess insurance costs. Retention is the maximum amount of exposure for a single loss retained by AORMA.

Based on the results of the Target Surplus Funding Analysis, staff is recommending that a dividend of \$824,133 be declared for the Liability Program and \$888,622 on the Workers' Compensation Program. Both amounts represent 25% of the maximum dividend available. Bibler noted that the Target Surplus Funding Analysis is a rear-view of the pooled programs. The funding for FY 17/18 can be viewed separately from this report.

Daniel Howell explained that the Liability Program has had a handful of significant shock losses in excess of the pooled layer which has resulted in higher premiums and a higher retained limit. The recommendation to return only 25% of the maximum dividends available is to maintain adequate unencumbered funds should the perfect storm of events occur ... (1) the significant shock losses continue and become the new normal therefore requiring a significantly higher dollar amount to fund future liabilities, and (2) the excess / reinsurance premium increased dramatically due to loss experience.

The Committee will take action at tomorrow's meeting.

**C8. AORMA Historical Premium Payments, Dividends and Loss Ratios Report**

The Committee reviewed the AORMA Historical Premium Payments, Dividends and Loss Ratio report.

**C9. Employment Practices Liability Member Deductibles for FY 17/18**

The Committee reviewed the minimum EPL deductible calculation for FY 16/17. Mimi Long noted that seven auxiliary organizations are subject to an EPL deductible higher than the minimum of \$25,000. According to Policy & Procedure L-7, the Programs Committee is responsible for approving the EPL deductible calculation; therefore, this calculation is being presented for the Committee's review only.

Below are the proposed FY 17/18 EPL deductibles.

<b>Auxiliary Organization</b>	<b>FY 16/17</b>
CSU, Fresno Foundation	\$75,000
CSU, Long Beach Research Foundation	\$75,000
The Cal Poly Pomona Foundation, Inc.	\$100,000
University Enterprises, Inc., CSU Sacramento	\$75,000
Associated Students, SDSU	\$50,000
SDSU Research Foundation	\$100,000
San Jose State University Research Foundation	\$100,000

**C10. On-Line Training Platform Update**

At its May 5, 2016 meeting, the AORMA Committee approved a one-year extension of the TargetSolutions contract and directed Staff to inform the membership (quarterly) that the TargetSolutions contract will not be renewed after June 30, 2017.

Fourteen campuses have completed the integration process. SPD continues to work with the remaining campuses shown below:

1. Monterey Bay
2. Easy Bay
3. Bakersfield
4. Maritime Academy
5. San Francisco
6. Dominguez Hills
7. Sonoma
8. Long Beach
9. San Diego

SPD encourages the auxiliary organizations at these remaining campuses to contact their IT department to get the project started. If the Campus IT team has questions, SPD can schedule a call to jump start the transition process.

Staff will continue to send out quarterly updates to the AORMA members reminding them that the Target Solutions contract will not be renewed after June 30, 2017.

#### **C11. Discussion of AORMA's Continuity Plan**

Mimi Long stated that the AORMA Chair will appoint a Nominations Committee to poll the eligible AORMA Committee members, including the Chair, First Vice Chair and Second Vice Chair to identify which of the incumbents whose terms expire the following June 30 are interested in seeking re-election. Frank Mumford appointed a nomination committee – Gigi Kiama, Dave Nakamura and Leslie Davis – to poll the AORMA Committee members to identify which of the incumbents whose terms expire the following June 30 are interested in seeking re-election. At the next meeting, the Nominations Committee will announce their nomination First Vice Chair and an election will be held at that meeting.

#### **C12. Development of the Long Range Action Plan Items for FY 16/17**

The AORMA Committee Members discussed the long range goals for AORMA. Based on today's decisions, Staff will prepare the FY 16/17 long range action plan document which will be presented for approval at the next AORMA Committee meeting.

1. Benchmarking beyond workers' compensation
2. Watercraft – follow-up on data collected and design next steps
- 3a. Evaluation of participation in possible CSU captive vehicle
- 3b. AORMA participation in captive's third party programs
4. Fine Arts, Archives and Artifacts rollout and schedule of development
5. GoGround communication and rollout plan
- 6a. Drive traffic to the CSURMA website (i.e., links, newsletters, etc.)
- 6b. Policy and Procedure of the Month
7. Special Funding Task Group



**APPROVED**

**D. ADJOURNMENT**

The meeting was adjourned at 1:52 PM.