



APPROVED

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

JANUARY 3, 2013

**TELECONFERENCE MEETING
2:00 PM**

MEMBERS PRESENT

- Guy Dalpe, Cesar Chaves Student Center (San Francisco State University)
- Kurt Borsting, Associated Students, Inc. (CSU Fullerton)
- Gigi Kiama, University Corporation (CSU Monterey Bay) – *arrived at 2:10 PM*
- Haleh Minakary, The Cal Poly Pomona Foundation, Inc. (Cal Poly Pomona)
- Mark Day, Santos Manual Student Union (CSU San Bernardino)

STAFF, GUESTS AND CONSULTANTS

- John Melikian, Staff Counsel, California State University, Fresno Auxiliary Corporations
- Daniel Howell, Alliant Insurance Services, Inc.
- 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

A motion was made to approve the agenda as presented.

- First: Mark Day**
- Second: Haleh Minakary**

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 25, 2012

A motion was made to approve the minutes as presented.

First: Kurt Borsting
Second: Haleh Minakary

MOTION CARRIED

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

So that John Melikian would be able to join the teleconference, Guy Dalpe suggested that the committee discuss item C14 and then immediately after, discuss item C13.

C14. New California Ventures, LLC

John Melikian joined the teleconference and provided the committee with additional information regarding New California Ventures, LLC. The Fresno State Foundation formed the “New California Ventures, LLC” a wholly owned “for-profit” corporation. This LLC was formed to provide further support for research initiatives at Fresno State, and to allow start-up companies to utilize business services from the Lyles Center for Innovation and Entrepreneurship in exchange for a contribution of equity from the start-up company to the LLC (this equity could not otherwise be accepted by the University).

The Foundation delegated authority to the Foundation’s Investment Committee to act as the members of the LLC who conduct and oversee the LLC’s operations. The LLC does not have any employees. It will secure its management and accounting services from the CSU Fresno Association, Inc. through a management services agreement.

John explained that the New California Ventures was set up as an LLC as a means of providing a layer of protection between the start-up companies and the Fresno Foundation. As a separate legal entity, the LLC will have to respect the legal separation required by law. All investments in the start-up companies will be reported back to the Fresno Foundation. John Melikian will be present at all Fresno Foundation board meetings and LLC board meetings.

At this point John Melikian left the teleconference meeting. The committee expressed their concern with extending coverage to a “for-profit” entity. Daniel Howell felt that the LLC was a very safe risk. The only type of claim against the LLC that he could imagine would be if an investor claimed that the “start-up” company failed due to the LLC’s lack of funding. The LLC could not be held liable for the acts of the “start-up” company simply because it invested in the company. The LLC would be an investment company only. It would not provide any oversight or management control over any of the “start-up” companies.

The committee felt uncomfortable making the ultimate decision as to whether the Fresno Foundation could extend its liability coverage to New California Ventures, LLC. Therefore, the committee directed staff to design an application for New California Ventures, LLC to complete. Once the application was completed it would be reviewed by CSURMA legal counsel and Alliant’s liability underwriter prior to the final review and approval by the Programs Committee.

A motion was made to allow New California Ventures, LLC to complete the liability application designed by staff.

First: Kurt Borsting
Second: Mark Day

MOTION CARRIED

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

C13. Policy & Procedure L-5 – Guidelines for Extending Liability Coverage to Non-Auxiliary Organizations

Mimi Explained that at its meeting in December, 2012, the AORMA Committee was asked to approve the revisions to Policy & Procedure L-5 which would allow the Fresno Foundation to begin the process of extending coverage to its new wholly owned for-profit corporation New California Ventures, LLC. This request was not approved by the AORMA Committee. The AORMA Committee referred this item to the Programs Committee. The AORMA Committee felt they did not have enough information to approve the request.

Policy & Procedure L-5 – Guidelines for Extending Liability Coverage to Non-Auxiliary Organizations allows AORMA’s liability coverage to be extended to cover student groups, alumni organizations and/or booster clubs if an AORMA Member maintains direct control over the events, activities and operations of the non-auxiliary organization. As the Policy & Procedure currently reads, liability coverage could not be extended to any **other** type of organization. Policy & Procedure L-5 has been revised to allow coverage to be extended to

“other related entities” in addition to the student groups, alumni organizations and/or booster clubs as long as they comply with the Policy & Procedure requirements as noted below:

1. The AORMA Member must exercise substantial control over the other related entity
2. The AORMA Member must have substantial financial control of the other related entity
3. A risk analysis has been performed by the AORMA Member
4. The AORMA Member will participate in the planning and oversight of all events and activities of the other related entity
5. The other related entity will complete an AORMA Liability Program application which will be reviewed by the Programs Committee
6. Coverage will not be extended to the other related entity until the Programs Committee approves the extension

The committee reviewed the proposed revisions to Policy and Procedure L-5 and recommended the following additional changes:

1. Change Item 1.d from “The AORMA Liability application will be completed” to “A liability application will be completed.”
2. Remove from Item 1.e the reference to the AORMA Liability application and reference only a liability application.
3. Add to the Policy and Procedure a clause stating that Legal Counsel and the AORMA Liability Underwriter will review the completed application and make a recommendation to the Programs Committee prior to the final approval process by the Programs Committee.
4. The committee also asked staff to review the termination or cancellation clause that would be applicable to the entity receiving the extended liability coverage.

A motion was made to accept the “red-line and strike-out” revisions suggested by Staff and to revise Policy and Procedure L-5 to include the additional revisions noted above and to recommend approval to the AORMA Committee.

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			

C3. Approval of FY 13/14 Liability Program Member Cost Allocations

Mimi Long explained that the AORMA Committee approved the total FY 13/14 Liability Program funding of \$3,665,132 at its September, 2012 meeting. The Programs Committee must now review and approve the allocation of the total program costs to the AORMA members. Costs are allocated to the members based on their exposure information and their loss experience. As noted on the attached Total Funding exhibit, the program costs have increased from \$3,601,724 to \$3,665,132. This is a total percentage increase of 2%. The percentage increase for any one auxiliary was between 1% and 8%. The higher percentage increases were due to claims activity.

A motion was made to approve the FY 13/14 Liability Program Member Cost Allocation 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			

C4. Approval of FY 13/14 Workers' Compensation Program Cost Allocations

Mimi Long explained that the AORMA Committee approved the FY 13/14 Workers' Compensation Program funding of \$4,444,743 at its September, 2012 meeting. The Programs Committee must now review and approve the allocation of the total program costs to the AORMA members. Costs have been allocated to the members based on their proposed payroll for FY 13/14 and their loss experience. Staff continues to use the new rating formula based on adjusted rates using the six AORMA Workers' Compensation Classification Codes. The final premiums allocated to the members are collared with minimum and maximum decreases or increases over the prior year's rate. The program costs have increased from \$4,179,683 to \$4,444,743. This is a total percentage increase of 6%.

Mimi explained that the actuary reviews the WCIRB "loss rates" against AORMA's "loss rates" rates for the six AORMA workers' compensation class codes. The actuary's loss rates are not reliable on their own because there are not enough AORMA workers' compensation losses within each class code to establish loss trending. Therefore, a blended rate using the actuary's loss rate and the WCIRB composite rate was established for the six AORMA workers' compensation class codes. Staff was able to cap the maximum increase to any one rate to 11%.

The committee compared the FY 12/13 and FY 13/14 actuary loss rates which demonstrates how the AORMA Actuarial Loss Rates are still unreliable due to the fact that AORMA members have not had enough losses in each of the six new class codes to make loss trending practical for the upcoming fiscal year.

Mimi explained that the final premium allocations are collared with a maximum rate **increase** of 30%. The maximum rate **decrease** was eliminated because only two members were subject to the collar - University Student Union of California State University, Stanislaus and The Donald P. and Katherine B. Loker University Student Union, Inc. Removing the collar only resulted in an additional \$1,835 in premium which would need to be spread amongst the remaining workers' compensation program members.

Only three members were subject to the maximum rate increase of 30% of the prior year's rate. The Forty-Niner Shops, Inc., CSU Long Beach (\$16,359), University Enterprises, Inc., CSU Sacramento (\$166,794), and Associated Students, Inc., San Francisco State University (\$26,954). This means that \$210,107 is being spread to the remaining workers' compensation program members.

A motion was made to approve the FY 13/14 Workers' Compensation Program Member Cost Allocation.

First: Mark Day
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			

C5. Approval of the FY 13/14 Liability Program Dividend

Mimi Long explained that the AORMA Committee approved the total liability program dividend of 25% of the maximum dividend available or \$1,061,712 at its meeting in September, 2012. The Programs Committee must now approve the member allocation. The allocation formula is very simple calculation. Dividends are allocated to those members currently participating in the liability program (and are participating on July 1, 2013) based on each member's total percentage of contributions during fiscal years 07/08, 08/09, 09/10, 10/11 and 11/12.

A motion was made to approve the Liability Program dividend allocation for a July, 2013 distribution.

First: Haleh Minakary
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			

C6. Approval of the FY 13/14 Workers’ Compensation Program Dividend

Mimi Long explained that the AORMA Committee approved the total workers’ compensation program dividend of 25% of the maximum dividend available or \$640,445 at its meeting in September, 2012. The Programs Committee must now approve the member allocation. The allocation formula is very simple calculation. Dividends are allocated to those members currently participating in the liability program (and are participating on July 1, 2013) based on each member’s total percentage of contributions during fiscal years 07/08, 08/09, 09/10, 10/11 and 11/12.

A motion was made to approve the Workers’ Compensation Program dividend allocation for a July, 2013 distribution.

First: Haleh Minakary
Second: Mark Day

MOTION CARRIED

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

C7. Review of the Current Workers’ Compensation Program Rating and Allocation Method; Discussion Regarding the Formation of a One-Rate Workers’ Compensation Program

Mimi Long explained that the AORMA Committee asked the Programs Committee to explore the development of a “one-rate” workers’ compensation rating plan. Since July 1, 2010, AORMA has utilized the six AORMA workers’ compensation class codes. Rates for these class

codes are calculated annually based on the WCIRB composite rates blended with AORMA's actuarial rates. The FY 13/14 blended rates are noted below.

AORMA Class Code	Pure Rate	Class Code Description
1001	0.629	Clerical
1002	1.101	Off campus non-manual activities
1004	2.079	Retail
1005	2.433	Sports activities and day care centers
1006	3.831	Food service
1007	2.986	Manual labor

The advantages of a one-rate workers' compensation rating plan is that (1) the CSURMA AORMA actuary already calculates a single workers' compensation rate based on historical loss information, (2) members would not have to allocate their payroll into the six different class codes, (3) payroll audits would be unnecessary because there would be no question that payroll was allocated to the correct class code.

The committee discussed the disadvantages of a one-rate plan. The FY 13/14 workers' compensation plan rate is 1.48. This rate is significantly higher than some of the Members' collared rates. The one-rate plan would result in a significant increase in premium for some members. The workers' compensation program would need to become even more loss sensitive, resulting in greater swings in premium year over year. Because the rating plan would result in such great swings in premium, this may cause members to leave the program.

The committee reviewed three different exhibits which demonstrate the impact of moving to a one rate plan. Option #1 showed the premiums for each member based on the approved rates for each of AORMA's six class codes. Option #2 applied the program rate of 1.48 to each member's payroll. The member's exp mod was not included in Option #2. Option #3 included an increased rate of 1.62 for all members and included the member's exp mod.

The committee felt that the disadvantages of a one-rate workers' compensation program far outweighed the advantages. The committee suggested maintaining the six new AORMA classification codes and letting the program mature before examining an alternative rating plan.

A motion was made to terminate further discussions regarding a one-rate workers' compensation allocation formula.

First: Kurt Borsting
Second: Gigi Kiama

MOTION CARRIED

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

C8. Review of the Current Property Program Rating and Allocation Method; Discussion of Alternative Rating and Allocation Plans

Mimi Long explained that the property program rating allocation is currently based on the Member’s prior year’s premium, losses, total insurable values and deductible size. The long term goal for the program was that all members would use the same basic rate as a starting point and that rates would be individually modified based on the member’s losses and deductible choice. Currently, the majority of members utilize the basic AORMA property rate. However, there are a few members who have a rate that is substantially lower than the program rate.

For FY 14/15, Staff would like to present to the committee for review and approval an alternative rating plan that utilizes one standard property rate and is modified only by losses and deductible size. Staff will include a three to five year collar for the members with a significantly lower rate. The goal of the program would be to completely remove the collars within a few years.

Mimi confirmed that the new rating allocation method would closely resemble the allocation formula utilized by the campuses.

The committee directed staff to bring to the next meeting two different property allocation formulas. The first formula would have one basic rate for all member property. The second formula would have two basic rates – one for real property and one for contents.

C9. Approval of the FY 13/14 Crime Program Member Cost Allocation; Discussion of Alternative Rating and Allocation Plans

Mimi Long explained that the AORMA Committee approved the total FY 13/14 Crime Program funding of \$351,104 at its meeting in September, 2013. The Programs Committee must now review and approve the allocation of the total program costs. Costs are allocated to the members based their prior year’s premium, number of employees, total expenditures and loss information. Collars are included in the calculation to keep the premium fluctuation to a minimum. Staff prepared two allocation options. Option #1 includes a minimum increase of 12% and maximum increase of 40%, it also adds in a \$100 minimum premium. Option #2 does not include a reduction for any one member, has a 40% maximum increase with no minimum premium.

Mimi further explained that the allocation formula will be reviewed and revised for the FY 14/15 term. The committee will review draft allocation formulas at its next meeting.

A motion was made to approve Crime Program Rating Allocation - Option #1 which includes a 12% minimum increase, a 40% maximum increase and a \$100 minimum premium.

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			

C10. Review and Approval of AORMA’s Workers’ Compensation Payroll Rules to Follow

Staff was asked by the Programs Committee to review the AORMA Worker’s Compensation Rules to Follow and provide comments or suggestions for change. Mimi Long explained that Rules 1 through 7 are basically the same as the rules published by the WCIRB.

Rules 8 through 12 differ from the WCIRB. The WCIRB does not allow employees engaged in activities within more than one class code to split their payroll. The WCIRB requires that the entire payroll be allocated to the higher rated class code. Staff worked with the AORMA Workers’ Compensation Committee and the AOA HR Committee to establish the AORMA Class Codes and Rules to Follow. The committee members wanted to have the ability to deviate from the WCIRB payroll requirement because many auxiliaries have employees that engage in activities within more than one class code and those auxiliaries already have in place a method of accurately allocating payroll of a single employee within difference class codes.

The committee members also recognized that some auxiliaries may not have a method to easily allocate a single employee’s payroll. It was therefore decided, and the Rules to Follow should state that the activity where 75% or more time is spent should become the prevailing allocation class code, provided that neither task is considered hazardous.

Some employees are asked engage in hazardous and non-hazardous activities for the same operation. Mimi noted the two examples that were discussed during the workers’ compensation payroll desk audits. (1) A Research Foundation student employee who is assisting with an off-site research project which is not physical in nature (class code 1002) is asked to collect plant samples (class code 1007). (2) A clerical student employee (class code 1001) who is also a camp counselor for a week long summer sports camp (1005). The Rules to Follow state that the if the more hazardous task hours are less than 20% of the employee’s hours, then that employee’s hours could be allocated to the less hazardous activity.

The committee discussed whether 20% of an employee’s hours within a hazardous activity should still be considered “incidental”. The committee members felt that 20% was reasonable.

Mimi explained that Rule 10 applies to non-hazardous activities only and it states that if an auxiliary does not have such a method to split an employee’s hours, then **“wherever 75% or more time is spent”** should become the prevailing allocation. Mimi recommended that this section be changed to, **“wherever more time is spent.”**

The committee agreed that Rule 10 should be amended to read, “If the auxiliary does not have such a method and cannot easily split hours, then wherever ~~75% or~~ more time is spent should become the prevailing allocation, if neither task is considered hazardous. An accurate description of job duties for personnel whose time is allocated in this fashion should be kept to allow outside verification of the justification for the allocation.”

A motion was made to approve the above change to the AORMA Workers’ Compensation Payroll Rules to Follow.

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			

C11. Earthquake Insurance Program Discussion

Mimi Long explained that the next step in designing the CSURMA AORMA Earthquake Program is to send out estimated program pricing to all Member’s who responded to the original EQ survey. The committee reviewed the estimated member program pricing on a separate exhibit. When sending out the estimates, Staff will ask the Members to determine if they would still be interested in participating in the EQ program if their premium was as estimated. The committee will discuss the results at its meeting in April, 2013. Roughly 20 members responded to the survey with reported values of some \$1,200,000,000. A traditional earthquake coverage program for the portfolio of properties included in the survey would cost between \$2.3MM and \$4MM. Utilizing known alternative structures could save perhaps 25%, but would require shifting risk to the membership and/or a multi-year approach to be effective.

C12. Review of the CSURMA Approved Budget for FY 12/13



APPROVED

Due to time constraints, the committee asked that this item be brought back to the committee at its next meeting in April, 2013.

D. INFORMATION ITEMS

The following information items were reviewed by the Committee:

- 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 4:54 PM.