



APPROVED

**MINUTES OF THE CSURMA AORMA
PROGRAMS COMMITTEE MEETING
APRIL 3, 2014
TELECONFERENCE MEETING
1:00 PM**

MEMBERS PRESENT

Kurt Borsting, Associated Students, Inc. (CSU Fullerton)
Guy Dalpe, Cesar Chavez Student Center (San Francisco State University)
Mark Day, Santos Manuel Student Union (CSU San Bernardino)
Gigi Kiama, University Corporation (CSU Monterey Bay)

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 1:12 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: Gigi Kiama
Second: Kurt Borsting

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

MOTION CARRIED

C2. Approval of Minutes – March 6, 2014

The Committee asked that the following amendments be included in the minutes:

On Page 4, item 4, “Is there value in consulting with CSU academics as we develop the allocation model. Kurt Borsting mentioned the insurance studies institute at CSUF and Mark Day referenced an academic center at San Jose State University that also may be worth looking into. Mimi stated that the allocation can be reviewed by an outside consultant after the allocation formula is close to being finalized. It’s too early now as it is still in a draft format.

A motion was made to approve the minutes from the March 6, 2014 meeting, with the revisions noted above.

First: Kurt Borsting

Second: Mark Day

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

MOTION CARRIED

C3. FY 15/16 Liability Program Member Allocation Formula

The committee members reviewed the first draft of the FY 15/16 Liability Program Member Allocation Formula. Mimi reiterated that many of the factors within the spreadsheet will change and the committee should be aware that this is the first draft concept of the allocation, but by no means the final calculation.

Mimi explained that the draft FY 15/16 liability program member allocation formula includes the following:

Exposure Information – A premium dollar amount is assigned to each exposure category which is then allocated based on each member’s percentage of the total exposures. The total premium is allocated based on four exposure categories:

- a. Expenditures – Used to calculate the “all other losses” premium
- b. Payroll – Used to calculate employment related losses, including non-owned auto liability premium

- c. Square Footage – Used to calculate the premise liability, i.e., slip, trip and fall, faulty stairs premium (Staff will work with the members to validate the exposure information being used)
- d. Number of Owned Autos – Used to calculate the auto liability premium

Mimi explained that input from the actuary will be requested with regard to each exposure category. Staff split the premium almost evenly between each exposure. But, will ask the actuary to provide recommended rates for each exposure category based on historical loss information.

Mimi noted that payroll, square footage and number of auto are standard ISO rating factors. An ISO rating factor might also be sales; however, staff felt that expenditures better captures the auxiliary's actual activities.

Size Credit – Similar to the property and crime allocations, a size credit has been included.

Loss Rating – A credibility factor has been added to the loss rating. Based on the Member's total estimated five year premium, a loss credibility factor has been added from 25% to 100% depending on the size of the Member.

Excess Premium – The excess premium is allocated based on each member's percentage of the total basic premium (excluding size credit and loss rating). A maximum excess premium cap of \$100,000 is included.

Admin Costs – The admin costs are allocated based on each member's percentage of the total basic premium (excluding size credit and loss rating). A minimum of \$600 and maximum of \$60,000 is included.

Collars – Premium collars will be included in the calculation; however, for now they are not being used so that the committee can see the actual impact of the allocation changes.

Minimum Premium – A \$2,500 will be included.

After reviewing the first draft of the FY 15/16 liability program member allocation formula, the committee directed Staff to take the following action:

1. Ask Phil Lendaris, the AORMA liability underwriter, to re-rate approximately five auxiliaries, using current ISO rates. The committee will then compare the Auxiliary's current allocation to the ISO rating and the draft FY 15/16 liability program member allocation formula.
2. Ask the actuary to validate the total premium or rate for each exposure category.

The Committee also requested information regarding the following inquiries:

1. Is the allocation formula based on any insurance industry standard model or is it something developed by the Alliant team for our program's consideration? Mimi stated

that the allocation model is based on insurance standards. The exposure basis, payroll, square footage, autos and expenditures are all exposures used in ISO rating.

2. Are there industry models (potentially developed for other JPAs) for us to consider, review, and potential draw from as we develop the AORMA allocation formula recommendations for 15/16? Mimi stated that the model developed is very similar to the CSU campus model; the only difference is the exposure basis. The campuses use payroll to allocate the basic premium. Each campus is similar enough that the premium can be allocated based on the campuses' payroll size. This doesn't work for AORMA because the auxiliaries have such different operations and some auxiliaries don't have employees. Because of this staff had to create a different way to allocate the premium based on different exposures.
3. Is there value in having an outside third party expert consult with us on developing the proposed allocation model? Mimi stated that the allocation formula would be reviewed the AORMA actuary, Phil Lendaris, the AORMA liability underwriter, and Mike Simmons from Alliant, who has been involved in the implementation and design of many allocation formula for JPAs over the years.
4. Is there value in consulting with CSU academics as we develop the allocation model - I mentioned the insurance studies institute at CSUF and Mark Day referenced an academic center at a different CSU campus that also may be worth looking into. Mimi stated that the allocation can be reviewed by an outside consultant after the allocation formula is close to being finalized. It's too early now as it is still in a draft format.

D. INFORMATION ITEMS

D.1 CSURMA AORMA 2014 Meeting Calendar

D.2 FY 13/14 AORMA Long Range Action Plan

D.3 FY 13/14 AORMA Service Calendar

The committee reviewed the information items. There was no discussion.

E. ADJOURNMENT

The meeting was adjourned at 1:50 PM.