

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

SEPTEMBER 6, 2017

ALLIANT INSURANCE SERVICES

2180 HARVARD STREET, SUITE 460 • SACRAMENTO, CA

10:00 AM

MEMBERS PRESENT

Gigi Kiama, The University Corporation at Monterey Bay
Trina Knight, University Enterprises, Inc., CSU Sacramento
Starr Lee, Cal Poly Corporation at San Luis Obispo
Frank Mumford (AORMA Chair), CSU Fullerton Auxiliary Services Corporation
Dave Nakamura, Humboldt State University Center
Bella Newberg University Auxiliary and Research Services Corporation, San Marcos
Bill Olmsted, University Union Operation of CSU Sacramento
Todd Summer, Aztec Shops, Inc. San Diego

MEMBERS ABSENT

Dwayne Brummett, Associated Students, Inc. at San Luis Obispo

STAFF, GUESTS AND CONSULTANTS

Andrew Gaspari, 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.
John Owen, Alliant Risk Control Consulting.
Michael Simmons, Alliant Insurance Services, Inc.

A. CALL TO ORDER

The meeting was called to order by the Chair, Frank Mumford at 10:05 AM.

**A1. INTRODUCTION OF NEW COMMITTEE MEMBERS, STAFF AND
CONSULTANTS**

All Committee Members and guests introduced themselves. Frank Mumford noted that Trina Knight, Human Resources Director, University Enterprises CSUS, Bill Olmsted, Associate Executive Director, University Union Operations of CSUS and Todd Summer, CFO, Aztec Shops of San Diego State as new AORMA Committee members.

Daniel Howell explained that Andrew Gaspari recently joined the CSURMA team at Alliant Insurance Services, Inc.

B. PUBLIC COMMENTS

There were no comments from members of the public.

C. GENERAL ADMINISTRATION

C1. Review of FY 16/17 AORMA Long Range Action Plan

Mimi Long provided a brief overview of the items on the current AORMA Long Range Action Plan.

C2. AORMA Officers' Retreat Recap

Frank Mumford provided a brief overview of the AORMA Officers Retreat which occurred in July, 2017.

C3. 2018 AOA Conference Risk Management Sessions

Mimi Long noted that the below session have been confirmed by the AOA conference planning committee for the 2018 AOA Conference.

1. Workers' Compensation - Joint session between HR and Commercial Services
2. Foreign Travel
3. Abuse Prevention Policies ... Is it time for a tune-up?
4. Contract requirements and safety concerns for recreation centers

The exact content of the presentations are still being determined. John Owen suggested that Staff survey all of the CSU Campuses and Auxiliary Organizations to see what kind of rec center safety procedures have already been established. Daniel Howell suggested integrating the AORMA Recommended Facilities Use Agreement in the future rec center safety guidelines. Howell also suggested contacting the excess reinsurers / insurers to see what concerns they might what CSU to address.

C4. AORMA Liability and Workers' Compensation Program Actuarial Reports Valued at June 30, 2017

The actuarial report was made available for the Committee's review. Mike Simmons provided a basic overview of the basic terms within the actuarial reports. The Committee reviewed several key findings and exhibits. Staff noted that 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 18/19 as well as evaluating potential dividends. As shown within Table 1 below, the workers' compensation program estimated outstanding liabilities at June 30, 2017, have

decreased dramatically due to the reinsurance agreement with CSAC EIA. Effective January 1, 2015, the AORMA workers' compensation program is fully reinsured; therefore, all outstanding liabilities between January 1, 2015 and June 30, 2017 are retained by CSAC EIA. The liability program estimated outstanding liabilities also decreased due to the updated actuarial trending. It was explained to the Committee that the estimated outstanding liabilities include reserves on open claims as well as the IBNR (incurred but not reported). The IBNR includes an estimate for the incidents that have occurred but have not been report yet as well as changes to the reserves as additional claim information becomes known.

Table 1			
Estimated Outstanding Losses at an "expected" confidence level, undiscounted for investment income, including unallocated loss adjustment expenses			
Liability		Workers' Compensation	
At June 30, 2016	\$1,493,749	At June 30, 2016	\$5,942,753
At June 30, 2017	\$1,447,703	At June 30, 2017	\$3,875,940
Change	-3%	Change	-35%

The Committee also reviewed the projected ultimate net limited losses for the FY 18/19 year. As shown in Table 2, the rate for the workers' compensation program will decrease slightly. The reduction to the liability program projected funding and loss rate as shown in Table 3 is due to the updated projection of losses within the \$500,000 pooled layer. Even though AORMA has experienced several catastrophic claims which pierced the reinsurance layer, necessitating an increase to the pooled layer limit and the reinsurance premium, the actuary believes a lower loss rate is sufficient to fund losses within the pooled layer for FY 18/19.

Table 2					
Workers' Compensation					
Projected Ultimate Net Limited Losses, Discounted					
Term	Funding	Rate	Term	Funding	Rate
80% Confidence Level			70% Confidence Level		
FY 17/18 (\$500,000 SIR)	\$3,468,000	1.05	FY 17/18 (\$500,000 SIR)	\$3,162,000	0.96
FY 18/19 (\$750,000 SIR)	\$3,428,000	1.02	FY 18/19 (\$750,000 SIR)	\$3,098,000	0.92
Change	-1%	-3%	Change	-2%	-4%
<i>FY 18/19 (\$500,000 SIR) *</i>	<i>\$3,256,000</i>	<i>0.97</i>	<i>FY 18/19 (\$500,000 SIR) *</i>	<i>\$2,994,400</i>	<i>0.87</i>

* The FY 18/19 funding with a \$500,000 SIR is for comparison purposes only. The pooled layer has increased to \$750,000. The loss rate change, using the rate for the \$500,000 SIR, is an 8% reduction for the 80% CL funding and a 9% reduction for the 70% CL funding.

Table 3		
Liability		
Projected Ultimate Net Limited Losses, Discounted		
Term	Funding	Rate
80% Confidence Level		
FY 17/18	\$2,166,071	0.48
FY 18/19	\$1,939,584	0.43

Change	-10%	-10%
70% Confidence Level		
FY 17/18	\$1,770,848	0.39
FY 18/19	\$1,585,685	0.35
Change	-10%	-10%

No action was taken. Action will be taken at tomorrow’s meeting.

C5. Special Funding Task Group

Daniel Howell explained that at its last meeting in July, the AORMA Officers discussed the importance of an annual discussion of AORMA’s historical funding philosophy. As members term-off of the AORMA Committee, and executive staff retire from the Auxiliary Organizations, institutional knowledge is lost. Committee members don’t remember the difficult days before the creation of CSURMA. The AORMA liability and workers’ compensation programs have historically been conservatively funded at an 80% confidence level. Currently, because both programs are adequately funded, the Committee has begun approving funding at less than an 80% confidence level. This reflects the Committee’s desire to keep surplus at the current level. The goal of the conservative funding, and conservative return of dividends, has been to preserve surplus in the funds in order reduce the possibility of assessments. Because of the nature of a self-insured pooled, a few consecutive bad years, could reduce surplus by several million dollars. The workers’ compensation program now has a \$750,000 pooled layer. Three catastrophic claims could reduce surplus by \$2,250,000. Similarly, the liability program has a \$500,000 pooled layer. Three bad claims could reduce surplus by \$1,500,000.

Howell explained that the AORMA Committee follows CAJPA’s accreditation standards. CAJPA is a statewide association formed in 1981 to provide guidelines and standards for California JPAs. The CAJPA accreditation standards are designed to ensure quality and professional standards for all risk management pools regardless of size, scope of operation, or membership structure. The process involves a detailed program study and evaluation. CAJPA established several ratio standards to evaluate the program’s surplus. AORMA adopted three of the ratios.

The Committee reviewed proposed changes to Policy and Procedure A-3 and recommended that not only would the AORMA Committee be required to annually discuss its historical funding philosophy but it would be required to document the discussion as well.

No action was taken. Action will be taken at tomorrow’s meeting to approve changes to Policy and Procedure A-3.

The next item was discussed out of order.

C7. Target Surplus Funding Report and Dividend Calculation

Mike Simmons presented the findings from his target surplus funding analysis. Staff prepared 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 37% and on the workers' compensation program 71%. Simmons noted that a typical insurance industry ratio would be great at 3 to 1; however, self-insured pools need to be more conservative. Therefore, AORMA selected half of the insurance industry standard – 1.5 to 1. AORMA is in a very positive position, which is significantly lower than the 1.5 to 1 threshold. 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 time the maximum program retention. The ratio on the liability program is 14 time the maximum retention and on the workers' compensation programs, it's 9 times. 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 20% and on the workers' compensation program, it's 58%.

Simmons 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.

The Committee will take action at tomorrow's meeting.

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 6/30/17, as well as historical estimated fund balance and dividend information. These reports along with the Target Surplus Funding report helps the Committee determine the appropriate dividend amounts to declare.

C8. CSAC-EIA Workers' Compensation Program Costs and Member Services and Resources

The Committee reviewed and discussed a report which compared the costs for the CSAC EIA reinsurance program vs. funding for the AORMA workers' compensation program using a 70% confidence level. The reinsurance contract began effective January 1, 2015. The CSAC EIA pricing for FY 14/15, FY 15/16 and FY 16/17 was lower than what AORMA could self-insure the program with funding at a 70% confidence level.

The AORMA pooled program rate decreased for FY 17/18; however, the CSAC EIA rate increased by 13%. Staff will review the allocation of CSAC EIA total program premium for FY 17/18 between the Campus and AORMA program. It may be that AORMA's rate should be lower, which would mean the Campus rate would have to increase.

Staff will bring this item back for discussion in October.

C9. AORMA Workers' Compensation Program Members

Mimi Long explained there are currently 54 AORMA members with employees. All of those members are members of the workers' compensation program except;

1. San Diego State University Research Foundation (SDSURF)
2. California State University, Fresno Foundation
3. Associated Students, Inc. of California State University, Fresno
4. Fresno State Program for Children, Inc.
5. The Agricultural Foundation of California State University, Fresno

SDSURF currently has a large deductible workers' compensation program, which requires that they post collateral in the form of a letter of credit. Making the transition from a deductible program to a fully funded program is problematic. Currently, RF pays its claims on a cash basis. The AORMA program is funded on an accrual basis. Therefore, moving to the AORMA program would require the RF to fully fund the upcoming fiscal year while paying off the past years. The RF will continue paying extra until all workers' compensation claims (prior to joining AORMA) are closed. The RF currently has \$1.3 MM in outstanding workers' compensation liabilities. The Committee discussed the option of providing a loan to the RF to pay down the outstanding liabilities. A viable option would need to be presented to the RF by April, due to the letter of credit deadline. The EC would need to approve a loan option as well.

Staff was directed to meet with SDSURF as well as the Fresno auxiliaries to see if AORMA can offer an option which is attractive and fiscally prudent.

C10. On-Line Training Via SkillPort / Termination of TargetSolutions

Mimi Long informed the Committee that all of the campuses have integrated their auxiliary organization staff into the SkillPort training platform. SPD has received the historical completion data from Target Solutions and is in the process of clarifying and identifying the employees and uploading the data onto the SkillPort platform. SPD anticipates that the process

could take months as employee identification “code” are not always consistent. Zachary Gifford let the Committee know that Systemwide Professional Development just sent out an RFP on the online training provider, which is currently SkillPort.

C11. Alliant Risk Control Consulting

John Owen joined Alliant Risk Control Services (ARCC) as Brent Escoubas’ replacement. John is the primary contact for AORMA; however, in order to enhance services, the ARCC team of consultants has been expanded to include three other team members. Owen provided a brief presentation regarding ARCC’s changes and planned activities for the AORMA members. 95 auxiliary staff members attended the five webinars that were presented in August. The webinars were recorded and Staff will post the links on the CSURMA website.

C12. Parametric Earthquake Insurance Coverage

Daniel Howell discussed the Parametric Earthquake Insurance coverage proposal which the University is reviewing. The CSU currently buys very little earthquake insurance, due to high deductible and very expensive premium. The Parametric EQ Insurance offers a total limit of \$25MM for a three-year period. The limit would be proportional to each campus TIV. The two largest earthquake areas, the Bay Area and LA Metro, each have a \$25MM total limit across area campuses. The coverage would include a pre-defined trigger and a table of the payout factors. There is no requirement to provide loss adjustment information. The \$25MM limit would service to provide immediate cash flow as well as satisfying any FEMA requirements. The premium estimate is \$1.67MM for the University. An additional 10%, or \$167,000, in premium is estimated to add coverage for the auxiliaries. The premium would be added to the property program and allocated to the members. The exact allocation formula would need to be determined.

A motion was made to approve the delegation of authority to the Executive Committee and the Chancellor’s Office to purchase the coverage if it is determined to be prudent.

Motion: Starr Lee
Second: Gigi Kiama

NAME	AYE	ABSTAIN	NAY	ABSENT
Bella Newberg	X			
Bill Olmsted	X			
Dave Nakamura	X			
Dwayne Brummett				X
Frank Mumford	X			
Gigi Kiama	X			
Starr Lee	X			
Todd Summer	X			
Trina Knight	X			

MOTION CARRIED

C13. Student Clubs Insurance Program

Daniel Howell explained the California State University system is home to thousands of student organizations representing a variety of student interests and planned events. As student clubs are considered separate entities from both the auxiliary organizations and the campuses, insurance coverage for these organization is not included under either the Campus or AORMA insurance programs.

Staff has been directed to explore the formation of a Student Organization insurance program, similar to the Club Sports program. Staff will add Student Clubs Insurance Program onto the FY 17/18 LRP.

C14. Recreation Center Standard Guidelines for Safety

John Owen discussed creating a set of recreation center standard guidelines for safety. Some of the first steps would be to ascertain what safety guidelines have already been adopted / created by members, and if there are standard industry safety guidelines that AORMA can adopt as good practices. After the initial, review of existing guidelines, AORMA can decide if there is a need to hire an outside professional firm to create and maintain the safety manual. Staff was directed to add this project to the FY 17/18 long range action plan.

C15. Unemployment Insurance Program Member Excess Funds

Mimi Long discussed the treatment of excess funds within the unemployment insurance program and how those funds should be documented within the Member's financial audit.

The Policy and Procedure UI-1 states the following:

At the end of each fiscal year, the AORMA UIP Fund Balance Report will be distributed to each MEMBER. The Fund Balance Report will include actual paid claims for the fiscal year rather than estimates. If the MEMBER's fund balance exceeds the minimum fund balance required (two times annual average losses) then the MEMBER can request that the excess funds be returned.

Currently, Members can requests that the excess funds be returned at any time throughout the year.

For those MEMBERS involved in federally sponsored programs, the funds in excess of the minimum required fund balance can be retained on account with CSURMA to be used to lower contributions for the upcoming or current fiscal year. If the MEMBER chooses to receive a refund of the funds in excess of the minimum required fund balance, then the MEMBER will be required to calculate the percentage of its payroll and salary

that is attributable to federally sponsored programs to determine what percentage of the refund will need to be returned to the federal government.

Long asked for direction from the Committee as to whether or not CSURMA AORMA should provide advice to the Members as to how those excess funds should be shown in the Member’s financial statement. The Committee didn’t feel it was appropriate for AORMA to provide financial advice and that each UIP members should review and discuss the fund balance report with their own Controller. Staff was directed to send an annual reminder to Members in Mid-July that an UIP Fund Balance Report ending June 30 will be sent out in September.

C16. AORMA Historical Premium Payments, Dividends and Loss Ratios Report

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

C17. Employment Practices Liability Member Deductibles for FY 18/19

The Committee reviewed the minimum EPL deductible calculation for FY 17/18. 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 18/19 EPL deductibles.

Auxiliary Organization	FY 18/19
CSU, Fresno Foundation	\$75,000
CSU, Long Beach Research Foundation	\$50,000
The Cal Poly Pomona Foundation, Inc.	\$100,000
University Enterprises, Inc., CSU Sacramento	\$50,000
Associated Students, SDSU	\$50,000
SDSU Research Foundation	\$100,000
San Jose State University Research Foundation	\$100,000

C18. Discussion of AORMA’s Continuity Plan

The Committee discussed AORMA’s continuity plan as well as the current and upcoming open seats.

C12. Development of the Long Range Action Plan Items for FY 17/18

The AORMA Committee Members discussed the long range goals for AORMA. Based on today’s decisions, Staff will prepare the FY 17/18 long range action plan document which will be presented for approval at the next AORMA Committee meeting.

1. Workers' Compensation Program Growth
2. Student Clubs Insurance Program
3. Evaluation of Participation in the CSU Captive Vehicle
4. Development of Recreation Center Good Practices
5. Formation of AORMA Benefits Program
6. Preparation and Distribution of the CSURMA 20th Anniversary Report
7. Disseminate Availability of CSAC EIA Risk Management / Safety Services

The Committee also discussed Executive Order 1109 which lifts the ban on alcohol sales at athletic events. The policy has changed to allow the sale and advertising of alcoholic beverages as long as it is done legally and within guidelines that promote responsible use. Good practices for the sale of alcohol on campuses was suggested as a topic for the next CSURMA bulletin.

D. ADJOURNMENT

The meeting was adjourned at 3:22 PM.