



# CSURMA AORMA COMMITTEE MEETING AGENDA

“This is an Open Public Meeting”

*In accordance with the requirements of the Bagley-Keene Open Meeting Act, notice of this meeting must be posted in a publicly accessible place, including the internet, at least ten days in advance of the meeting. This meeting agenda shall also be posted at the address of the teleconference location with access for the public via phone/speaker phone.*

*Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Alliant at (415) 403-1400 twenty-four hours in advance of the meeting. Entrance to the meeting location may require routine provision of identification to building security. However, CSURMA AORMA does not require any member of the public to register his or her name, or to provide other information, as a condition to attendance at any public meeting and will not inquire of building security concerning information so provided. See Government Code section 54953.3.*

- 1. Teleconference Location - CSU Chancellor’s Office, 401 Golden Shore, Long Beach, CA

**Meeting Date:** June 3, 2020      **Location:** Video Chat: [617864115@alliant.webex.com](mailto:617864115@alliant.webex.com)  
**Time:** 11:00 AM      **Teleconference No:** (877) 309-3457  
**Meeting number:** 617 864 115

**Legend:**      **A** – Action may be taken  
                     **I** – Information Only

**A. CALL TO ORDER**

- 1. **Approval of the Agenda** A p. 2  
*The Committee will be asked to approve today’s meeting agenda order*

**B. PUBLIC COMMENTS**

**C. GENERAL ADMINISTRATION**

- 1. **Liability Program Member Allocation Formula** A p. 3  
*The Committee will be asked to discuss the Liability Program member allocation*
- 2. **Employment Practices Liability Deductible Calculation** A p. 19  
*The Committee will be asked to discuss the EPL deductible calculation*
- 3. **Property Program Member Allocation Formula** A p. 27  
*The Committee will be asked to discuss the Property Program member allocation*
- 4. **Crime Program Member Allocation Formula** A p. 37  
*The Committee will be asked to discuss the Crime Program member allocation*
- 5. **Workers’ Compensation Program Member Allocation Formula** A p. 47  
*The Committee will be asked to discuss the WC Program member allocation*
- 6. **Unemployment Insurance Program Member Allocation Formula** A p. 56  
*The Committee will be asked to discuss the UI Program member allocation*

**D. ADJOURNMENT**

*If you have questions regarding the agenda package, please contact Mimi Long at [mlong@alliant.com](mailto:mlong@alliant.com) / (415) 403-1423 or Tevea Him at [thim@alliant.com](mailto:thim@alliant.com) / (415) 403-1416*

**APPROVAL OF THE AGENDA**

**ISSUE:** The Committee will be asked to approve the agenda for today’s meeting.

**RECOMMENDATION:** Staff recommends that the Committee approve the agenda as presented.

**FISCAL IMPACT:** None.

**BACKGROUND:** None.

**PUBLICATION:** None.

**ATTACHMENT(S):** None.

## **LIABILITY PROGRAM MEMBER ALLOCATION FORMULA**

**ISSUE:** The RPTG will be asked to review the Liability Program Member Allocation Formula as described in Policy and Procedure L-8.

**RECOMMENDATION:** After reviewing the program's allocation formula and Staff's recommended revisions, it is recommended that the RPTG provide a formal recommendation to the AORMA Committee at its next meeting in September, 2020 for adoption of the changes to the current allocation formula to be used in the FY 21/22 program.

**FISCAL IMPACT:** None is expected from action taken at this meeting; however, recommended revisions could have a fiscal impact for FY 21/22.

**BACKGROUND:** The attached exhibits provide additional information.

**PUBLICATION:** None at this time.

**ATTACHMENT(S):**

- a. Overview of the Allocation Formula
- b. Liability Claims Charts
- c. Policy and Procedure L-8
- d. Allocation Comparison

## Liability Program Member Allocation

### Basic Rating Formula

1. **Exposure Rates / Size Credit:** Four basic rates are calculated by the CSURMA actuary based on the total losses incurred within the following categories:
  - Auto liability
  - Employment practices
  - Premises liability (slip, trip and fall)
  - All other
2. **Size Credit:** Currently, a 20% size credit is included in the allocation based on the member's basic premium compared to the "Maximum Premium for Calculating the Size Credit" (Maximum Premium). Example: If the member's basic premium is \$50,000 and the Maximum Premium is \$100,000. Then the basic member's premium is 50% of the Maximum Premium; therefore, the member would receive 50% of the 20% size credit (or 10%).
3. **Experience Modification Factors (EMF):** EMF's are currently capped at a minimum of .50 and a maximum of 2.00. Seven members are capped at 2.00 and seven members are capped at .50.
4. **Excess insurance:** The excess insurance costs are allocated to each member based on its percentage of the total pooled layer premium. Minimum and maximum costs are included in the current FY 20/21 allocation of \$1,000 and \$98,398, respectively. Five members are capped at the maximum and sixteen are capped at the minimum.
5. **Administrative Costs:** The program administrative costs are allocated to each member based on its percentage of the total pooled layer premium. Minimum and maximum costs are included in the amount of \$799 and \$60,000, respectively. Five members are capped at the maximum and twenty-seven are capped at the minimum.
6. **Minimum Premium:** The current FY 20/21 allocation include a minimum premium of \$3,272.
7. **Premium Collars:** The liability program member allocation formula was significantly modified effective July 1, 2016. Premium collars were added to minimize major premium fluctuations. When adding a premium collar, the goal is to have them completely removed within five-years. For FY 20/21, premium collars of maximum reduction of -21% and maximum increase of 20% were included.

### Details / Recommendations

8. **Exposure Categories / Rates:** Every year the actuary recommends rates based on the historical losses within four categories as shown below:
- Auto liability
  - Employment practices
  - Premises liability (slip, trip and fall)
  - All other

As shown on Loss Charts attached, all losses were reviewed to see if it would be prudent to add any additional rating categories to the liability allocation.

After completing the review, Staff does not recommend adding any new rating categories, as there is not a severity or frequency issue with any of the loss types within the “Other” category. Staff specifically reviewed food service losses as a potential category; however, the loss costs within that category are driven primarily by one e-coli claim. The remaining claims are relatively small.

9. **Rates / Size Credit:** Beginning July 1, 2020, AORMA will use the actuary’s recommended rates for the four difference exposure categories. (In order to reduce pricing fluctuations, the rates were adopted slowly over a five-year period.) In the FY 20/21 allocation, in order to collect the required premium for the pooled layer, the rates are re-balanced up by 36% (20% for the size credit and 16% for the experience modification factors.) The size credit doesn’t have a meaningful impact on the members’ premium since the rates are also re-balanced up by 20%. Also, the experience modification factors do contemplate the member’s size as part of the calculation. Therefore, Staff recommends removing the current 20% size credit and adding collars to the rates of around 15% to 20%. Staff will request input from the actuary.
10. **Experience Modification Factors (EMF):** Staff recommends no change to the EMF collars as increasing them may create major premium fluctuations.
11. **Excess insurance:** Because excess premium costs are steadily increasing, Staff recommends increasing the minimum by 5% each year for the next three years and increasing the maximum by 10% for FY 21/22 and reviewing the maximum every year for adequacy. The total excess program costs are about 50% of the total program costs (minus the admin costs). The current maximum excess premium of \$98,398 is approximately 38% of the largest member’s uncapped premium.

**Table 1**

Reinsurance / Excess Insurance Costs		
Coverage Term	Minimum	Maximum
FY 21/22	\$1,000	\$108,237
FY 22/23	\$1,050	\$108,237
FY 23/24	\$1,103	\$108,237
FY 24/25	\$1,158	\$108,237

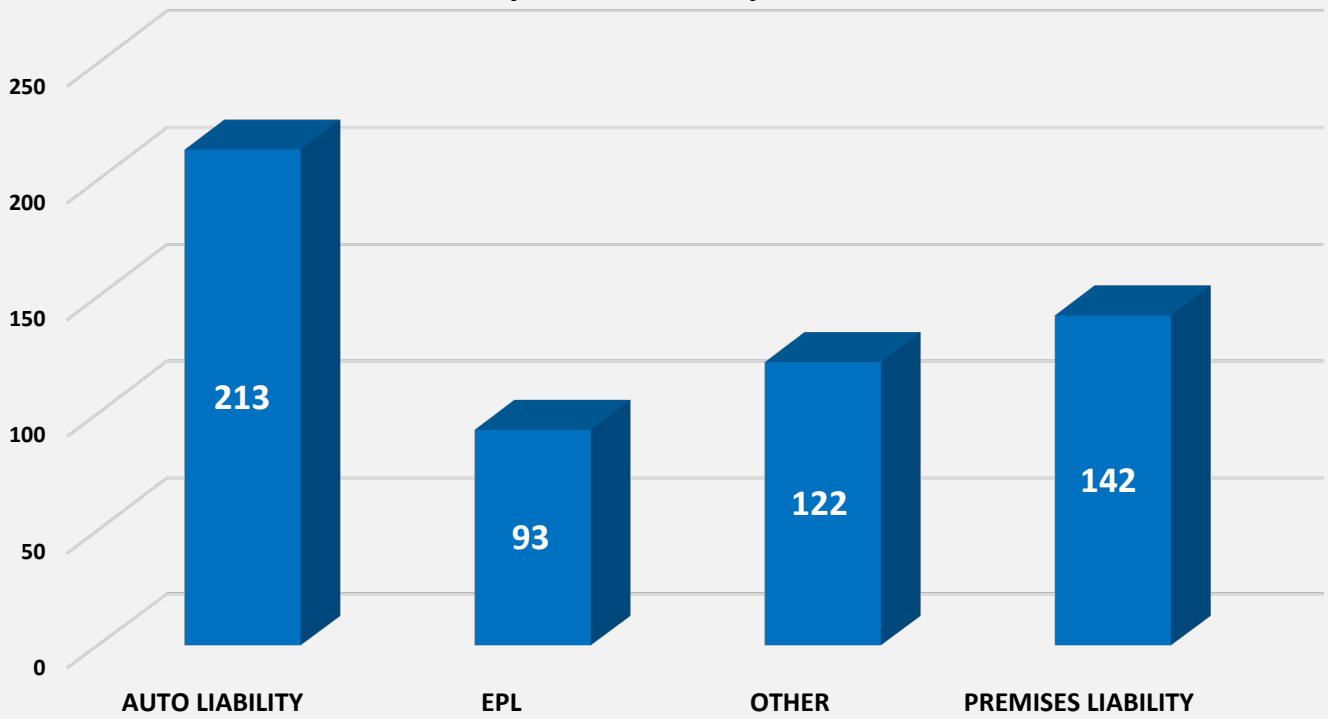
12. **Administrative Costs:** Staff is not recommending changes to the current administrative costs as they appear to be fair and equitable.
13. **Minimum Premium:** Staff expects the excess insurance costs to increase over the next few years, it is recommended that the minimum premium be increased by 5% each year for the next three years and then reviewed again.

**Table 2**

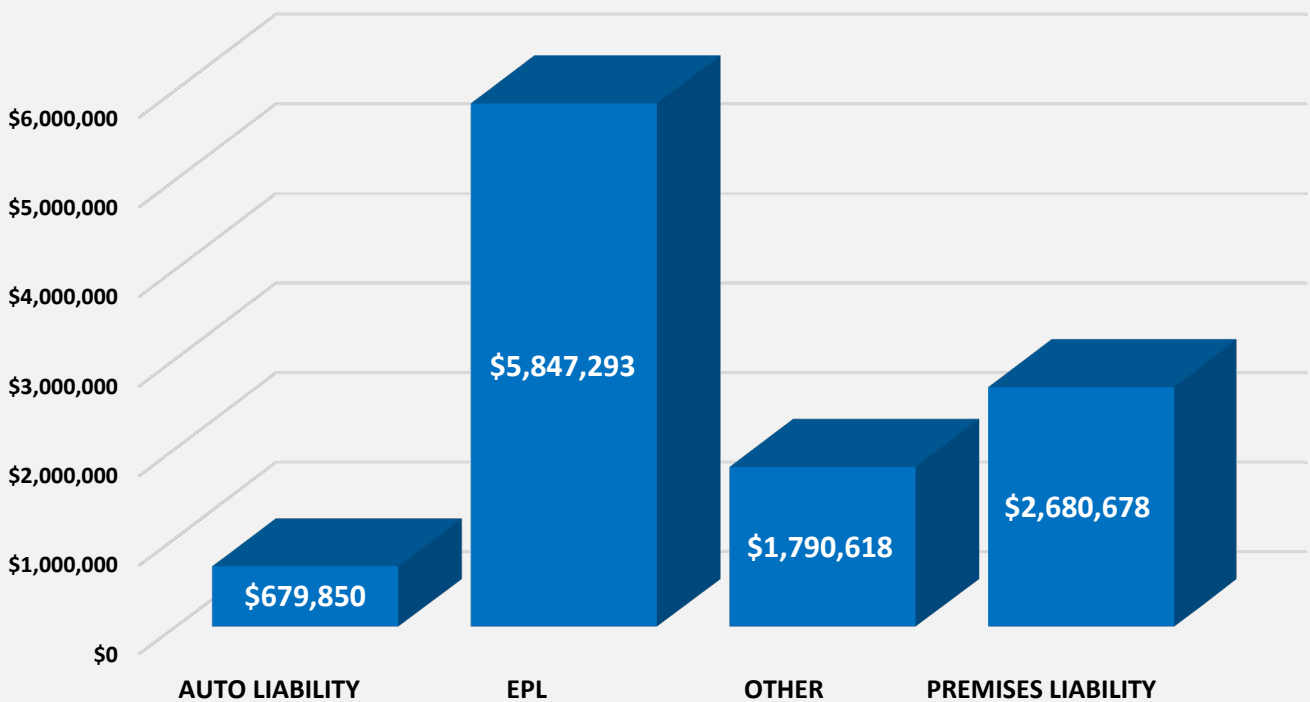
Coverage Term	Minimum Premium
FY 21/22	\$3,436
FY 22/23	\$3,607
FY 23/24	\$3,788
FY 24/25	\$3,977

14. **Premium Collars:** This program is entering year five. Staff believes that a maximum premium collar may be needed for one more additional year (FY 21/22). This will be reviewed in December, 2020, once the updated pool layer funding and excess premium amounts are established.

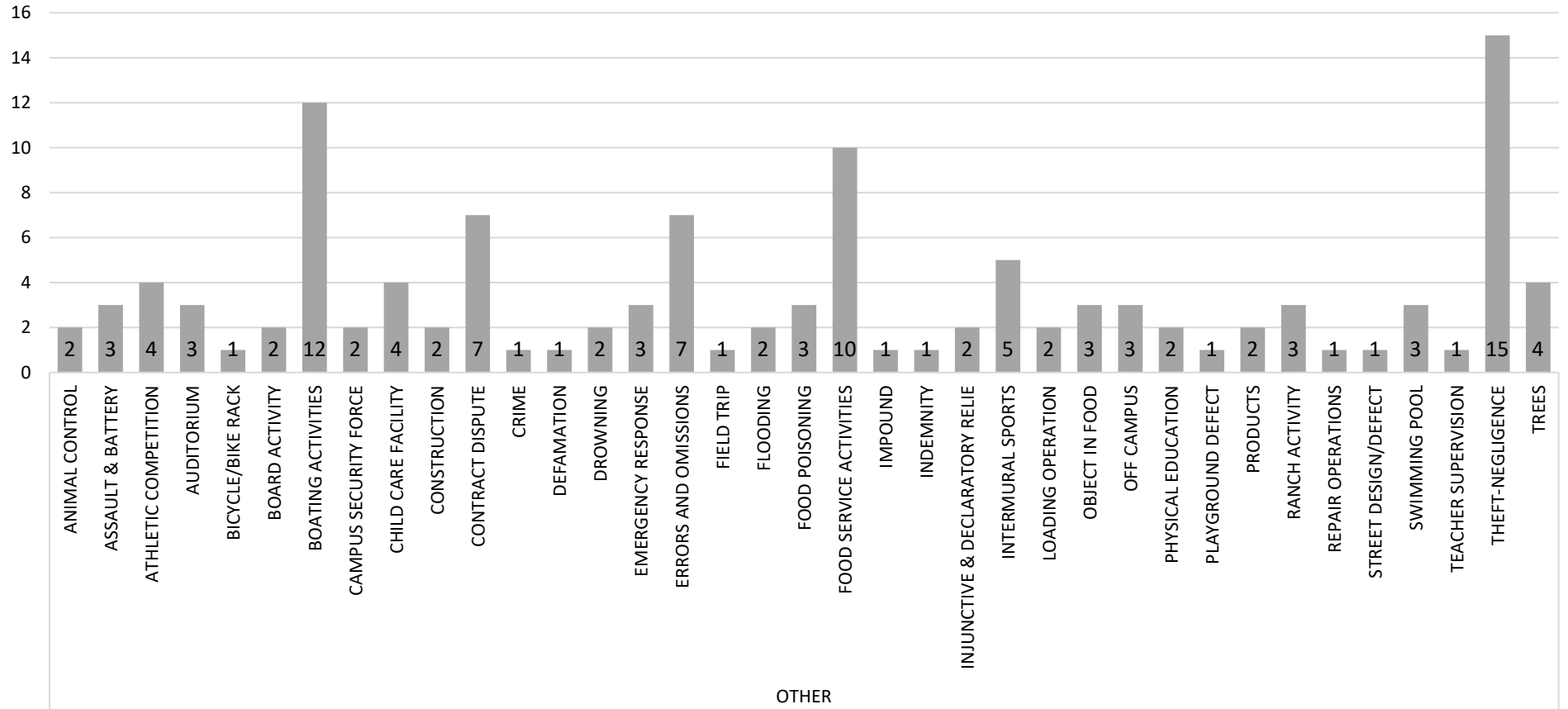
### AORMA Liability Loss Frequency July 1, 2009 to May 1, 2020



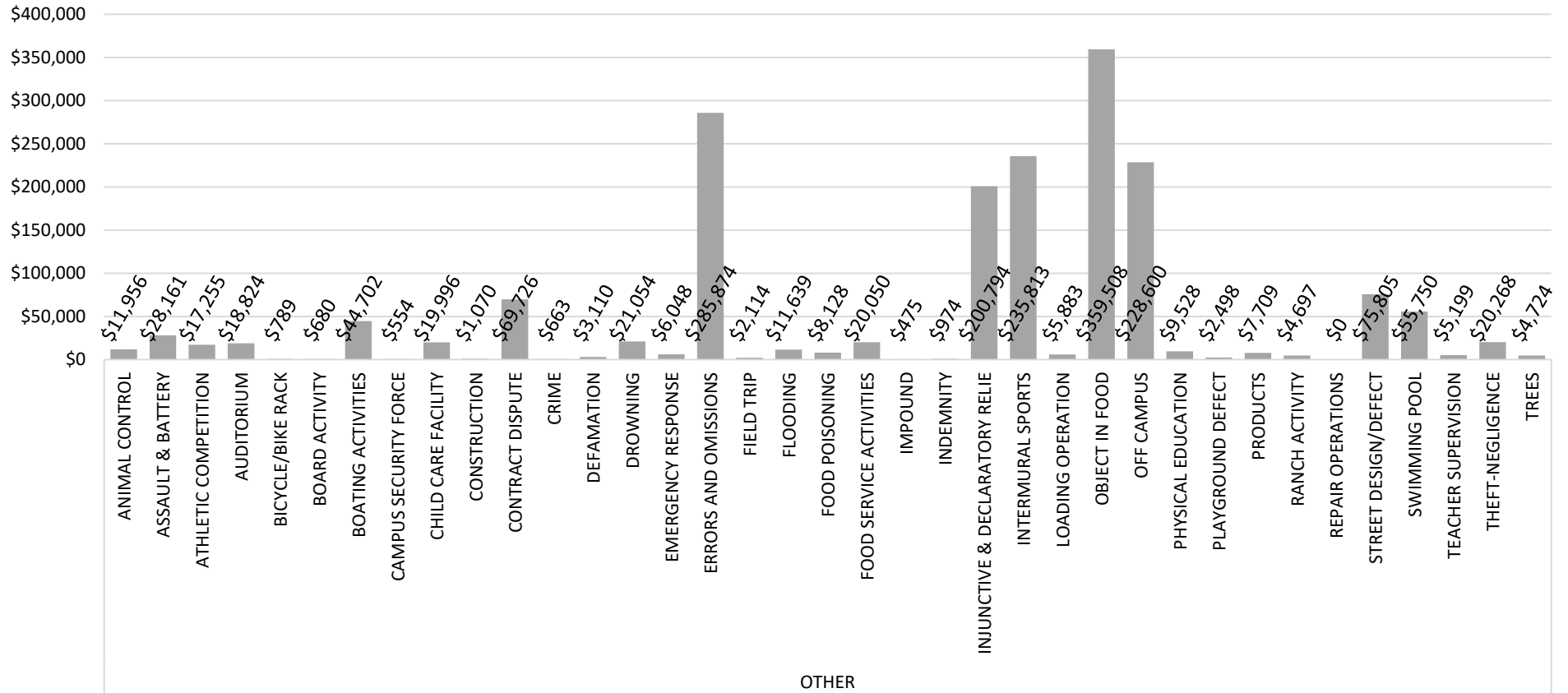
### AORMA Liability Loss Severity July 1, 2009 to May 1, 2020



**AORMA Liability Loss Frequency (All Others)**  
**July 1, 2009 to May 1, 2020**



**AORMA Liability Loss Severity (All Others)**  
**July 1, 2009 to May 1, 2020**





**CSURMA AORMA**

**POLICY & PROCEDURE NO. L-8**

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<b>SUBJECT:</b>	<b>LIABILITY PROGRAM MEMBER ALLOCATION FORMULA</b>
<b>ADOPTED:</b>	<b>SEPTEMBER 8, 2016</b>
<b>EFFECTIVE:</b>	<b>SEPTEMBER 8, 2016</b>
<b>AMENDED:</b>	<b>MAY 4, 2017</b> <b>MAY 2, 2019</b>

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**POLICY:**

It shall be the policy of the CSURMA AORMA to determine each member’s allocation of the total liability program costs as outlined in the Liability Program Member Allocation Formula shown below:

**PROCEDURE:**

Annually, in September, the AORMA Committee will approve the Total Liability Program Costs for the upcoming fiscal year. In December, the AORMA Committee will accept the supplemental actuarial reports to be used as general guidelines within the Liability Program Member Allocation Formula:

1. Liability Rates
2. Liability Experience Modification Factors
3. Employment Practices Liability Indicated Deductible Credits

In December, the AORMA Committee will approve the following allocation criteria within the Liability Program Member Allocation Formula and will approve the final member allocation for the upcoming fiscal year:

1. Basic rates
2. Maximum premium for calculating the size credit
3. Maximum size credit percentage
4. Minimum and/or maximum excess premium and administrative costs
5. Maximum and minimum premium collar percentages
6. Minimum premium

**LIABILITY PROGRAM MEMBER ALLOCATION FORMULA:**

**Basic Rates:**

Four basic rates are included in the allocation formula for the following loss exposures:

Loss Exposure	Exposure Basis
Automobile Liability (AL)	Number of owned autos
Premises Liability (PL)	Total square footage owned, occupied, operated or maintained
Other Liability (OL)	Total expenditures for five years
Employment Practices Liability (EPL)	Total payroll

- The exposure basis for each loss exposure is multiplied separately by the corresponding approved basic rate and then added together. *Result – basic premium for pooled layer w/o size credit or loss rating.*

**\*\* Example \*\***

<b>1.</b>	<b>5</b>	*	<b>\$150</b>	=	<b>\$750</b>
	Number of owned autos		Per Auto		AL Basic premium
	<b>150,000</b>	*	<b>\$50</b>	=	<b>\$7,500</b>
	Square Footage		Per 1,000 of square footage		PL Basic premium
	<b>\$20,000,000</b>	*	<b>\$400</b>	=	<b>\$8,000</b>
	Expenditures		Per 1,000,000 of expenditures		OL Basic premium
	<b>\$5,000,000</b>	*	<b>\$1,200</b>	=	<b>\$6,000</b>
	Payroll		Per 1,000,000 of payroll		EPL Basic premium
			<b>Total</b>		<b>\$22,250</b>
					Basic premium for pooled layer w/o size credit or loss rating

**Size Credit:**

- Basic premium for pooled layer w/o size credit or loss rating is divided by the maximum premium for calculating size credit. *Result – percentage of basic premium for pooled layer compared to the maximum premium for calculating size credit.*
- Percentage of total basic premium compared to maximum premium for calculating size credit is multiplied by maximum size credit percentage. *Result – size credit percentage.*
- Basic premium for pooled layer w/o size credit or loss rating is multiplied by the size credit percentage. *Result – basic premium for pooled layer w/ size credit.*

**\*\* Example \*\***

<b>1.</b>	<b>\$22,250</b> Basic premium for pooled layer w/o size credit or loss rating	/	<b>\$65,000</b> Maximum premium for calculating size credit	=	<b>34%</b> % of basic premium for pooled layer compared to maximum premium for calculating size credit
<b>2.</b>	<b>34%</b> % of basic premium for pooled layer compared to maximum premium for calculating size credit	*	<b>20%</b> Maximum size percentage credit	=	<b>7%</b> Size credit percentage
<b>3.</b>	<b>\$22,250</b> Basic premium for pooled layer w/o size credit or loss rating	-	<b>7%</b> Size credit percentage	=	<b>\$20,693</b> Basic premium for pooled layer w/ size credit

**Loss Rating:**

1. Loss rating discount or surcharge (as calculated by actuary) is multiplied by the basic premium for pooled layer w/ size credit. *Result – Basic premium for pooled layer w/ size credit and loss rating.*

**\*\* Example \*\***

<b>1.</b>	<b>\$20,693</b> Basic premium for pooled layer w/ size credit	*	<b>.945</b> Loss rating discount or surcharge	=	<b>\$19,555</b> Basic premium for pooled layer w/ size credit and loss rating
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**Excess Premium:**

1. Each Member’s percentage of the total basic premium for pooled layer w/o size credit or loss rating is multiplied by the total excess premium. *Result – excess premium.*
2. The excess premium is capped if it exceeds the maximum excess premium. *Result – capped excess premium.*

**\*\* Example \*\***

<b>1.</b>	<b>\$22,250</b> Basic premium for pooled layer w/o size credit or loss rating	/	<b>\$1,718,405</b> Total program basic premium for pooled layer	=	<b>1.29%</b> Percentage of total program basic premium for pooled layer
	<b>1.29%</b> Percentage of total program basic premium for pooled layer	*	<b>\$1,230,000</b> Total program excess premium	=	<b>\$15,867</b> Excess premium
<b>2.</b>	<b>\$15,867</b> Excess premium	=/<	<b>\$85,000</b> Minimum excess premium	=	<b>\$15,867</b> Capped excess premium

**Administrative Costs:**

1. Each Member’s percentage of the total basic premium for pooled layer w/o size credit or loss rating is multiplied by the total program administrative costs. *Result – administrative costs.*
2. The administrative costs are capped at either the minimum or maximum administrative costs. *Result - Capped administrative costs.*

<b>1.</b>	<b>\$22,250</b>	/	<b>\$1,718,405</b>	=	<b>1.29%</b>
	Basic premium for pooled layer w/o size credit or loss rating		Total program basic premium for pooled layer		Percentage of total program basic premium for pooled layer
	<b>1.29%</b>	*	<b>\$730,000</b>	=	<b>\$9,417</b>
	Percentage of total program basic premium for pooled layer		Total program excess premium		Administrative costs
<b>2.</b>	<b>\$9,417</b>	<	<b>\$60,000</b>	=	<b>\$9,417</b>
	Excess premium		Maximum administrative costs		Capped administrative costs
	<b>\$9,417</b>	>	<b>\$600</b>	=	<b>\$9,417</b>
	Excess premium		Minimum administrative costs		Capped administrative costs

**Final Premium w/o Collars:**

<b>1.</b>	<b>\$19,555</b>	+
	Basic premium for pooled layer w/ size credit and loss rating	
	<b>\$15,867</b>	+
	Capped excess premium	
	<b>\$9,417</b>	+
	Capped administrative costs	
	<b>\$44,874</b>	=
	Final premium w/o collars or deductible credits	

**Collared Premium:**

1. Prior year’s final premium w/o deductible credit is multiplied by the maximum collared percentage increase. *Result – maximum collared premium.*
2. Prior year’s final premium w/o deductible credit is multiplied by the maximum collared rate decrease. *Result – minimum collared premium.*
3. If the final premium w/o collars or deductible credits is less than the minimum collared premium, then the minimum collared premium will apply; if the final premium w/o collars or deductible credits is more than the maximum collared premium, then the maximum collared premium will apply.

**\*\* Example \*\***

<b>1.</b>	<b>\$35,000</b>	+	<b>10%</b>	=	<b>\$38,500</b>
	Prior year’s final premium w/o deductible credit		Maximum collared percentage increase		Maximum collared premium
<b>2.</b>	<b>\$35,000</b>	-	<b>10%</b>	=	<b>\$31,500</b>
	Prior year’s final premium w/o deductible credit		Maximum collared percentage decrease		Minimum collared premium

<b>3.</b>	<b>\$44,874</b>	>	<b>\$38,500</b>	=	<b>\$38,500</b>
	The maximum collared premium is used because final premium w/o collars or deductible credits is greater than the maximum collared premium				Final premium w/o deductible credits

**Minimum Premium:**

1. The final premium w/o deductible credits is compared to the approved minimum premium. The minimum premium is applied as appropriate.

**Employment Practices Liability Deductible:**

1. The EPL basic premium is reduced by the EPL deductible credits. The total savings is applied to the final premium w/o deductible credits.

**CSURMA AORMA Liability Program**

**FY 21/22 Allocation Revision Comparison (using FY 20/21 exposure information)**

**A - Current Allocation w/ Collar of .79 Min and 1.20 Max**

**B - w/ Collars of .79 Min and 1.24 Max**

**+ \$10,000 or 10%**

M#	Campus	Auxiliary Organization	A Current	B Proposed	Diff \$	Diff %
01-A	Bakersfield	Associated Students, California State University, Bakersfield, Inc.	\$4,419	\$4,403	-\$16	0%
01-B	Bakersfield	California State University, Bakersfield Auxiliary for Sponsored Programs and Administration	\$11,497	\$10,900	-\$597	-5%
01-C	Bakersfield	California State University, Bakersfield Foundation	\$6,890	\$6,864	-\$26	0%
01-D	Bakersfield	California State University, Bakersfield Student Union, Inc.	\$8,176	\$8,421	\$245	3%
02-A	Chancellor's Office	California State University Foundation	\$3,604	\$3,402	-\$202	-6%
02-B	Chancellor's Office	California State University Institute	\$3,272	\$3,272	\$0	0%
03-A	Channel Islands	Associated Students of California State University, Channel Islands, Inc.	\$3,985	\$3,762	-\$223	-6%
03-B	Channel Islands	California State University Channel Islands Foundation	\$3,272	\$3,272	\$0	0%
03-C	Channel Islands	CI University Auxiliary Services, Inc.	\$27,060	\$25,962	-\$1,098	-4%
04-A	Chico	Associated Students of California State University, Chico	\$90,813	\$90,469	-\$344	0%
04-B	Chico	Chico State Enterprises	\$159,655	\$164,445	\$4,790	3%
04-C	Chico	The University Foundation, California State University, Chico	\$9,035	\$9,001	-\$34	0%
05-A	Dominguez Hills	Associated Students, California State University, Dominguez Hills	\$6,645	\$6,271	-\$374	-6%
05-B	Dominguez Hills	California State University, Dominguez Hills Foundation	\$83,156	\$79,549	-\$3,607	-4%
05-C	Dominguez Hills	Donald P. and Katherine B. Loker University Student Union, Incorporated	\$18,133	\$17,581	-\$552	-3%
05-D	Dominguez Hills	California State University, Dominguez Hills Philanthropic Foundation	\$3,272	\$3,272	\$0	0%
06-A	East Bay	Associated Students, Inc., California State University East Bay	\$11,207	\$11,165	-\$42	0%
06-B	East Bay	Cal State East Bay Educational Foundation	\$3,272	\$3,272	\$0	0%
06-C	East Bay	California State University, East Bay Foundation, Inc.	\$27,355	\$27,252	-\$103	0%
07-A	Fresno	Associated Students, Inc. of California State University, Fresno	\$6,457	\$6,108	-\$349	-5%
07-B	Fresno	California State University, Fresno Association, Inc.	\$155,682	\$159,158	\$3,476	2%

**CSURMA AORMA Liability Program  
FY 21/22 Allocation Revision Comparison (using FY 20/21 exposure information)**

**A - Current Allocation w/ Collar of .79 Min and 1.20 Max  
B - w/ Collars of .79 Min and 1.24 Max  
+ \$10,000 or 10%**

<b>M#</b>	<b>Campus</b>	<b>Auxiliary Organization</b>	<b>A Current</b>	<b>B Proposed</b>	<b>Diff \$</b>	<b>Diff %</b>
07-C	Fresno	California State University, Fresno Foundation	\$120,329	\$122,067	\$1,738	1%
07-D	Fresno	Fresno State Programs for Children, Inc.	\$9,482	\$8,983	-\$499	-5%
07-E	Fresno	The Agricultural Foundation of California State University, Fresno	\$14,430	\$14,376	-\$54	0%
07-F	Fresno	The California State University, Fresno Athletic Corporation	\$138,087	\$137,564	-\$523	0%
08-A	Fullerton	Associated Students, Inc., California State University, Fullerton	\$80,906	\$83,334	\$2,428	3%
08-B	Fullerton	Cal State Fullerton Philanthropic Foundation	\$6,625	\$6,600	-\$25	0%
08-C	Fullerton	CSU Fullerton Auxiliary Services Corporation	\$154,022	\$157,061	\$3,039	2%
09-A	Humboldt	Associated Students of Humboldt State University	\$4,411	\$4,394	-\$17	0%
09-B	Humboldt	Humboldt State University Foundation	\$7,450	\$7,533	\$83	1%
09-C	Humboldt	Humboldt State University Center Board of Directors	\$43,202	\$41,717	-\$1,485	-3%
09-D	Humboldt	Humboldt State University Sponsored Programs Foundation	\$61,530	\$63,376	\$1,846	3%
10-A	Long Beach	Associated Students, California State University, Long Beach	\$102,181	\$99,462	-\$2,719	-3%
10-B	Long Beach	California State University, Long Beach Research Foundation	\$132,552	\$134,202	\$1,650	1%
10-C	Long Beach	CSULB 49er Foundation	\$7,956	\$7,534	-\$422	-5%
10-D	Long Beach	Forty-Niner Shops, Inc.	\$84,771	\$83,841	-\$930	-1%
11-A	Los Angeles	Associated Students, California State University, Los Angeles, Inc.	\$4,689	\$4,671	-\$18	0%
11-B	Los Angeles	Cal State L.A. University Auxiliary Services, Inc.	\$72,370	\$74,541	\$2,171	3%
11-C	Los Angeles	California State University, Los Angeles Foundation	\$3,272	\$3,272	\$0	0%
11-D	Los Angeles	University-Student Union Board, California State University, Los Angeles	\$26,665	\$25,891	-\$774	-3%
12-A	Maritime Academy	California Maritime Academy Foundation, Inc.	\$3,272	\$3,272	\$0	0%
12-B	Maritime Academy	The Associated Students of the California Maritime Academy	\$3,272	\$3,272	\$0	0%
13-A	Monterey Bay	Foundation of California State University, Monterey Bay	\$3,272	\$3,272	\$0	0%
13-B	Monterey Bay	University Corporation at Monterey Bay	\$222,882	\$237,632	\$14,750	7%

**CSURMA AORMA Liability Program  
FY 21/22 Allocation Revision Comparison (using FY 20/21 exposure information)**

**A - Current Allocation w/ Collar of .79 Min and 1.20 Max  
B - w/ Collars of .79 Min and 1.24 Max  
+ \$10,000 or 10%**

M#	Campus	Auxiliary Organization	A Current	B Proposed	Diff \$	Diff %
13-C	Monterey Bay	Otter Student Union at CSU Monterey Bay	\$3,272	\$3,272	\$0	0%
14-A	Northridge	Associated Students, California State University, Northridge, Inc.	\$34,068	\$33,168	-\$900	-3%
14-B	Northridge	California State University, Northridge Foundation	\$8,498	\$8,047	-\$451	-5%
14-C	Northridge	North Campus University Park Development Corporation	\$3,619	\$3,606	-\$13	0%
14-D	Northridge	The University Corporation	\$143,368	\$147,669	\$4,301	3%
14-E	Northridge	University Student Union of California State University, Northridge	\$86,884	\$86,556	-\$328	0%
15-A	Pomona	Associated Students Inc., California State Polytechnic University, Pomona	\$96,101	\$98,984	\$2,883	3%
15-B	Pomona	The Cal Poly Pomona Foundation, Inc.	\$273,332	\$281,532	\$8,200	3%
15-C	Pomona	The Cal Poly Pomona Philanthropic Foundation	\$3,272	\$3,272	\$0	0%
16-A	Sacramento	Associated Students of California State University, Sacramento	\$68,207	\$67,949	-\$258	0%
16-B	Sacramento	Capital Public Radio, Inc.	\$39,421	\$40,604	\$1,183	3%
16-C	Sacramento	The University Foundation at Sacramento State	\$3,781	\$3,767	-\$14	0%
16-D	Sacramento	University Enterprises, Inc.	\$236,894	\$244,262	\$7,368	3%
16-E	Sacramento	University Union Operation of CSUS, Inc.	\$38,145	\$37,125	-\$1,020	-3%
17-A	San Bernardino	Associated Students, California State University, San Bernardino	\$6,541	\$6,517	-\$24	0%
17-B	San Bernardino	CSUSB Philanthropic Foundation	\$3,910	\$3,698	-\$212	-5%
17-C	San Bernardino	Santos Manuel Student Union of California State University, San Bernardino	\$32,578	\$31,348	-\$1,230	-4%
17-D	San Bernardino	University Enterprises Corporation at CSUSB	\$81,304	\$83,252	\$1,948	2%
18-A	San Diego	Associated Students, San Diego State University	\$176,197	\$177,785	\$1,588	1%
18-B	San Diego	Aztec Shops, Ltd.	\$170,313	\$174,427	\$4,114	2%
18-C	San Diego	San Diego State University Research Foundation	\$404,224	\$416,350	\$12,126	3%
19-A	San Francisco	Associated Students of San Francisco State University	\$30,559	\$29,699	-\$860	-3%
19-B	San Francisco	San Francisco State University Foundation, Inc.	\$3,272	\$3,272	\$0	0%

**CSURMA AORMA Liability Program**

**FY 21/22 Allocation Revision Comparison (using FY 20/21 exposure information)**

**A - Current Allocation w/ Collar of .79 Min and 1.20 Max**

**B - w/ Collars of .79 Min and 1.24 Max**

**+ \$10,000 or 10%**

<b>M#</b>	<b>Campus</b>	<b>Auxiliary Organization</b>	<b>A Current</b>	<b>B Proposed</b>	<b>Diff \$</b>	<b>Diff %</b>
19-C	San Francisco	The University Corporation, San Francisco State	\$25,934	\$24,857	-\$1,077	-4%
20-A	San Jose	Associated Students San Jose State University	\$25,264	\$24,192	-\$1,072	-4%
20-B	San Jose	San Jose State University Research Foundation	\$142,951	\$145,793	\$2,842	2%
20-C	San Jose	Spartan Shops, Inc.	\$25,973	\$25,277	-\$696	-3%
20-D	San Jose	The Student Union of San Jose State University	\$96,099	\$88,915	-\$7,184	-7%
20-E	San Jose	The Tower Foundation of San Jose State University	\$11,078	\$11,411	\$333	3%
21-A	San Luis Obispo	Associated Students, Inc., California Polytechnic State University at San Luis Obispo	\$64,677	\$64,432	-\$245	0%
21-B	San Luis Obispo	Cal Poly Corporation	\$182,692	\$191,984	\$9,292	5%
21-C	San Luis Obispo	California Polytechnic State University Foundation	\$7,450	\$7,673	\$223	3%
22-A	San Marcos	The California State University San Marcos Foundation	\$4,044	\$3,813	-\$231	-6%
22-B	San Marcos	Associated Students, Inc. of California State University San Marcos	\$6,507	\$6,482	-\$25	0%
22-C	San Marcos	California State University San Marcos Corporation	\$142,329	\$140,880	-\$1,449	-1%
23-A	Sonoma	Associated Students of Sonoma State University	\$10,525	\$10,486	-\$39	0%
23-B	Sonoma	Sonoma State Enterprises, Inc.	\$24,453	\$24,360	-\$93	0%
23-C	Sonoma	Sonoma State University Foundation	\$10,223	\$10,185	-\$38	0%
24-A	Stanislaus	Associated Students Incorporated of California State University, Stanislaus	\$4,450	\$4,433	-\$17	0%
24-B	Stanislaus	California State University, Stanislaus Auxiliary and Business Services	\$10,615	\$10,575	-\$40	0%
24-C	Stanislaus	California State University, Stanislaus Foundation	\$15,900	\$15,840	-\$60	0%
24-D	Stanislaus	University Student Union of California State University, Stanislaus	\$5,337	\$5,051	-\$286	-5%
25-A	N/A	Auxiliary Organization Associations	\$3,272	\$3,272	\$0	0%
<b>Total</b>			<b>\$227,104</b>	<b>\$225,082</b>	<b>-\$2,022</b>	

**EMPLOYMENT PRACTICES LIABILITY DEDUCTIBLE  
CALCULATION**

**ISSUE:** The RPTG will be asked to review the Employment Practices Liability (EPL) Deductible Calculation as described in Policy and Procedure L-7.

**RECOMMENDATION:** After reviewing the deductible calculation formula and Staff's recommendations, it is recommended that the RPTG provide a formal recommendation to the AORMA Committee at its next meeting in September, 2020.

**FISCAL IMPACT:** None is expected from action taken at this meeting.

**BACKGROUND:** The attached exhibits provide additional information.

**PUBLICATION:** None at this time.

**ATTACHMENT(S):**

- a. Overview of the EPL Deductible Calculation
- b. Policy and Procedure L-7
- c. EPL Deductible Calculation

## Liability Program Employment Practices Deductible (EPL) Calculation

### Formula for Determining Minimum EPL Deductible

If a Member has more than one EPL claim payment within the last five fiscal years, then the total amount paid (including defense costs) within those five years for all claims exceeding \$25,000 will be applied to the following schedule:

\$75,000 or less .....	\$25,000 deductible
\$75,001 to \$175,000 .....	\$50,000 deductible
\$175,001 to \$275,000 .....	\$75,000 deductible
Excess of \$275,001 .....	\$100,000 deductible

### Details / Recommendations

While Staff recognizes that the AORMA EPL deductible calculation practice is a bit unusual, it still appears to accomplish the goal of setting an appropriate EPL deductible for each member based on its own loss experience.

In the liability commercial market, an EPL deductible would be established by examining an insured's loss history. Once the EPL deductible size is set, it would generally remain the same until a significant enough change occurs to warrant an updated analysis. The AORMA EPL deductible calculation removes all subjectivity and simply assigns an amount based on actual paid claims.

Staff has reviewed the EPL insurance market for public entities and a \$100,000 EPL deductible is becoming the new normal.

Staff does not recommend changing the formula.



**CSURMA AORMA**

**POLICY AND PROCEDURE NO. L-7**

**SUBJECT: EMPLOYMENT PRACTICES LIABILITY  
DEDUCTIBLE (EPL) OPTIONS**

**ADOPTED: MAY 12, 2011**

**AMENDED: JULY 1, 2011  
DECEMBER 6, 2012  
DECEMBER 5, 2013  
MARCH 19, 2015  
SEPTEMBER 6, 2018**

**EFFECTIVE: JULY 1, 2011**

**POLICY:**

1. It is the policy of CSURMA AORMA that annually a minimum EPL deductible will be determined for each Member. The formula for determining the minimum EPL deductible is based on number and cost of EPL claims paid, at June 30, for the last five fiscal years. If a Member has more than one EPL claim payment within the last five fiscal years, then the total amount paid within those five years for all claims exceeding \$25,000 will be applied to the following schedule:

Level 1	Paid losses of \$75,000 or less .....	\$25,000 deductible
Level 2	Paid losses of \$75,001 to \$175,000 .....	\$50,000 deductible
Level 3	Paid losses of \$175,001 to \$275,000 .....	\$75,000 deductible
Level 4	Paid losses in excess of \$275,001 .....	\$100,000 deductible

EPL EXPENSE PAYMENTs made in a fiscal year subsequent to the fiscal year in which the final EPL LOSS PAYMENT was made will be considered to have been made in the same fiscal year as the final EPL LOSS PAYMENT.

Annually, based on the formula above, the JPA Program Administrator will determine the minimum EPL deductible for each Member.

To assist Members in budget forecasting, the minimum EPL deductible will be limited to one EPL deductible level increase per year, regardless of the minimum EPL deductible calculated based on the schedule above.

- 2. Each Member will have the option of electing an EPL deductible in excess of the minimum deductible.
- 3. Should a Member elect an EPL deductible in excess of the minimum EPL deductible, then that Member will be required to maintain the same EPL deductible for three full program years



## **CSURMA AORMA**

## **POLICY AND PROCEDURE NO. L-7**

(July 1<sup>st</sup> to June 30<sup>th</sup>) before selecting a new EPL deductible. EPL deductibles can only be changed at the beginning of the coverage term – July 1<sup>st</sup> of each year. If, however, the formula for determining the minimum EPL deductible results in a deductible level higher than the EPL deductible level elected by the Member, the Member's EPL deductible will increase to the deductible level determined by the formula. Because the election of higher EPL deductibles can only be changed once per every three full program years, CSURMA AORMA strongly recommends a review of prior years' claims and consultation with the JPA Program Administrator before making any decisions regarding these higher EPL deductibles.

4. As outlined in Policy and Procedure L-1, Claims Reporting, it is the policy of CSURMA AORMA that written notice of any claim within the AORMA Liability Coverage Program be given to the Third Party Claims Administrator as soon as practicable. Failure to report a claim is cause for a reduction in or denial of coverage by AORMA.

### **PROCEDURE:**

1. Annually, based on the formula above, the JPA Program Administrator will determine the minimum EPL deductible for each Member.
2. The JPA Program Administrator will provide the Members with the costs for each of the different EPL deductibles options.
3. If the Member chooses an EPL deductible higher than the minimum EPL deductible as approved by the AORMA Committee for that Member, then the Member will be required to sign the attached Consent to Change Employment Practices Liability Deductible letter.
4. A Member may appeal its minimum EPL deductible to the AORMA Committee in writing prior to the commencement of the coverage year, and the AORMA Committee will make a final decision.

### **DEFINITIONS:**

**EPL EXPENSE PAYMENT:** Allocated loss adjustment expenses that are assignable to the claim. This may include but is not limited to fees to attorneys, experts, investigators, court reporters as well as third-party claims administrators incurred in defense of an EPL claim.

**EPL LOSS PAYMENT:** Compensatory damages which the Member is legally obligated to pay as a result of a claim.

**EPL:** Employment Practices Liability.

## Consent to Change Employment Practices Liability Deductible

I am authorizing CSURMA AORMA to increase the Employment Practices Liability deductible within the CSURMA AORMA Liability Coverage Program for this Auxiliary Organization effective \_\_\_\_\_.

I understand that I must maintain this same deductible for three full program years (July 1<sup>st</sup> to June 30<sup>th</sup>) before selecting a new deductible. I am also aware that the following coverage provisions apply to all Employment Practices Liability claims regardless of the probable size of the claim. The Auxiliary Organization's or the Covered Party's failure to comply with any of these provisions will cause a reduction in, or denial of, coverage by CSURMA AORMA.

### CLAIMS REPORTING PROVISIONS

If a Auxiliary Organization or Covered Party becomes aware of an event, occurrence or offense, which **may** result in a claim, suit or proceeding, the event must be reported to the Third Party Claims Administrator (TPA) as soon as practicable. If the event is not reported to the TPA within the timeframe set below; the following late reporting penalties shall apply;

### LATE REPORTING PENALTIES

1. If an **occurrence**, offense, claim or suit is reported 1-6 months late as determined by the TPA, a 25% reduction of coverage will apply;
2. If an **occurrence**, offense, claim or suit is reported 7-12 months late as determined by the TPA, a 50% reduction of coverage will apply; or
3. If an **occurrence**, offense, claim or suit is reported more than 12 months late as determined by the TPA, no recovery will be available to the **Member** or other involved **Covered Party**.

### DEFENSE COVERAGE PROVISIONS

If an Auxiliary Organization or Covered Party becomes aware of an event, occurrence or offense, which **may** result in a claim, suit or proceeding, CSURMA AORMA will reimburse any costs incurred by the Auxiliary Organization or Covered Party to defend the covered claim **but only if** the event is reported to the TPA within thirty (30) days of becoming aware of the event. CSURMA AORMA will not, however, reimburse any costs incurred more than thirty (30) days prior to notification to the TPA.

### CLAIMS SETTLEMENT PROVISIONS

An Auxiliary Organization or Covered Party will not be reimbursed by CSURMA AORMA if the Auxiliary Organization or Covered Party settles a claim without prior written authorization of the Liability Claims Administrator.

I have read the above coverage provisions and I have a thorough understanding of my claims reporting obligations within the CSURMA AORMA Liability Program and consent to a change in my Employment Practices Liability deductible to:

\$50,000 /  \$75,000 /  \$100,000

\_\_\_\_\_  
Auxiliary Organization

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**AORMA Liability Program  
Employment Practices Liability Loss Information  
Paid Losses between July 1, 2014 to June 30, 2019**

CAMPUS	AUXILIARIES	CLAIMS #	TOTAL INCURRED	CLAIMS OVER \$25,000	
Chico	Chico State Enterprises	1881293	109,351	109,351	
	Chico State Enterprises	1989433	99,331	99,331	
	<b>Number of Claims</b>	<b>2</b>			
	<b>Number of Claims in excess of \$25,000</b>	<b>2</b>			
		Total for claims in excess of \$25,000:		\$	208,682
		Minimum EPL deductible for FY 20/21 (w/o one level limitation):		\$	75,000
	<b>Minimum EPL deductible for FY 20/21 (w/ one level limitation):</b>		<b>\$</b>	<b>50,000</b>	
	Minimum EPL deductible for FY 19/20:		\$	25,000	
Dominguez Hills	California State University, Dominguez Hills Foundation	1947165	75,158	75,158	
	<b>Number of Claims</b>	<b>1</b>			
	<b>Number of Claims in excess of \$25,000</b>	<b>1</b>			
East Bay	California State University, East Bay Foundation, Inc.	1505817	23,532		
	California State University, East Bay Foundation, Inc.	1923272	1,772		
	<b>Number of Claims</b>	<b>2</b>			
	<b>Number of Claims in excess of \$25,000</b>	<b>0</b>			
Fresno	California State University, Fresno Association, Inc.	1603788	29		
	California State University, Fresno Association, Inc.	1888278	1,525		
	<b>Number of Claims</b>	<b>2</b>			
	<b>Number of Claims in excess of \$25,000</b>	<b>0</b>			
Fullerton	CSU Fullerton Auxiliary Services Corporation	1882328	144,566	144,566	
	<b>Number of Claims</b>	<b>1</b>			
	<b>Number of Claims in excess of \$25,000</b>	<b>1</b>			
Long Beach	Associated Students, California State University, Long Beach	1758506	164,427	164,427	
	Associated Students, California State University, Long Beach	1889986	542		
	Associated Students, California State University, Long Beach	1987739	1,845		
	<b>Number of Claims</b>	<b>3</b>			
	<b>Number of Claims in excess of \$25,000</b>	<b>1</b>			
		Total for claims in excess of \$25,000:		\$	164,427
		Minimum EPL deductible for FY 20/21 (w/o one level limitation):		\$	50,000
	<b>Minimum EPL deductible for FY 20/21 (w/ one level limitation):</b>		<b>\$</b>	<b>50,000</b>	
	Minimum EPL deductible for FY 19/20:		\$	50,000	
Long Beach	California State University, Long Beach Research Foundation	1971627	190,110	190,110	
	California State University, Long Beach Research Foundation	1978740	328		
	<b>Number of Claims</b>	<b>2</b>			
	<b>Number of Claims in excess of \$25,000</b>	<b>1</b>			
		Total for claims in excess of \$25,000:		\$	190,110
	Minimum EPL deductible for FY 20/21 (w/o one level limitation):		\$	50,000	
	<b>Minimum EPL deductible for FY 20/21 (w/ one level limitation):</b>		<b>\$</b>	<b>50,000</b>	
	Minimum EPL deductible for FY 19/20:		\$	25,000	
Monterey	The University Corporation at Monterey Bay	1926306	4,180		
	<b>Number of Claims</b>	<b>1</b>			
	<b>Number of Claims in excess of \$25,000</b>	<b>0</b>			
Northridge	Associated Students, California State University, Northridge, Inc.	1967624	234		
	<b>Number of Claims</b>	<b>1</b>			
	<b>Number of Claims in excess of \$25,000</b>	<b>0</b>			

**AORMA Liability Program  
Employment Practices Liability Loss Information  
Paid Losses between July 1, 2014 to June 30, 2019**

CAMPUS	AUXILIARIES	CLAIMS #	TOTAL INCURRED	CLAIMS OVER \$25,000
	The University Corporation, CSU Northridge The University Corporation, CSU Northridge <b>Number of Claims</b> <b>Number of Claims in excess of \$25,000</b>	1593276 1600567 2 0	1,672 248	
Pomona	The Cal Poly Pomona Foundation, Inc. The Cal Poly Pomona Foundation, Inc. The Cal Poly Pomona Foundation, Inc. <b>Number of Claims</b> <b>Number of Claims in excess of \$25,000</b>	1946868 1975465 1989747 3 0	133,406 1,372 1,379	133,406
			Total for claims in excess of \$25,000: \$	133,406
			Minimum EPL deductible for FY 20/21 (w/o one level limitation): \$	50,000
			<b>Minimum EPL deductible for FY 20/21 (w/ one level limitation): \$</b>	<b>50,000</b>
			Minimum EPL deductible for FY 19/20: \$	50,000
Sacramento	Associated Students of California State University, Sacramento <b>Number of Claims</b> <b>Number of Claims in excess of \$25,000</b>	1985019 1 0	14,110	
Sacramento	Capital Public Radio, Inc., CSU Sacramento Capital Public Radio, Inc., CSU Sacramento <b>Number of Claims</b> <b>Number of Claims in excess of \$25,000</b>	1958579 1975798 2 1	36,599 156	36,599
	University Enterprises, Inc., CSU Sacramento University Enterprises, Inc., CSU Sacramento University Enterprises, Inc., CSU Sacramento University Enterprises, Inc., CSU Sacramento <b>Number of Claims</b> <b>Number of Claims in excess of \$25,000</b>	1755960 1879642 1904741 1907365 4 1	28,311 240 13,760 155	28,311
San Bernardino	Santos Manual Student Union of California State University, San Bernardino <b>Number of Claims</b> <b>Number of Claims in excess of \$25,000</b>	1925523 1 0	151	
San Diego	Associated Students, San Diego State University Associated Students, San Diego State University <b>Number of Claims</b> <b>Number of Claims in excess of \$25,000</b>	1895248 1915115 2 1	10,816 65,588	65,588
San Diego	San Diego State University Research Foundation San Diego State University Research Foundation San Diego State University Research Foundation San Diego State University Research Foundation San Diego State University Research Foundation San Diego State University Research Foundation San Diego State University Research Foundation <b>Number of Claims</b> <b>Number of Claims in excess of \$25,000</b>	1733219 1763201 1768697 1947012 1969178 1970273 1979835 6 5	665,157 111 955 91,013 170,285 43,491 43,033	665,157 91,013 170,285 43,491 43,033
			Total for claims in excess of \$25,000: \$	1,012,979
			Minimum EPL deductible for FY 20/21 (w/o one level limitation): \$	100,000
			<b>Minimum EPL deductible for FY 20/21 (w/ one level limitation): \$</b>	<b>100,000</b>
			Minimum EPL deductible for FY 19/20: \$	100,000

**AORMA Liability Program  
Employment Practices Liability Loss Information  
Paid Losses between July 1, 2014 to June 30, 2019**

CAMPUS	AUXILIARIES	CLAIMS #	TOTAL INCURRED	CLAIMS OVER \$25,000
San Francisco	Associated Students, Inc., San Francisco State University	1972323	484	
	<b>Number of Claims</b>	<b>1</b>		
	<b>Number of Claims in excess of \$25,000</b>	<b>0</b>		
San Jose	San Jose State University Research Foundation	1614600	544	
	San Jose State University Research Foundation	1879863	73	
	San Jose State University Research Foundation	1969197	710	
	San Jose State University Research Foundation	1972956	772	
	<b>Number of Claims</b>	<b>4</b>		
	<b>Number of Claims in excess of \$25,000</b>	<b>0</b>		
San Marcos	California State University San Marcos Corporation	1892678	66,462	66,462
	California State University San Marcos Corporation	1951429	98,111	98,111
	<b>Number of Claims</b>	<b>2</b>		
	<b>Number of Claims in excess of \$25,000</b>	<b>2</b>		
			Total for claims in excess of \$25,000: \$	164,573
			Minimum EPL deductible for FY 20/21 (w/o one level limitation): \$	50,000
			<b>Minimum EPL deductible for FY 20/21 (w/ one level limitation): \$</b>	<b>50,000</b>
			Minimum EPL deductible for FY 19/20: \$	50,000

## **PROPERTY PROGRAM MEMBER ALLOCATION FORMULA**

**ISSUE:** The RPTG will be asked to review the Property Program Member Allocation Formula as described in Policy and Procedure P-1.

**RECOMMENDATION:** After reviewing the program's allocation formula and Staff's recommended revisions, it is recommended that the RPTG provide a formal recommendation to the AORMA Committee at its next meeting in September, 2020 for adoption of the changes to the current allocation formula to be used in the FY 21/22 program.

**FISCAL IMPACT:** None is expected from action taken at this meeting; however, recommended revisions could have a fiscal impact for FY 21/22.

**BACKGROUND:** The attached exhibits provide additional information.

**PUBLICATION:** None at this time.

**ATTACHMENT(S):**

- a. Overview of the Allocation Formula
- b. Policy and Procedure P-1
- c. Allocation Comparison

## Property Program Member Allocation

### Basic Rating Formula

1. **Basic Rate:** Two basic rates are applied to the following total insurable values (TIV):
  - Real property, business interruption and loss of rents (Real Property)
  - Business personal property (BPP)

The BPP rate is 20% higher than the Real Property rate.

2. **Size Credit:** The current allocation includes a maximum size credit of 30% and uses a “Maximum Premium for Calculating the Size Credit” (Maximum Premium) of \$600,000. A size credit is assigned based on the member’s basic premium compared to the Maximum Premium. Example: If the member’s premium is \$400,000 and the Maximum Premium is \$800,000. The member’s premium is 50% of the Maximum Premium; therefore, the member would receive 50% of the size credit (or 15%).
3. **Loss Rating:** A loss rating surcharge is applied to the member’s total losses, excess of its deductible, for a five-year period.

TABLE 1

Loss Ratio Surcharge	Credit
Less than 40%	None
Between 40% and 60%	5%
Between 60% and 100%	10%
Between 100% and 150%	20%
Between 150% and 300%	30%
Excess of 300%	40%

4. **Minimum Premium:** A minimum premium of \$600 is applied.

### Details / Recommendations

5. **Basic Rate:** The current allocation uses two separate rates for real property, business interruption and loss of rents (Real Property) and business personal property (BPP). The Real Property rate is “re-balanced” to achieve the necessary program funding. The decision to include two separate rates was to account for the difference between the larger members with the “state of the art” buildings vs. the smaller members with very little BPP. Staff finds that this approach doesn’t achieve its original goal, as most smaller members are capped at the minimum premium and the size credit helps to provide discounts to the larger members. Also, in examining the claims history, the BPP losses do not warrant a higher rate. Therefore, Staff recommends using one single rate that applies to all TIV’s.

6. **Size Credit:** The current allocation includes a 30% size credit; however, by increasing the size credit to 40%, in with conjunction with a single rate for all TIV, the premium allocation remains fairly stable. Staff recommends increasing the size credit to 40%.
7. **Loss Rate:** Staff recommends no change to the loss rating as in our examination it appears to remain fair and equitable.
8. **Minimum Premium:** Staff recommends no change to the minimum premium. The comparison of TIV to premium seems reasonable.



**CSURMA AORMA**

**POLICY & PROCEDURE NO. P-1**

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<b>SUBJECT:</b>	<b>PROPERTY PROGRAM MEMBER ALLOCATION FORMULA</b>
<b>ADOPTED:</b>	<b>NOVEMBER 6, 2013</b>
<b>EFFECTIVE:</b>	<b>JULY 1, 2014</b>
<b>AMENDED:</b>	<b>SEPTEMBER 10, 2015</b> <b>MAY 4, 2017</b> <b>MAY 2, 2019</b>

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**POLICY:**

It shall be the policy of the CSURMA AORMA to determine each member’s allocation of the total property program costs as outlined in the Property Program Member Allocation Formula noted below:

**PROCEDURE:**

Annually, in September, the AORMA Committee will approve the Total Property Program Costs for the upcoming fiscal year. In December, the AORMA Committee will approve the following allocation criteria within the Property Program Member Allocation Formula and will approve the final member allocation for the upcoming fiscal year:

1. Basic rates
2. Maximum premium for calculating the size credit
3. Maximum size credit percentage
4. Minimum premium
5. Loss ratio surcharge schedule

**PROPERTY PROGRAM MEMBER ALLOCATION FORMULA:**

**Basic Rates:**

- *TIV = Total Insurable Values*
- *RP/BI = Real Property / Business Income and Rental Value*
- *BPP = Business Personal Property*

Two basic rates are included in the allocation formula; one for RP/BI and one for business BPP. The BPP rate is 20% higher than the RP/BI rate.

1. RP/BI TIV is multiplied by the RP/BI rate. *Result – RP/BI basic premium.*
2. BPP TIV is multiplied by the BPP rate. *Result – BPP basic premium.*

3. RP/BI basic premium and BPP basic premium are added together. *Result – basic premium.*
4. Basic premium is divided by the total TIV. *Result – basic rate.*

**\*\* Example \*\***

1.	<b>\$50,000,000</b> RP/BI TIV	*	<b>.2000</b> RP/BI Rate (per \$100 in TIV)	=	<b>\$100,000</b> RP/BI Basic Premium
2.	<b>\$25,000,000</b> BPP TIV	*	<b>.2400</b> BPP Rate (per \$100 in TIV)	=	<b>\$60,000</b> BPP Basic Premium
3.	<b>\$100,000</b> RP/BI Basic Premium	+	<b>\$60,000</b> BPP Basic Premium	=	<b>\$160,000</b> Basic Premium
4.	<b>\$160,000</b> Basic Premium	/	<b>\$75,000,000</b> Total TIV	=	<b>.2133</b> Basic Rate (per \$100 in TIV)

**Size Credit:**

1. Basic premium is divided by the **Maximum Premium for Calculating Size Credit**. *Result – percentage of total basic premium compared to the Maximum Premium for Calculating Size Credit.*
2. Percentage of total basic premium compared to **Maximum Premium for Calculating Size Credit** is multiplied by **Maximum Size Credit Percentage**. *Result – size credit percentage.*
3. Basic rate is multiplied by the size credit percentage. *Result – Basic rate with size credit.*

**\*\* Example \*\***

1.	<b>\$160,000</b> Basic Premium	/	<b>\$600,000</b> Maximum Premium for Calculating Size Credit	=	<b>27%</b> % of Total Basic Premium Compared to Maximum Premium for Calculating Size Credit
2.	<b>27%</b> % of Total Basic Premium Compared to Maximum Premium for Calculating Size Credit	*	<b>30%</b> Maximum Size Percentage Credit	=	<b>8%</b> Size Credit Percentage
3.	<b>.2133</b> Basic Rate	-	<b>8%</b> Size Credit Percentage	=	<b>.1960</b> Basic Rate w/ Size Credit

**Loss Rating:**

1. Five years paid claims (minus deductible) is divided by total premium for five prior years. *Result – loss ratio.*
2. Member's five-year loss ratio is reviewed against loss ratio surcharge schedule. *Result – loss ratio surcharge is assigned.*

3. Basic rate w/ size credit is increased by loss ratio surcharge. *Result – final rate.*
4. Final rate is multiplied by total TIV. *Result – Final premium.*

**\*\* Example \*\***

<b>1.</b>	<b>\$125,000</b>	/	<b>\$500,000</b>		<b>25%</b>
	Five Years Paid Claims		Total Premium for Five Prior Years		Loss Ratio
<b>2.</b>	<b>25%</b>			=	<b>5%</b>
	25% Loss Ratio is reviewed against Loss Rating Surcharge Schedule and Surcharge is Assigned.				Loss Ratio Surcharge
<b>3.</b>	<b>5%</b>	+	<b>.1960</b>	=	<b>.2058</b>
	Loss Ratio Surcharge		Basic Rate w/ Size Credit		Final Rate
<b>4.</b>	<b>.2058</b>	*	<b>\$75,000,000</b>	=	<b>\$154,350</b>
	Final Rate (per \$100 in TIV)		Total TIV		Final Premium

**Minimum Premium:**

1. If the final premium is greater than the Minimum Premium, use the final premium. *Result – final premium w/ minimum premium if applicable.*

**\*\* Example \*\***

<b>1.</b>	<b>\$154,500</b>	>	<b>\$600</b>	=	<b>\$154,500</b>
	If the Final Premium is greater than the minimum premium, use the Final Premium				Final Premium

**DEFINITIONS:**

1. **RP/BI - Real Property, Business Interruption and Rental Value Basic Rate** – This rate will be approved annually by the AORMA Committee. It may increase or decrease depending the total property program funding required for the upcoming fiscal year.
2. **BPP – Business Personal Property Basic Rate** - This rate will be approved annually by the AORMA Committee. It may increase or decrease depending the total property program funding required for the upcoming fiscal year. This rate will be 20% higher than the Real Property, Business Interruption and Rental Value Basic Rate.
3. **Maximum Premium for Calculating Size Credit** – The Maximum Premium for Calculating the Size Credit dollar amount will be approved annually by the AORMA Committee. The Maximum Premium for Calculating Size Credit is used to calculate each member’s size credit. The member’s basic premium is divided by the Maximum Premium for Calculating Size Credit, as an example -  $\$300,000$  (member’s basic premium) /  $\$600,000$  (Maximum Premium

*for Calculating Size Credit*) = 50% (*member's percentage of size credit*). This member would be subject to 50% of the total **Size Credit Percentage**.

4. **Size Credit Percentage** – The Size Credit Percentage will be approved annually by the AORMA Committee. The Size Credit Percentage represents the maximum size credit available to any one member. As an example – 50% (*member's percentage of size credit*) \* 30% (*Size Credit Percentage*) = 15% *member's size credit*.

**CSURMA AORMA Property Program  
Allocation Revision Comparison**

**A = Current allocation  
B = One single rate**

**+ \$5,000 or 10%  
- \$1,000 or 10%**

M#	Campus	Auxiliary Organization	Premium		Difference	
			A	B	\$	%
01-A	Bakersfield	Associated Students, California State University, Bakersfield, Inc.	600	600	0	0%
01-B	Bakersfield	California State University, Bakersfield Auxiliary for Sponsored Programs and Administration	2,122	2,287	164	8%
01-D	Bakersfield	California State University, Bakersfield Student Union, Inc.	5,201	5,243	42	1%
04-A	Chico	Associated Students of California State University, Chico	28,042	27,044	-998	-4%
04-B	Chico	Chico State Enterprises	22,630	22,642	12	0%
04-C	Chico	The University Foundation, California State University, Chico	2,396	2,151	-245	-10%
05-A	Dominguez Hills	Associated Students, California State University, Dominguez Hills	618	600	-18	-3%
05-C	Dominguez Hills	Donald P. and Katherine B. Loker University Student Union, Incorporated	3,972	3,606	-366	-9%
05-D	Dominguez Hills	California State University, Dominguez Hills Philanthropic Foundation	600	600	0	0%
06-A	East Bay	Associated Students, Inc., California State University East Bay	600	600	0	0%
06-C	East Bay	California State University, East Bay Foundation, Inc.	24,422	25,561	1,139	5%
07-A	Fresno	Associated Students, Inc. of California State University, Fresno	600	600	0	0%
07-B	Fresno	California State University, Fresno Association, Inc.	291,288	304,985	13,698	5%
07-C	Fresno	California State University, Fresno Foundation	1,344	1,435	91	7%
07-D	Fresno	Fresno State Programs for Children, Inc.	600	600	0	0%
07-E	Fresno	The Agricultural Foundation of California State University, Fresno	7,928	7,111	-818	-10%
07-F	Fresno	The California State University, Fresno Athletic Corporation	33,294	32,744	-550	-2%
08-A	Fullerton	Associated Students, Inc., California State University, Fullerton	35,912	33,965	-1,947	-5%
08-C	Fullerton	CSU Fullerton Auxiliary Services Corporation	228,327	241,109	12,782	6%
09-A	Humboldt	Associated Students of Humboldt State University	600	600	0	0%
09-B	Humboldt	Humboldt State University Foundation	11,748	12,633	885	8%
09-C	Humboldt	Humboldt State University Center Board of Directors	9,595	8,637	-959	-10%
09-D	Humboldt	Humboldt State University Sponsored Programs Foundation	2,738	2,624	-114	-4%
10-A	Long Beach	Associated Students, California State University, Long Beach	25,264	24,044	-1,220	-5%
10-B	Long Beach	California State University, Long Beach Research Foundation	63,452	67,438	3,986	6%
10-D	Long Beach	Forty-Niner Shops, Inc.	32,308	33,094	786	2%
11-A	Los Angeles	Associated Students, California State University, Los Angeles, Inc.	600	600	0	0%

**CSURMA AORMA Property Program  
Allocation Revision Comparison**

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**+ \$5,000 or 10%  
- \$1,000 or 10%**

M#	Campus	Auxiliary Organization	Premium		Difference	
			A	B	\$	%
11-B	Los Angeles	Cal State L.A. University Auxiliary Services, Inc.	16,501	15,321	-1,179	-7%
11-D	Los Angeles	University-Student Union Board, California State University, Los Angeles	4,803	4,366	-437	-9%
12-B	Maritime Academy	The Associated Students of the California Maritime Academy	600	600	0	0%
13-B	Monterey Bay	University Corporation at Monterey Bay	561,875	513,144	-48,732	-9%
14-A	Northridge	Associated Students, California State University, Northridge, Inc.	15,928	16,868	940	6%
14-D	Northridge	The University Corporation	81,991	84,198	2,208	3%
14-E	Northridge	University Student Union of California State University, Northridge	14,006	12,563	-1,443	-10%
15-A	Pomona	Associated Students Inc., California State Polytechnic University, Pomona	5,614	5,138	-476	-8%
15-B	Pomona	The Cal Poly Pomona Foundation, Inc.	61,581	60,971	-610	-1%
16-A	Sacramento	Associated Students of California State University, Sacramento	14,383	14,408	25	0%
16-B	Sacramento	Capital Public Radio, Inc.	19,188	19,144	-44	0%
16-C	Sacramento	The University Foundation at Sacramento State	600	600	0	0%
16-D	Sacramento	University Enterprises, Inc.	293,925	307,520	13,595	5%
16-E	Sacramento	University Union Operation of CSUS, Inc.	20,303	18,249	-2,054	-10%
17-A	San Bernardino	Associated Students, California State University, San Bernardino	2,592	2,701	109	4%
17-B	San Bernardino	CSUSB Philanthropic Foundation	9,883	8,891	-992	-10%
17-C	San Bernardino	Santos Manuel Student Union of California State University, San Bernardino	11,864	11,096	-768	-6%
17-D	San Bernardino	University Enterprises Corporation at CSUSB	14,996	15,385	389	3%
18-A	San Diego	Associated Students, San Diego State University	54,697	53,414	-1,284	-2%
18-B	San Diego	Aztec Shops, Ltd.	267,782	277,231	9,449	4%
18-C	San Diego	San Diego State University Research Foundation	250,442	257,360	6,918	3%
19-A	San Francisco	Associated Students of San Francisco State University	13,689	14,152	463	3%
19-C	San Francisco	The University Corporation, San Francisco State	912	982	71	8%
20-A	San Jose	Associated Students San Jose State University	10,449	10,407	-42	0%
20-B	San Jose	San Jose State University Research Foundation	31,520	30,807	-714	-2%
20-C	San Jose	Spartan Shops, Inc.	38,472	38,674	202	1%
20-D	San Jose	The Student Union of San Jose State University	32,383	29,779	-2,604	-8%
20-E	San Jose	The Tower Foundation of San Jose State University	1,008	1,051	43	4%

**CSURMA AORMA Property Program  
Allocation Revision Comparison**

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M#	Campus	Auxiliary Organization	Premium		Difference	
			A	B	\$	%
21-A	San Luis Obispo	Associated Students, Inc., California Polytechnic State University at San Luis Obispo	15,468	15,138	-330	-2%
21-B	San Luis Obispo	Cal Poly Corporation	60,231	58,375	-1,855	-3%
22-B	San Marcos	Associated Students, Inc. of California State University San Marcos	600	600	0	0%
22-C	San Marcos	California State University San Marcos Corporation	16,625	16,325	-300	-2%
23-A	Sonoma	Associated Students of Sonoma State University	600	600	0	0%
23-B	Sonoma	Sonoma State Enterprises, Inc.	12,404	12,429	25	0%
23-C	Sonoma	Sonoma State University Foundation	4,346	4,670	323	7%
24-A	Stanislaus	Associated Students Incorporated of California State University, Stanislaus	600	600	0	0%
24-B	Stanislaus	California State University, Stanislaus Auxiliary and Business Services	11,220	11,937	717	6%
24-D	Stanislaus	University Student Union of California State University, Stanislaus	2,748	2,496	-252	-9%
27-A	N/A	Humboldt State University Real Estate Holdings	1,094	1,169	75	7%
<b>Total</b>			<b>159,326</b>	<b>155,169</b>	<b>-4,157</b>	

## **CRIME PROGRAM MEMBER ALLOCATION FORMULA**

**ISSUE:** The RPTG will be asked to review the Crime Program Member Allocation Formula as described in Policy and Procedure C-1.

**RECOMMENDATION:** After reviewing the program's allocation formula and Staff's recommended revisions, it is recommended that the RPTG provide a formal recommendation to the AORMA Committee at its next meeting in September, 2020 for adoption of the changes to the current allocation formula to be used in the FY 21/22 program.

**FISCAL IMPACT:** None is expected from action taken at this meeting; however, recommended revisions could have a fiscal impact for FY 21/22.

**BACKGROUND:** The attached exhibits provide additional information.

**PUBLICATION:** None at this time.

**ATTACHMENT(S):**

- a. Overview of the Allocation Formula
- b. Policy and Procedure C-1
- c. Allocation Comparison

## Crime Program Member Allocation

### Basic Rating Formula

1. **Basic Rate:** The basic rate is applied to payroll. If the member has no, or very little payroll, a minimum premium is applied.
  
2. **Size Credit:** Currently, a 30% size credit is included in the allocation based on the member's basic premium compared to the "Maximum Premium for Calculating the Size Credit" (Maximum Premium). Example: If the member's basic premium is \$5,000 and the Maximum Premium is \$10,000. Then the member's premium is 50% of the Maximum Premium; therefore, the member would receive 50% of the 30% size credit (or 15%).
  
3. **Loss Rating:** The loss rating is based on paid losses compared to program premium. Loss costs in excess of the member's \$5,000 deductible within the past five years are included in the loss ratio.

**TABLE 1**

Loss Rating Surcharge Schedule	
Surcharge Ratio	Surcharge
Less than 50%	0%
Over 50%	10%
Over 100%	20%
Over 200%	40%
Over 300%	50%

4. **Minimum Premium:** If the member has little or no payroll, a minimum premium is applied using expenditures as the measure. This is the current minimum premium chart.

**TABLE 2**

Expenditures	Minimum Prem
1,000,000	200
1,250,000	250
1,500,000	300
2,000,000	400
3,000,000	600
4,000,000	800
5,000,000	1,000
6,000,000	1,200
7,000,000	1,400
8,000,000	1,520
9,000,000	1,620
10,000,000	1,700
12,500,000	2,188
15,000,000	2,550
17,500,000	2,888
Over 17,500,000	3,200

5. **Administrative Costs**: The administrative costs are shared equally between all members rather than allocated based on premium size. The reason behind this decision is that the program does not require significant administrative effort due to the small number of claims filed each year.

### **Details / Recommendations**

6. **Basic Rate**: Rather than applying the rate to payroll and then adding a minimum premium, Staff recommends applying one single rate against expenditures for all members to provide a more equitable distribution of the program costs.
7. **Size Credit**: Staff recommends increasing the size credit from 30% to 40% because it seems to achieve better equity between large and small members.
8. **Loss Rating**: Staff recommends no change to the current loss rating schedule as in our examination it appears to remain fair and equitable.
9. **Minimum Premium**: Because the program rate will be applied to expenditures for all members, the table of minimum premiums is no longer required. Staff recommends adding a minimum premium of \$300.
10. **Administrative Costs**: Staff recommends no change to the allocation of administrative costs.

<b>SUBJECT:</b>	<b>CRIME PROGRAM MEMBER ALLOCATION FORMULA</b>
<b>ADOPTED:</b>	<b>NOVEMBER 6, 2013</b>
<b>EFFECTIVE:</b>	<b>JULY 1, 2014</b>
<b>AMENDED:</b>	<b>SEPTEMBER 10, 2015 MAY 4, 2017 MAY 2, 2019</b>

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**POLICY:**

It shall be the policy of the CSURMA AORMA to determine each member's allocation of the total crime program costs as outlined in the Crime Program Member Allocation Formula noted below:

**PROCEDURE:**

Annually, in September, the AORMA Committee will approve the total crime program costs for the upcoming fiscal year. In December, the AORMA Committee will approve the following allocation criteria within the Crime Program Member Allocation Formula and will approve the final member allocation for the upcoming fiscal year:

1. Basic rate
2. Maximum premium for calculating the size credit
3. Maximum size credit percentage
4. Minimum premium schedule
5. Loss ratio surcharge schedule
6. Minimum premium schedule

**Basic Rates:**

The payroll used within this allocation is the estimated payroll for the upcoming fiscal year.

1. Payroll is multiplied by the **Basic Rate**. *Result – basic premium*

**\*\* Example \*\***

<b>1.</b>	<b>\$10,000,000</b> Payroll	*	<b>.0400</b> Basic Rate (per \$100 in payroll)	=	<b>\$4,000</b> Basic Premium
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**Size Credit:**

1. Basic premium is divided by the **Maximum Premium for Calculating Size Credit**. *Result – percentage of total basic premium compared to the Maximum Premium for Calculating Size Credit.*
2. Percentage of total basic premium compared to **Maximum Premium for Calculating Size Credit** is multiplied by **Maximum Size Credit Percentage**. *Result – size credit percentage.*
3. Basic rate is multiplied by the size credit percentage. *Result – Basic rate with size credit.*
4. Basic rate with size credit is multiplied by the payroll. *Result – Basic premium with size credit.*

**\*\* Example \*\***

<b>1.</b>	<b>\$4,000</b> Basic Premium	/	<b>\$10,000</b> Maximum Premium for Calculating Size Credit	=	<b>40%</b> % of Total Basic Premium Compared to Maximum Premium for Calculating Size Credit
<b>2.</b>	<b>40%</b> % of Total Basic Premium Compared to Maximum Premium for Calculating Size Credit	*	<b>30%</b> Maximum Size Percentage Credit	=	<b>12%</b> Size Credit Percentage
<b>3.</b>	<b>.0400</b> Basic Rate	-	<b>12%</b> Size Credit Percentage	=	<b>.0352</b> Basic Rate w/ Size Credit
<b>4.</b>	<b>.0352</b> Basic Rate w/ Size Credit	*	<b>\$10,000,000</b> Payroll	=	<b>\$3,520</b> Basic Premium w/ Size Credit

**Minimum Premium:**

The expenditures used within this allocation are the expenditures documented in the member’s financial audits.

1. Using the Minimum Premium Schedule, each member is assigned a minimum premium based on their average expenditures for five years. *Result – member’s scheduled minimum premium.*

2. Member's basic premium with size credit is compared to the member's scheduled minimum premium. *Result – the minimum premium will be applied if the member's basic premium with size credit is less than the minimum premium.*

**Loss Rating:**

1. Five years paid claims (minus deductible) is divided by total premium for five prior years. *Result – loss ratio.*
2. Member's five-year loss ratio is reviewed against loss rating surcharge schedule. *Result – loss ratio surcharge is assigned.*
3. Basic premium with w/ size credit, or minimum premium, is increased by loss ratio surcharge. *Result – final premium.*

**Administrative Costs:**

1. The crime program administrative costs will be divided evenly between all of the crime program members. *Result – member's crime program administrative costs.*
2. Member's crime program administrative costs are added to the member's final premium or minimum premium, whichever applies. *Result – total crime program premium.*

**DEFINITIONS:**

1. **Basic Rate** – This rate will be approved annually by the AORMA Committee. It may increase or decrease depending the total crime program funding required for the upcoming fiscal year.
2. **Maximum Premium for Calculating Size Credit** – The Maximum Premium for Size Credit dollar amount will be approved annually by the AORMA Committee. The Maximum Premium for Size Credit is used to calculate each member's size credit. The member's basic premium is divided by the Maximum Premium for Size Credit, as an example -  $\$5,000$  (member's basic premium) /  $\$10,000$  (Maximum Premium for Size Credit) = 50% (member's percentage of size credit). This member would be subject to 50% of the total Size Credit Percentage.
3. **Size Credit Percentage** – The Size Credit Percentage will be approved annually by the AORMA Committee. The Size Credit Percentage represents the maximum size credit available to any one member. As an example – 50% (member's percentage of size credit) \* 30% (Size Credit Percentage) = 15% member's size credit.

**CSURMA AORMA Crime Program  
Allocation Revision Comparison**

**A = Current allocation  
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**+ \$1,000 or 25%  
- \$1,000 or 25%**

M#	Campus	Auxiliary	Premium		Difference	
			A	B	(B - A)	(B - A)
01-A	Bakersfield	Associated Students, California State University, Bakersfield, Inc.	1,160	969	(191)	-16%
01-B	Bakersfield	California State University, Bakersfield Auxiliary for Sponsored Programs and Administration	1,880	1,640	(240)	-13%
01-C	Bakersfield	California State University, Bakersfield Foundation	1,760	1,529	(231)	-13%
01-D	Bakersfield	California State University, Bakersfield Student Union, Inc.	1,360	1,072	(288)	-21%
02-A	Chancellor's Office	California State University Foundation	1,360	1,201	(159)	-12%
02-B	Chancellor's Office	California State University Institute	960	815	(145)	-15%
03-A	Channel Islands	Associated Students of California State University, Channel Islands, Inc.	760	660	(100)	-13%
03-B	Channel Islands	California State University Channel Islands Foundation	960	856	(104)	-11%
03-C	Channel Islands	CI University Auxiliary Services, Inc.	1,599	1,366	(233)	-15%
04-A	Chico	Associated Students of California State University, Chico	3,560	3,399	(161)	-5%
04-B	Chico	Chico State Enterprises	5,928	6,359	431	7%
04-C	Chico	The University Foundation, California State University, Chico	2,304	2,099	(205)	-9%
05-A	Dominguez Hills	Associated Students, California State University, Dominguez Hills	960	768	(192)	-20%
05-B	Dominguez Hills	California State University, Dominguez Hills Foundation	3,560	3,394	(166)	-5%
05-C	Dominguez Hills	Donald P. and Katherine B. Loker University Student Union, Incorporated	960	779	(181)	-19%
05-D	Dominguez Hills	California State University, Dominguez Hills Philanthropic Foundation	1,160	904	(256)	-22%
06-A	East Bay	Associated Students, Inc., California State University East Bay	960	768	(192)	-20%
06-B	East Bay	Cal State East Bay Educational Foundation	960	859	(101)	-11%
06-C	East Bay	California State University, East Bay Foundation, Inc.	2,548	2,254	(294)	-12%
07-A	Fresno	Associated Students, Inc. of California State University, Fresno	560	660	100	18%
07-B	Fresno	California State University, Fresno Association, Inc.	3,560	4,889	1,329	37%
07-C	Fresno	California State University, Fresno Foundation	6,321	7,346	1,025	16%
07-D	Fresno	Fresno State Programs for Children, Inc.	760	660	(100)	-13%
07-E	Fresno	The Agricultural Foundation of California State University, Fresno	1,760	1,396	(364)	-21%
07-F	Fresno	The California State University, Fresno Athletic Corporation	3,560	5,001	1,441	40%
08-A	Fullerton	Associated Students, Inc., California State University, Fullerton	2,910	2,517	(393)	-13%
08-B	Fullerton	Cal State Fullerton Philanthropic Foundation	1,980	1,820	(160)	-8%

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M#	Campus	Auxiliary	Premium		Difference	
			A	B	(B - A)	(B - A)
08-C	Fullerton	CSU Fullerton Auxiliary Services Corporation	6,547	8,970	2,423	37%
09-A	Humboldt	Associated Students of Humboldt State University	610	660	50	8%
09-B	Humboldt	Humboldt State University Foundation	960	769	(191)	-20%
09-C	Humboldt	Humboldt State University Center Board of Directors	2,910	2,617	(293)	-10%
09-D	Humboldt	Humboldt State University Sponsored Programs Foundation	3,742	3,951	209	6%
10-A	Long Beach	Associated Students, California State University, Long Beach	2,910	2,693	(217)	-7%
10-B	Long Beach	California State University, Long Beach Research Foundation	5,006	6,033	1,027	21%
10-C	Long Beach	CSULB 49er Foundation	2,985	2,607	(378)	-13%
10-D	Long Beach	Forty-Niner Shops, Inc.	3,998	5,079	1,081	27%
11-A	Los Angeles	Associated Students, California State University, Los Angeles, Inc.	660	660	-	0%
11-B	Los Angeles	Cal State L.A. University Auxiliary Services, Inc.	3,914	4,752	838	21%
11-C	Los Angeles	California State University, Los Angeles Foundation	1,160	1,020	(140)	-12%
11-D	Los Angeles	University-Student Union Board, California State University, Los Angeles	1,561	1,224	(337)	-22%
12-A	Maritime Academy	California Maritime Academy Foundation, Inc.	760	660	(100)	-13%
12-B	Maritime Academy	The Associated Students of the California Maritime Academy	560	660	100	18%
13-A	Monterey Bay	Foundation of California State University, Monterey Bay	560	660	100	18%
13-B	Monterey Bay	University Corporation at Monterey Bay	4,104	5,975	1,871	46%
13-C	Monterey Bay	Otter Student Union at CSU Monterey Bay	560	660	100	18%
14-A	Northridge	Associated Students, California State University, Northridge, Inc.	2,102	1,842	(260)	-12%
14-B	Northridge	California State University, Northridge Foundation	2,548	2,324	(223)	-9%
14-C	Northridge	North Campus University Park Development Corporation	560	660	100	18%
14-D	Northridge	The University Corporation	7,401	6,082	(1,319)	-18%
14-E	Northridge	University Student Union of California State University, Northridge	3,281	2,621	(660)	-20%
15-A	Pomona	Associated Students Inc., California State Polytechnic University, Pomona	2,850	2,230	(620)	-22%
15-B	Pomona	The Cal Poly Pomona Foundation, Inc.	6,911	8,234	1,323	19%
15-C	Pomona	The Cal Poly Pomona Philanthropic Foundation	560	660	100	18%
16-A	Sacramento	Associated Students of California State University, Sacramento	2,073	1,784	(289)	-14%
16-B	Sacramento	Capital Public Radio, Inc.	2,548	2,351	(196)	-8%
16-C	Sacramento	The University Foundation at Sacramento State	1,160	1,010	(150)	-13%

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- \$1,000 or 25%**

M#	Campus	Auxiliary	Premium		Difference	
			A	B	(B - A)	(B - A)
16-D	Sacramento	University Enterprises, Inc.	12,718	9,649	(3,069)	-24%
16-E	Sacramento	University Union Operation of CSUS, Inc.	2,548	2,027	(521)	-20%
17-A	San Bernardino	Associated Students, California State University, San Bernardino	760	667	(93)	-12%
17-B	San Bernardino	CSUSB Philanthropic Foundation	1,560	1,261	(299)	-19%
17-C	San Bernardino	Santos Manuel Student Union of California State University, San Bernardino	1,560	1,282	(278)	-18%
17-D	San Bernardino	University Enterprises Corporation at CSUSB	4,157	4,628	471	11%
18-A	San Diego	Associated Students, San Diego State University	4,112	4,215	103	2%
18-B	San Diego	Aztec Shops, Ltd.	4,691	7,237	2,546	54%
18-C	San Diego	San Diego State University Research Foundation	21,015	18,525	(2,490)	-12%
19-A	San Francisco	Associated Students of San Francisco State University	1,880	1,554	(326)	-17%
19-B	San Francisco	San Francisco State University Foundation, Inc.	560	660	100	18%
19-C	San Francisco	The University Corporation, San Francisco State	2,910	2,668	(242)	-8%
20-A	San Jose	Associated Students San Jose State University	2,640	2,363	(277)	-10%
20-B	San Jose	San Jose State University Research Foundation	7,601	6,825	(776)	-10%
20-C	San Jose	Spartan Shops, Inc.	3,560	3,656	96	3%
20-D	San Jose	The Student Union of San Jose State University	2,550	2,314	(236)	-9%
20-E	San Jose	The Tower Foundation of San Jose State University	3,560	4,116	556	16%
21-A	San Luis Obispo	Associated Students, Inc., California Polytechnic State University at San Luis Obispo	3,248	2,921	(326)	-10%
21-B	San Luis Obispo	Cal Poly Corporation	7,991	10,050	2,059	26%
21-C	San Luis Obispo	California Polytechnic State University Foundation	3,560	4,207	647	18%
22-A	San Marcos	The California State University San Marcos Foundation	1,560	1,326	(234)	-15%
22-B	San Marcos	Associated Students, Inc. of California State University San Marcos	760	660	(100)	-13%
22-C	San Marcos	California State University San Marcos Corporation	3,560	3,205	(355)	-10%
23-A	Sonoma	Associated Students of Sonoma State University	960	727	(233)	-24%
23-B	Sonoma	Sonoma State Enterprises, Inc.	2,548	2,020	(528)	-21%
23-C	Sonoma	Sonoma State University Foundation	560	660	100	18%
24-A	Stanislaus	Associated Students Incorporated of California State University, Stanislaus	610	660	50	8%
24-B	Stanislaus	California State University, Stanislaus Auxiliary and Business Services	760	660	(100)	-13%

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- \$1,000 or 25%**

M#	Campus	Auxiliary	Premium		Difference	
			A	B	(B - A)	(B - A)
24-C	Stanislaus	California State University, Stanislaus Foundation	960	740	(220)	-23%
24-D	Stanislaus	University Student Union of California State University, Stanislaus	660	660	-	0%
25-A	N/A	Auxiliary Organization Associations	560	660	100	18%
<b>Total</b>			<b>134,021</b>	<b>128,435</b>	<b>(5,586)</b>	

## **WORKERS' COMPENSATION PROGRAM MEMBER ALLOCATION FORMULA**

**ISSUE:** The RPTG will be asked to review the Workers' Compensation Program Member Allocation Formula as described in Policy and Procedure W-1.

**RECOMMENDATION:** After reviewing the program's allocation formula and Staff's recommended revisions, it is recommended that the RPTG provide a formal recommendation to the AORMA Committee at its next meeting in September, 2020 for adoption of the changes to the current allocation formula to be used in the FY 21/22 program.

**FISCAL IMPACT:** None is expected from action taken at this meeting; however, recommended revisions could have a fiscal impact for FY 21/22.

**BACKGROUND:** The attached exhibits provide additional information.

**PUBLICATION:** None at this time.

**ATTACHMENT(S):**

- a. Overview of the Allocation Formula
- b. Policy and Procedure W-1
- c. Allocation Comparison

# Workers' Compensation Program Member Allocation

## Basic Rating Formula

1. **Rates:** The allocation uses an assigned WCIRB rate for each AORMA class code. A re-balancing factor is added to the WCIRB class code rates in order to achieve the total required program funding.

Table 1

Class Code Description	AORMA	WCIRB
Clerical	1001	8810
Off-site activities / professional / student activities	1002	8868
Retail	1004	8071
Sports / day care	1005	9053
Food service	1006	9079
Manual labor	1007	9101

2. **Experience Modification Factor:** The actuary uses the current published WCIRB method in order to calculate each member's EMF. EMF's are re-balanced to 1.00 and include a maximum change cap of +20% year over year.

## Details / Recommendations

3. **Rates:** Using the WCIRB rates in conjunction with AORMA class codes has helped provide rate stability, so Staff recommends continuing the current practice.
4. **Experience Modification Factor (EMF):** The EMF's include a maximum change cap of +20% year over year. The AORMA workers' compensation program is performing exceptionally well and has a combined EMF of .72. Because the EMF's are re-balanced to 1.00, all EMF's are increased by 28%. This re-balancing results in members appearing to have a higher EMF than is actually warranted by their losses.

To achieve adequate funding, either the EMFs or the rates need to be re-balanced. Staff recommends removing the re-balancing from the EMF's so that members can accurately tracked in their EMFs in conjunction with their loss control / risk management efforts. Staff also recommends keeping the +20% EMF cap year over year.



## **CSURMA AORMA**

## **POLICY AND PROCEDURE NO. W - 1**

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<b>SUBJECT:</b>	<b>WORKERS' COMPENSATION MEMBER ALLOCATION FORMULA</b>
<b>ADOPTED:</b>	<b>MAY 15, 2008</b>
<b>EFFECTIVE:</b>	<b>MAY 15, 2008</b>
<b>AMENDED:</b>	<b>DECEMBER 8, 2009</b> <b>SEPTEMBER 10, 2015</b> <b>MAY 5, 2016</b> <b>MARCH 9, 2017</b> <b>MAY 4, 2017</b> <b>MAY 2, 2019</b>

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### **PURPOSE:**

It shall be the policy of the CSURMA Auxiliary Organizations Risk Management Alliance (AORMA) to determine each MEMBER's allocation of the workers' compensation TOTAL PROGRAM FUNDING as outlined in the Workers' Compensation Member Allocation Formula noted below:

### **PROCEDURE:**

Annually, in September, the AORMA COMMITTEE will approve the TOTAL PROGRAM FUNDING for the workers' compensation program for the upcoming fiscal year.

Annually, in December, the AORMA COMMITTEE will approve or accept the following allocation distribution criteria with the Workers' Compensation Member Allocation Formula:

1. AORMA BASIC RATES for each class code.
2. EXPERIENCE MODIFICATION FACTOR (EMF) as determined by the actuary.
3. Minimum Premium.

### **ALLOCATION FORMULA:**

1. The MEMBER's EXPERIENCE MODIFICATION FACTOR is applied separately to each of the AORMA BASIC RATES. Result – Member's modified rates.
2. MEMBER's modified rates are applied separately to the MEMBER's estimated payroll, separated by class code, for the upcoming fiscal year. Result – Member's final modified deposit premium.

3. The minimum premium is applied if the Member’s final modified deposit premium is less than the approved minimum premium.

**\*\* Example \*\***

<b>1001</b>	<b>.50</b>	*	<b>.95</b>	=	<b>.48</b>
<b>1002</b>	<b>1.00</b>	*	<b>.95</b>	=	<b>.95</b>
<b>1004</b>	<b>1.50</b>	*	<b>.95</b>	=	<b>1.43</b>
<b>1005</b>	<b>3.00</b>	*	<b>.95</b>	=	<b>2.85</b>
<b>1006</b>	<b>4.00</b>	*	<b>.95</b>	=	<b>3.80</b>
<b>1007</b>	<b>5.00</b>	*	<b>.95</b>	=	<b>4.75</b>
AORMA basic rates			Experience modification factor		Modified rates
<b>1001</b>	<b>.48</b>	*	<b>\$1,000,000</b>	=	<b>\$4,800</b>
<b>1002</b>	<b>.95</b>	*	<b>\$800,000</b>	=	<b>\$7,600</b>
<b>1004</b>	<b>1.43</b>	*	<b>\$0</b>	=	<b>\$0</b>
<b>1005</b>	<b>2.85</b>	*	<b>\$0</b>	=	<b>\$0</b>
<b>1006</b>	<b>3.80</b>	*	<b>\$0</b>	=	<b>\$0</b>
<b>1007</b>	<b>4.75</b>	*	<b>\$0</b>	=	<b>\$0</b>
					<b>\$12,400</b>
	Modified rates		Estimated payroll		Final modified deposit premium

**ANNUAL PAYROLL AUDIT:**

The MEMBER’s final payroll separated by AORMA class code will be requested at the end of each program year. The MEMBER’s final workers’ compensation premium will be calculated by multiplying the MEMBER’s actual payroll per class code by the MEMBER’s modified rates. The MEMBER will receive either a refund or additional deposit billing based on how their audited contribution compares with their initial deposit. MEMBERS will allocate their payroll to each of the AORMA class codes as outlined in the (1) AORMA Workers’ Compensation Explanation of Classification Codes and (2) AORMA Workers’ Compensation Payroll Rules to Follow publications. For those MEMBERS involved in federal sponsored programs, the refund can be retained on account with CSURMA to be used to lower contributions for the upcoming fiscal year. If the MEMBER chooses to receive the refund, then the MEMBER will be required to calculate the percentage of its payroll and salary that is attributable to federal sponsored programs to determine what percentage of the dividend will need to be returned to the federal government.

If the final audit is not received by the deadline, then the Program Administrator may increase that MEMBERS payrolls by the average payroll increase for all MEMBERS for the prior two years.

**MEMBER APPEAL PROCESS:**

If a MEMBER wishes to appeal any decision regarding the application of the Workers' Compensation Program Member Allocation Formula Policy and Procedure, the MEMBER must present an appeal in writing to the CSURMA Secretary-Auditor within 30 days of the disputed decision. The Secretary-Auditor shall place the MEMBER's appeal on the AORMA COMMITTEE's agenda at its next regularly scheduled meeting. The AORMA COMMITTEE will review the appeal and inform the MEMBER of the final decision within 5 business days of the final decision.

If a MEMBER wishes to appeal the AORMA COMMITTEE's decision, the MEMBER will notify the CSURMA Secretary-Auditor in writing within five (5) business days of receipt of the AORMA COMMITTEE's decision. The CSURMA EXECUTIVE COMMITTEE will then review the appeal at its next meeting or sooner. The CSURMA EXECUTIVE COMMITTEE's decision will be the final determination.

**DEFINITIONS:**

**AORMA** – Auxiliary Organizations Risk Management Alliance is a group of PROGRAMs that operate within the California State University Risk Management Authority representing the auxiliary organizations.

**AORMA COMMITTEE** – The governing body of AORMA.

**AORMA BASIC RATES** – The AORMA Basic Rates will be approved annually by the AORMA COMMITTEE. The WCIRB class code rates shown below will be utilized when determining the AORMA BASIC RATES. A normalization factor will be added to the WCIRB class code rates in order to achieve the TOTAL PROGRAM FUNDING required as approved by the AORMA COMMITTEE.

<b>Class Code Description</b>	<b>AORMA</b>	<b>WCIRB</b>
Clerical	1001	8810
Off-site activities / professional / student activities	1002	8868
Retail	1004	8071
Sports / day care	1005	9053
Food service	1006	9079
Manual labor	1007	9101

**CSURMA** – The California State University Risk Management Authority, a California Joint Powers Authority, comprised of the California State University and its auxiliary organizations.

**CSURMA EXECUTIVE COMMITTEE** – The California State University Risk Management Authority Executive Committee.

**EXPERIENCE MODIFICATION FACTOR (EMF)** – The experience rating system is a merit rating system intended to provide MEMBERS a direct financial incentive to reduce work-related accidents. The experience rating system objectively distributes the cost of the workers’ compensation program more equitably among the MEMBERS. An EMF less than 100% reflects better than average experience. The actuary will determine each MEMBER’s EMF based on the current published WCIRB method. The EMF will be adjusted for the normalization factor and capped at a maximum change of +20% from the prior (normalized) EMF. The EMF will not include a maximum decrease cap.

**MEMBER** – The Member is a signatory to the CSURMA Joint Powers Authority as well as the AORMA Workers’ Compensation Program Participation Agreement.

**MEMORANDUM OF COVERAGE** – The AORMA Liability Program MEMORANDUM OF COVERAGE is a governing document which outlines the AORMA Liability Program’s definitions, coverages, exclusions and provisions. The AORMA Liability Program MEMORANDUM OF COVERAGE does not provide insurance, but instead provides for pooled-insurance. The



MEMORANDUM OF COVERAGE is a negotiated agreement among the MEMBERS of CSURMA AORMA.

**PARTICIPATION AGREEMENT** – A governing document of CSURMA AORMA which outlines the roles and responsibilities of AORMA and its MEMBERS.

**TOTAL PROGRAM FUNDING** - The Total Program Funding costs will include (1) the pooled layer funding requirement, as recommended by the actuary, (2) administrative costs and (3) excess insurance or reinsurance costs.

CSURMA AORMA Workers' Compensation Program  
Allocation Revision Comparison

A = Current allocation (exp mod balanced and capped at 1.20)  
B = Exp mod is capped at 1.20 but is NOT balanced

Increase - removal of balancing factor  
Increase - rate change

M#	Campus	Auxiliary Organization	FY 20/21 Experience Modification Factors				Premium		Difference	
			A Balanced Capped 1.20	B Unbalanced Capped 1.20	Increase Year Over Year (Unbalanced Uncapped)	Balancing Factor	A Balanced Capped 1.20	B Unbalanced Capped 1.20	(B - A)	(B - A)
01-B	Bakersfield	California State University, Bakersfield Auxiliary for Sponsored Programs and Administration	1.11	0.90	28.0%	19%	6,953	7,828	875	13%
03-C	Channel Islands	CI University Auxiliary Services, Inc.	0.95	0.77	18.5%	19%	68,291	74,897	6,606	10%
04-A	Chico	Associated Students of California State University, Chico	0.77	0.56	-13.8%	27%	152,737	150,759	(1,978)	-1%
04-B	Chico	Chico State Enterprises	0.83	0.60	-22.1%	28%	98,894	98,341	(553)	-1%
05-A	Dominguez Hills	Associated Students, California State University, Dominguez Hills	1.14	0.83	-1.2%	27%	8,768	8,680	(88)	-1%
05-B	Dominguez Hills	California State University, Dominguez Hills Foundation	0.84	0.61	-31.5%	27%	50,086	49,641	(445)	-1%
05-C	Dominguez Hills	Donald P. and Katherine B. Loker University Student Union, Incorporated	1.23	0.89	-23.3%	28%	28,620	28,258	(362)	-1%
06-A	East Bay	Associated Students, Inc., California State University East	1.15	0.84	-3.4%	27%	2,120	2,134	14	1%
07-B	Fresno	California State University, Fresno Association, Inc.	0.83	0.60	-7.7%	28%	94,781	93,214	(1,567)	-2%
07-F	Fresno	The California State University, Fresno Athletic	0.61	0.44	-42.9%	28%	66,644	65,378	(1,266)	-2%
08-A	Fullerton	Associated Students, Inc., California State University,	0.70	0.51	-8.9%	27%	72,501	71,979	(522)	-1%
08-C	Fullerton	CSU Fullerton Auxiliary Services Corporation	0.85	0.62	-11.4%	27%	106,661	105,925	(736)	-1%
09-A	Humboldt	Associated Students of Humboldt State University	1.15	0.83	-70.0%	28%	931	931	0	0%
09-C	Humboldt	Humboldt State University Center Board of Directors	1.52	1.11	-9.0%	27%	144,035	142,305	(1,730)	-1%
09-D	Humboldt	Humboldt State University Sponsored Programs	1.19	0.86	-9.5%	28%	127,414	127,339	(75)	0%
10-A	Long Beach	Associated Students, California State University, Long	0.89	0.73	50.8%	18%	107,116	119,762	12,646	12%
10-B	Long Beach	California State University, Long Beach Research	1.04	0.84	16.7%	19%	69,399	76,207	6,808	10%
10-D	Long Beach	Forty-Niner Shops, Inc.	1.51	1.10	1.9%	27%	329,138	324,431	(4,707)	-1%
11-B	Los Angeles	Cal State L.A. University Auxiliary Services, Inc.	1.05	0.76	1.3%	28%	155,869	154,250	(1,619)	-1%
11-D	Los Angeles	University-Student Union Board, California State University, Los Angeles	0.85	0.62	0.0%	27%	40,395	40,113	(282)	-1%
13-B	Monterey Bay	University Corporation at Monterey Bay	0.98	0.84	24.3%	14%	84,705	99,150	14,445	17%
14-A	Northridge	Associated Students, California State University, Northridge, Inc.	1.28	0.93	-17.7%	27%	64,623	64,122	(501)	-1%
14-D	Northridge	The University Corporation	1.25	0.91	-7.1%	27%	281,383	277,763	(3,620)	-1%
14-E	Northridge	University Student Union of California State University, Northridge	1.31	0.95	-12.8%	27%	157,490	155,694	(1,796)	-1%
15-A	Pomona	Associated Students Inc., California State Polytechnic University, Pomona	0.92	0.67	-38.5%	27%	101,080	100,278	(802)	-1%
15-B	Pomona	The Cal Poly Pomona Foundation, Inc.	1.34	0.97	-18.5%	28%	437,103	429,807	(7,296)	-2%
16-A	Sacramento	Associated Students of California State University,	1.28	0.93	-19.1%	27%	52,786	52,355	(431)	-1%
16-B	Sacramento	Capital Public Radio, Inc.	1.71	1.24	-2.4%	27%	21,655	21,085	(570)	-3%
16-D	Sacramento	University Enterprises, Inc.	0.78	0.57	-21.9%	27%	263,939	262,504	(1,435)	-1%
17-A	San Bernardino	Associated Students, California State University, San Bernardino	1.51	1.10	-12.0%	27%	4,504	4,540	36	1%
17-C	San Bernardino	Santos Manuel Student Union of California State University, San Bernardino	0.88	0.64	-7.2%	27%	31,936	31,682	(254)	-1%
17-D	San Bernardino	University Enterprises Corporation at CSUSB	1.65	1.20	-0.8%	27%	92,034	92,021	(13)	0%

CSURMA AORMA Workers' Compensation Program  
Allocation Revision Comparison

A = Current allocation (exp mod balanced and capped at 1.20)  
B = Exp mod is capped at 1.20 but is NOT balanced

Increase - removal of balancing factor  
Increase - rate change

M#	Campus	Auxiliary Organization	FY 20/21 Experience Modification Factors				Premium		Difference	
			A Balanced Capped 1.20	B Unbalanced Capped 1.20	Increase Year Over Year (Unbalanced Uncapped)	Balancing Factor	A Balanced Capped 1.20	B Unbalanced Capped 1.20	(B - A)	(B - A)
18-A	San Diego	Associated Students, San Diego State University	0.91	0.66	-19.5%	27%	154,183	152,553	(1,630)	-1%
18-B	San Diego	Aztec Shops, Ltd.	0.93	0.68	-13.9%	27%	251,209	248,902	(2,307)	-1%
19-A	San Francisco	Associated Students of San Francisco State University	0.86	0.70	22.4%	19%	27,471	30,539	3,068	11%
19-C	San Francisco	The University Corporation, San Francisco State	0.94	0.68	-5.6%	28%	20,603	20,194	(409)	-2%
20-A	San Jose	Associated Students San Jose State University	0.86	0.62	-4.6%	28%	22,095	21,808	(287)	-1%
20-B	San Jose	San Jose State University Research Foundation	0.69	0.50	-12.3%	28%	100,925	101,938	1,013	1%
20-C	San Jose	Spartan Shops, Inc.	0.76	0.55	-26.7%	28%	7,965	7,854	(111)	-1%
20-D	San Jose	The Student Union of San Jose State University	1.23	0.89	6.0%	28%	155,185	153,072	(2,113)	-1%
20-E	San Jose	The Tower Foundation of San Jose State University	1.13	0.82	-4.7%	27%	8,118	8,109	(9)	0%
21-A	San Luis Obispo	Associated Students, Inc., California Polytechnic State University at San Luis Obispo	0.70	0.51	-22.7%	27%	84,211	83,649	(562)	-1%
21-B	San Luis Obispo	Cal Poly Corporation	0.84	0.61	-24.7%	27%	428,367	422,088	(6,279)	-1%
22-C	San Marcos	California State University San Marcos Corporation	0.93	0.67	-16.3%	28%	47,221	46,848	(373)	-1%
23-A	Sonoma	Associated Students of Sonoma State University	1.37	1.00	0.0%	27%	3,547	3,563	16	0%
24-A	Stanislaus	Associated Students Incorporated of California State University, Stanislaus	1.15	0.83	-1.2%	28%	2,340	2,328	(12)	-1%
24-D	Stanislaus	University Student Union of California State University, Stanislaus	1.67	1.25	9.6%	25%	2,236	2,306	70	3%
							<b>739,190</b>	<b>729,817</b>	<b>(9,373)</b>	

## **UNEMPLOYMENT INSURANCE PROGRAM MEMBER ALLOCATION FORMULA**

**ISSUE:** The RPTG will be asked to review the Unemployment Insurance Program Member Allocation Formula as described in Policy and Procedure UI-1.

**RECOMMENDATION:** After reviewing the program's allocation formula and Staff's recommended revisions, it is recommended that the RPTG provide a formal recommendation to the AORMA Committee at its next meeting in September, 2020.

**FISCAL IMPACT:** None is expected from action taken at this meeting.

**BACKGROUND:** The attached exhibits provide additional information.

**PUBLICATION:** None at this time.

**ATTACHMENT(S):**

- a. Overview of the Allocation Formula
- b. Policy and Procedure UI-1

## Unemployment Insurance Program Member Allocation

### Basic Rating Formula

The AORMA Unemployment Insurance Program does not include any loss sharing between its members. All members pay for their own claims. Members may borrow funds if their UI claims exceed their fund balance within the program. Members pay back borrowed funds over a five-year period. The UI program costs are allocated to each member as shown below:

1. **Average Annual Claims**: Annually, each member pays into the program its five-year average annual UI claims.
2. **Administrative Costs**: An administrative cost is allocated to each member based on its percentage of the total average annual claims. There is a minimum administrative cost of \$432.
3. **Minimum Fund Balance Required**: Each member is required to maintain a fund balance of two times its average annual claims. If the member's fund balance is deficient, 20% of the deficit is added to the member's premium until the fund balance is at the required level.

### Details / Recommendations

Staff is not recommending changes to the basic rating formula; however, the AORMA Committee, at its September, 2020 meeting may want to consider bumping up the overall UI program funding for FY 21/22 to take into account the increase in UI claims. The overall FY 21/22 UI program funding will be based on the members' average annual losses for the term July 1, 2015 to June 30, 2020. As UI claims may continue to increase past the quarter ending June 30, 2020, the AORMA Committee could increase program funding to take into account the increase.

4. **Average Annual Claims**: The program was set-up to provide cost stability to its members. As UI claims are increasing, each member's deposit premium for FY 21/22 will increase as their average annual claims for the prior five-year period (15/16 through FY 19/20) increases. Staff is not recommending changes to the use of the average annual claims as the rating basis.
5. **Administrative Costs**: As Staff expects UI claims to increase, so will the claim administration fee charged by Equifax; however, the minimum administrative fee will only apply to those members with very few UI claims. Therefore, Staff is not recommending a change to the minimum administrative costs.
6. **Minimum Fund Balance Required**: As UI claims are expected to increase, the current UI deposit formula allows members to pay back a fund balance deficit over a five-year period. This is reasonable, and if the entire UI program fund balance becomes negative, the UI program can borrow funds from another CSURMA AORMA Program. No change is recommended.



## CSURMA AORMA

## POLICY & PROCEDURE UI-1

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<b>SUBJECT:</b>	<b>FORMULA FOR DETERMINING THE UNEMPLOYMENT INSURANCE PROGRAM ANNUAL CONTRIBUTIONS</b>
<b>ADOPTED:</b>	<b>MAY 12, 2010</b>
<b>EFFECTIVE:</b>	<b>JULY 1, 2018</b>
<b>REVISED:</b>	<b>DECEMBER 6, 2012</b> <b>MAY 8, 2014</b> <b>MAY 5, 2016</b> <b>MARCH 9, 2017</b> <b>MAY 4, 2017</b> <b>DECEMBER 7, 2017</b> <b>DECEMBER 6, 2018</b>

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*Should there be any discrepancy between this document and the PARTICIPATION AGREEMENT between the AORMA COMMITTEE and the MEMBER, the PARTICIPATION AGREEMENT will govern.*

### **POLICY:**

The AORMA Unemployment Insurance Program (UIP) annual contribution for each Auxiliary Organization participating in the AORMA UIP (MEMBER) shall be calculated using two factors – paid claims and administrative costs.

### **PROCEDURE:**

1. **Deposit Formula** - Paid claims (the MEMBER's average annual paid claims for five years ending 6/30), plus an administrative cost. The administrative costs are allocated to each MEMBER based on its percentage of the total average annual paid claims.
2. **Minimum Fund Balance** - Each MEMBER must maintain in the AORMA UIP a minimum fund balance of two times its average annual losses. If a MEMBER's fund balance is below the minimum, annually, the additional funding required will be calculated and the MEMBER will be assessed at the program anniversary date an amount not to exceed 20% of the additional funding required to achieve the minimum fund balance. The MEMBER will be assessed annually until the MEMBER's fund balance is at the minimum fund balance.

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), the following procedures will be followed:

Excess funds will be used to lower contributions for the upcoming fiscal year. Any excess funds remaining after lowering contributions for the upcoming fiscal year can be used as follows;

- 1) The MEMBER can request a one-time transfer of funds to another AORMA Program (AORMA Liability, Workers' Compensation, Property or Crime) to be used to lower contributions for the upcoming fiscal year. For MEMBERS with federal sponsored programs, the MEMBER can request a one-time transfer of funds to the AORMA Workers' Compensation Program; or,
  - 2) The MEMBER can request to receive a refund of the funds in excess of the minimum required fund balance. For MEMBERS with federal sponsored programs, the MEMBER will be required to calculate the percentage of its payroll and salary that is attributable to federal sponsored programs to determine what percentage of the refund will need to be returned to the federal government; or,
  - 3) The excess funds can remain on account.
3. **Minimum Contribution** - There is no minimum contribution based on paid claims. However, a minimum contribution for administrative costs will be applied according to the Minimum Administrative Costs Schedule approved by the AORMA Committee.
4. **Investment Income / Loss** - The total Investment Income or Loss is allocated to each MEMBER based on its percentage of the total AORMA UIP average fund balance for the preceding fiscal year. The AORMA Committee may decide to defer assessments resulting from unrealized investment losses. For the purpose of calculating the MEMBER's average fund balance, the following formula shall be used:

Beginning fund balance *plus* additional contributions *less* MEMBER's paid claims *less* MEMBER's allocated administrative costs = MEMBER's average balance.

**MEMBER APPEAL PROCESS:**

If a MEMBER wishes to appeal any decision regarding the Formula for Determining Unemployment Insurance Program Annual Deposits Policy, the MEMBER must present an appeal in writing to the CSURMA Secretary-Auditor within 30 days of the disputed decision. The Secretary-Auditor shall place the MEMBER's appeal on the AORMA COMMITTEE's agenda at



## **CSURMA AORMA**

## **POLICY & PROCEDURE UI-1**

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its next regularly scheduled meeting. The AORMA COMMITTEE will review the appeal and inform the MEMBER of the final decision within five (5) business days of the final decision.

If a MEMBER wishes to appeal the AORMA COMMITTEE's decision, the MEMBER will notify the CSURMA Secretary-Auditor in writing within five (5) business days of receipt of the AORMA COMMITTEE's decision. The CSURMA Executive Committee will then review the appeal at its next meeting or sooner. The CSURMA Executive Committee's decision will be the final determination.



**DEFINITIONS:**

**AORMA COMMITTEE** - The governing body of AORMA.

**AORMA** - Auxiliary Organizations Risk Management Alliance is a group of PROGRAMs that operate within the California State University Risk Management Authority representing the auxiliary organizations.

**CSURMA** - The California State University Risk Management Authority, a California Joint Powers Authority, comprised of the California State University and its auxiliary organizations.

**MEMBER** – The MEMBER is a signatory to the CSURMA Joint Powers Authority. Within this Policy and Procedure, MEMBER also means the Auxiliary Organization participating in the AORMA Unemployment Insurance Program.

**MEMORANDUM OF COVERAGE** – The AORMA Liability Program MEMORANDUM OF COVERAGE is a governing document which outlines the AORMA Liability Program’s definitions, coverages, exclusions and provisions. The AORMA Liability Program MEMORANDUM OF COVERAGE does not provide insurance, but instead provides for pooled-insurance. The MEMORANDUM OF COVERAGE is a negotiated agreement among the MEMBERS of CSURMA AORMA.

**PARTICIPATION AGREEMENT** – A governing document of CSURMA AORMA which outlines the roles and responsibilities of AORMA and its MEMBERS.

**UIP** – AORMA Unemployment Insurance Program.