

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

JANUARY 9, 2018

**HYATT REGENCY SACRAMENTO
1209 L Street, Sacramento, CA**

7:30 AM

MEMBERS PRESENT

Gigi Kiama, University Corporation, CSU Monterey Bay
Bill Olmsted, University Union Operation of CSUS, Inc.
Jason Porth, The University Corporation, San Francisco State University
Jun Reina, Capital Public Radio, Inc., CSU Sacramento
Raven Tyson, Associated Students of San Diego State University

ABSENT MEMBERS

None

STAFF, GUESTS AND CONSULTANTS

Tevea Him, Alliant Insurance Services, Inc.
Mimi Long, Alliant Insurance Services, Inc.

A. CALL TO ORDER

The meeting was called to order by Bill Olmsted at 7:33 AM.

A1. Approval of the Agenda Order

A motion was made to approve the order of the agenda as presented.

First: Raven Tyson

Second: Jason Porth

NAME	AYE	ABSTAIN	NAY	ABSENT
Gigi Kiama	X			
Bill Olmsted	X			
Jason Porth	X			
Jun Reina	X			
Raven Tyson	X			

Motion carried.

B. PUBLIC COMMENTS

There were no public comments.

C. GENERAL ADMINISTRATION

C1. Approval of Minutes – September 28, 2017

A motion was made to approve the minutes of the September 28, 2017 meeting.

First: Raven Tyson
Second: Jun Reina

NAME	AYE	ABSTAIN	NAY	ABSENT
Gigi Kiama		X		
Bill Olmsted	X			
Jason Porth	X			
Jun Reina	X			
Raven Tyson	X			

Motion carried.

C2. Workers’ Compensation Supplemental Actuarial Report (Experience Modification Factors) and the AORMA Class Code Rates

As explained by Mimi Long, CSURMA’s retains the services of an independent actuary to evaluate the (1) Estimated Outstanding Liabilities at June 30, 2017, and (2) Projected Ultimate Limited Losses for FY 18/19. These reports were approved by the AORMA Committee in September, 2017. The actuary also calculates each member’s experience modification factor (EMF). The Committee will be asked to accept the supplemental EMF report to be used in the FY 18/19 Workers’ Compensation Program Member Allocation. Each member’s EMF has the potential of increasing 20%; however, there is no limit on the percentage decrease.

A motion was made to accept the Workers’ Compensation 2018/19 EMF supplemental report dated November 29, 2017 to be used in the FY 18/19 Workers’ Compensation Program Member Allocation.

First: Gigi Kiama
Second: Jason Porth

NAME	AYE	ABSTAIN	NAY	ABSENT
Gigi Kiama	X			
Bill Olmsted	X			
Jason Porth	X			
Jun Reina	X			

Raven Tyson	X			
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Motion carried.

C3. Workers’ Compensation Program Member Allocation for FY 18 19

Mimi Long explained that at its September, 2017 meeting, the AORMA Committee approved the FY 18/19 Workers’ Compensation Program funding. The Programs Committee is now responsible for approving the FY 18/19 workers’ compensation rates as well as the allocation of the total program costs to the workers’ compensation program members. Costs are allocated to the members based on their estimated payroll for FY 18/19 and their experience modification factor (EMF) as determined by the CSURMA actuary.

Long noted that the AORMA workers’ compensation program rates are established by starting with the corresponding WCIRB rate approved for use as the AORMA class code rate and then applying a normalization factor to develop the total amount of funding required. TABLE 1 below demonstrates how each WCIRB rate was reduced by between 7% and 35% in order to establish the proposed AORMA FY 18/19 rates.

TABLE 1						
Normalization Calculation						
AORMA Class Codes	1001	1002	1004	1005	1006	1007
WCIRB Class Codes	8810	8868	8071	9053	9079	9101
WCIRB FY 18 19 Rates	0.35	0.87	1.66	2.47	3.98	5.59
Normalization Factor	-20%	-23%	-35%	-7%	-20%	-29%
AORMA FY 18 19 Rates (Proposed)	0.28	0.67	1.08	2.30	3.18	3.97

As shown below in Table 2, all of the WCIRB base rates will decrease effective January 1, 2018, except for Class Code 8071 (1004) which will increase 8%.

TABLE 2						
Comparison of WCIRB and AORMA Rates						
AORMA Class Codes	1001	1002	1004	1005	1006	1007
WCIRB Class Codes	8810	8868	8071	9053	9079	9101
WCIRB Rates at 1/01/2017	0.42	1.01	1.53	3.77	4.83	5.96
WCIRB Rates at 1/01/2018	0.35	0.88	1.66	2.47	3.98	5.59
Difference	-17%	-13%	8%	-34%	-18%	-6%

With the goal in mind of keeping all rate changes to +/- 10%, and to move the rates in the direction of the WCIRB rate changes, as shown in Table 3, all of AORMA’s rates received a discount of between 1% and 9% (compared to the FY 17/18 AORMA rates) except 1004 which went up by 4%.

TABLE 3

Comparison of FY 17 18 and FY 18 19 Rates

AORMA Class Codes	1001	1002	1004	1005	1006	1007
AORMA FY 17 18 Rates (Approved)	0.29	0.69	1.04	2.54	3.28	4.02
AORMA FY 18 19 Rates (Proposed)	0.28	0.67	1.08	2.30	3.18	3.97
Difference	-3%	-3%	4%	-9%	-3%	-1%

In order to establish rate stability, effective July 1, 2015, the AORMA workers' compensation program began using the WCIRB rates as a starting point when determining the AORMA rates. Prior to July 1, 2015, AORMA's own claims history was used to establish rates; however, this method proved to be too volatile as AORMA members did not have enough claims to establish reliable rates. TABLE 4 shows how the WCIRB rates have been trending over the past six years.

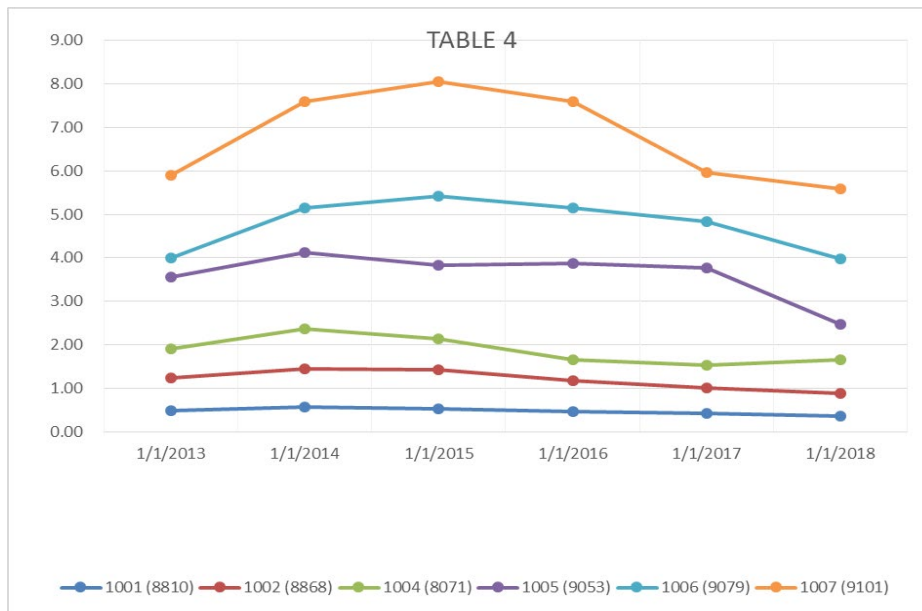


TABLE 5 below shows a comparison of the program's historical rates. By using the WCIRB rates as a starting point, AORMA has been able to provide rate stability.

TABLE 5

Coverage Term	AORMA Workers' Compensation Class Code					
	1001	1002	1004	1005	1006	1007
FY 11 12	0.34	0.73	1.67	2.10	2.37	3.34
FY 12 13	0.56	1.00	2.09	2.22	3.79	2.70
Diff	63%	36%	25%	6%	60%	-19%
FY 12 13	0.56	1.00	2.09	2.22	3.79	2.70
FY 13 14	0.58	1.01	1.93	2.09	3.64	2.74
Diff	3%	1%	-8%	-6%	-4%	2%
FY 13 14	0.58	1.01	1.93	2.09	3.64	2.74
FY 14 15	0.56	1.43	2.36	3.27	5.15	3.89
Diff	-3%	42%	22%	57%	42%	42%
FY 14 15	0.56	1.43	2.36	3.27	5.15	3.89
FY 15 16	0.36	0.94	1.38	2.53	3.47	5.00
Diff	-36%	-34%	-42%	-23%	-33%	29%
FY 15 16	0.36	0.94	1.38	2.53	3.47	5.00
FY 16 17	0.30	0.76	1.07	2.50	3.32	4.90
Diff	-17%	-19%	-22%	-1%	-4%	-2%
FY 16 17	0.30	0.76	1.07	2.50	3.32	4.90
FY 17 18	0.29	0.69	1.04	2.54	3.28	4.02
Diff	-3%	-9%	-3%	2%	-1%	-18%
FY 17 18	0.29	0.69	1.04	2.54	3.28	4.02
FY 18 19	0.28	0.67	1.08	2.30	3.18	3.97
Diff	-3%	-3%	4%	-9%	-3%	-1%

The Committee review the proposed AORMA workers' compensation program rates as shown below.

AORMA Class Code	1001	1002	1004	1005	1006	1007
FY 18 19 Rates	.28	.67	1.08	2.30	3.18	3.97

A motion was made to the approved the FY 18/19 rates shown above, as well as the FY 18/19 Workers' Compensation Program Member Allocation as presented on the attached spreadsheet allowing Staff to revise the allocation with updated member payroll information as appropriate.

First: Jason Porth
Second: Gigi Kiama

NAME	AYE	ABSTAIN	NAY	ABSENT
Gigi Kiama	X			
Bill Olmsted	X			
Jason Porth	X			
Jun Reina	X			

Raven Tyson	X			
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Motion carried.

C4. Liability Program Supplemental Actuarial Reports

As explained by Mimi Long, CSURMA’s retains the services of an independent actuary to evaluate the Estimated Outstanding Liabilities at June 30, 2017, and Projected Ultimate Limited Losses for FY 18/19. These reports were approved by the AORMA Committee in September, 2017. The actuary also provides three supplemental reports for the liability program – (1) Experience Modification Factor (EMF) for each member, (2) Employment Practices Liability (EPL) deductible credits and (3) program rates for EPL, Auto Liability, Premises Liability and All Other.

Long explained that in order to calculate each member’s EMF’s, the actuary uses five years of exposure data and loss data. To stabilize the EMF’s, all losses are capped at \$100,000. The actuary first calculates each member’s portion of the total losses compared to its portion of the total risk exposures. The actuary then adds a credibility weight based on each member’s size. This assumes that the historical loss information of larger members is more predictive of future claim experience compared to that of small members. The two largest members were assigned a weight of 75%, and the remaining members were given proportionally lower weights.

To provide greater stability, the minimum and maximum experience modification factors (EMF) are limited to between .50 and 2.00. (Note: the minimum EMF was changed from .75 to .50 effective July 1, 2018. This change was recommended by Staff and approved by the AORMA Committee because enough Members were bumping up against the .75 minimum and the allocation formula is designed to incentivize the Members to minimize loss experience. Within the FY 18/19 allocation, four Members are capped at the maximum EMF of 2.00 and five Members are capped at the minimum EMF of .50.)

A motion was made to accept the Liability Program 18/19 Rates and Experience Modification Factors report dated November 29, 2017 and Employment Practices Liability Indicated Deductible Credits report dated November 14, 2017.

- First:** Jun Reina
- Second:** Raven Tyson

NAME	AYE	ABSTAIN	NAY	ABSENT
Gigi Kiama	X			
Bill Olmsted	X			
Jason Porth	X			
Jun Reina	X			
Raven Tyson	X			

Motion carried.

C5. Liability Program Member Allocation for FY 18 19

Mimi Long noted at its September 2017, the AORMA Committee approved the total costs for the Liability Program. The Programs Committee is now responsible for approving the Liability Program Member Allocation and the allocation factors for FY 18/19. The total Liability Program costs have been allocated to the members based on the approved allocation formula documented in Policy and Procedure L-8.

The AORMA Committee approved the total liability program costs for FY 18/19 of \$4,163,883. The Liability Program costs have been allocated to the members based on the allocation formula approved by the Programs Committee and AORMA Committee.

Long review the allocation factors.

1. **Four basic rates.** TABLE 1 includes the proposed rates for Auto, Premises, Other and Employment Practices Liability (EPL). The rate changes have been limited to +/- 10% to provide rate stability.

Exposure Category	18/19 Actuary's Recommended Rates	AORMA 18/19 Collared Rates	Diff	AORMA 17/18 Collared Rates	AORMA 18/19 Collared Rates	Diff
Auto Liability	161	165	3%	150	165	10%
Premises Liability	35	37	5%	41	37	-10%
Other Liability	124	356	187%	395	356	-10%
EPL	1,800	1,418	-21%	1,289	1,418	10%

Table 2 below shows the actuary’s recommended rates for the four exposure categories for FY 15/16, 16/17, 17/18 and 18/19. This table allows the Programs Committee to see how the rates are trending based on AORMA’s historical loss information.

Exposure	FY 15/16	FY 16/17	% Diff	FY 16/17	FY 17/18	% Diff	FY 17/18	FY 18/19	% Diff
Auto Liability	143	151	6%	151	143	-5%	143	161	12%
Premises Liability	35	40	12%	40	38	-4%	38	35	-8%
Other Liability	126	134	6%	134	168	26%	168	124	-27%
EPL	2,450	2,219	-9%	2,219	2,052	-8%	2,052	1,800	-12%

2. **Maximum premium for calculating the size credit.** \$60,000. Staff reduced the maximum premium from \$65,000 to \$60,000 in order to give approximately 10% of the members the maximum size credit. (Nine members received the maximum size credit.)
3. **Maximum size credit rate percentage.** 25%. The size credit was increased from 20% to 25% to allow the larger members to receive a slightly larger size credit.
4. **Maximum collared premium percentage increase.** The maximum increase was reduced from 33% to 30%.

5. **Maximum collared rate percentage decrease.** The maximum decrease was changed from plus 7.6% to an 11% decrease.
6. **Capped excess premium.** The maximum excess premium was increased from \$85,000 to \$89,250 (a 5% increase) in accordance with the decisions made by the Programs Committee during its rating plan review meeting in February, 2017.
7. **Minimum administrative costs.** This was increased from \$600 to \$660 (a 10% increase), in accordance with the decisions made by the Programs Committee during its rating plan review meeting in February, 2017.
8. **Maximum administrative costs.** This remains at \$60,000.
9. **Minimum premium.** The minimum premium was increased from \$2,152 to \$2,474 (a 15% increase) in accordance with the decisions made by the Programs Committee during its rating plan review meeting in February, 2017.

Long noted that the allocation being presented results in total funding of \$4,164,118 which is a difference of \$235. The FY 18/19 funding results in a decrease of 1% compared to FY 17/18.

A motion was made to approve the FY 18/19 Liability Program Member Allocation and the allocation factors as presented allowing Staff to revise the allocation with exposure information as appropriate.

First: Raven Tyson
Second: Gigi Kiama

NAME	AYE	ABSTAIN	NAY	ABSENT
Gigi Kiama	X			
Bill Olmsted	X			
Jason Porth	X			
Jun Reina	X			
Raven Tyson	X			

Motion carried.

C6. Property Program Member Allocation for FY 18 19

Mimi Long stated that the Programs Committee is responsible for approving the final member allocation and the allocation factors for the FY 18/19 Property Program Member Allocation. The FY 18/19 Property Program Member Allocation results in a total premium of \$2,244,762. This is a 2% (or \$44,755) increased compared to FY 17/18. The total property program premium also includes the costs of the limited earthquake, pollution, and cyber coverage. The total Property Program costs have been allocated to the members based on the approved allocation formula documented in Policy and Procedure P-1. The following factors have been included in the allocation and require approval by the Programs Committee:

1. **Basic rates:** .1376 for real property and business interruption/rents and .1651 for business personal property. TABLE 1 below notes the program’s historical rates.

TABLE 1						
Property Program Historical Rates						
Coverage	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	% Diff
Real Property, Business Interruption and Rents	0.1730	0.1424	0.1402	0.1340	0.1376	3%
Business Personal Property	0.2076	0.1709	0.1682	0.1608	0.1651	3%

2. **Maximum premium for calculating the size credit:** \$600,000 (No change from the FY 17/18 calculation.).
3. **Maximum size credit rate percentage:** 30% (One member received the entire 30% size credit – no change from the FY 17/18 calculation.)
4. **Minimum premium:** \$600 (No change from FY 17/18 calculation.)
5. **Loss ratio surcharge schedule:** Revised as shown in Table 2 below. (The loss ratio surcharge schedule was updated as shown below in accordance with the decisions made by the Programs Committee during its rating plan review meeting in February, 2017.)

TABLE 2		
Loss Ratio Surcharge	FY 17/18	FY 18/19
Less than 40%	None	None
Between 40% and 60%	None	5%
Between 60% and 100%	10%	10%
Between 100% and 150%	20%	20%
Between 150% and 300%	20%	30%
Excess of 300%	20%	40%

A motion was made to approve the FY 18/19 Property Program Allocation Factors as shown above and the member allocation as presented allowing Staff to revise the allocation with updated property value information when received from the members.

First: Jun Reina
Second: Jason Porth

NAME	AYE	ABSTAIN	NAY	ABSENT
Gigi Kiama	X			
Bill Olmsted	X			
Jason Porth	X			
Jun Reina	X			
Raven Tyson	X			

Motion carried.

C7. Crime Program Member Allocation for FY 18 19

Mimi Long state that the Programs Committee is responsible for approving the final member allocation and the allocation factors for FY 18/19 Crime Program.

The AORMA Committee approved the total crime program costs for FY 18/19 of \$231,875 which represents a reduction of \$46,406 or 17% as compared to the FY 17/18 program costs. The Crime Program has an annual aggregate limit of \$100,000. At June 30, 2017, the Crime Program fund balance was \$412,604; therefore, the AORMA Committee waived the pooled layer funding for FY 18/19. The total Crime Program costs have been allocated to the members based on the approved allocation formula documented in Policy and Procedure C-1.

The following factors have been included in the allocation and require approval by the Programs Committee:

1. **Basic rate:** .000414. This rate was lowered from .00051 in FY 17/18.
2. **Maximum premium for calculating the size credit:** \$6,000; Staff reduced the maximum premium from \$10,000 to \$6,000 in order to give approximately 10% of the members the maximum 30% size credit. (Ten members received the 30% size credit.)
3. **Maximum size credit rate percentage:** 30% - No change.
4. **Minimum premium:** The minimum premium is applied to those Members with no payroll or whose final premium does not exceed the minimum premium required based on total expenditures. Between FY 16/17 and FY 18/19, the program premium decreased by approximately 30%. In response, the minimum premiums were reduced as well as shown on Table 1 below. In order to reduce the minimum premiums, Staff assigned a minimum premium of between .02% and .016% of the minimum expenditures within each grouping. As noted within Table 3 attached, Staff also reviewed the new minimum premiums against the premiums for those Members with payroll or who are not subject to a minimum premium. The majority of Members with expenditures of less than \$15,000,000 are subject to the minimum premiums.

TABLE 1

Expenditures Less Than	FY 17/18 Minimum Premium	Expenditures Less Than	FY 18/19 Minimum Premium	Rate	% Diff	\$ Diff
1,000,000	250	1,000,000	200	0.0200%	-20%	(50)
1,250,000	500	1,250,000	250	0.0200%	-50%	(250)
1,500,000	750	1,500,000	300	0.0200%	-60%	(450)
2,000,000	1,000	2,000,000	400	0.0200%	-60%	(600)
3,000,000	1,250	3,000,000	600	0.0200%	-52%	(650)
4,000,000	1,500	4,000,000	800	0.0200%	-47%	(700)
5,000,000	1,750	5,000,000	1,000	0.0200%	-43%	(750)
6,000,000	2,000	6,000,000	1,200	0.0200%	-40%	(800)
7,000,000	2,250	7,000,000	1,400	0.0200%	-38%	(850)
8,000,000	2,383	8,000,000	1,520	0.0190%	-36%	(863)
9,000,000	2,516	9,000,000	1,620	0.0180%	-36%	(896)
10,000,000	2,649	10,000,000	1,700	0.0170%	-36%	(949)
12,500,000	2,750	12,500,000	2,188	0.0175%	-20%	(563)
15,000,000	2,875	15,000,000	2,550	0.0170%	-11%	(325)
17,500,000	3,000	17,500,000	2,888	0.0165%	-4%	(113)
20,000,000	3,125	Over 17,500,000	3,200	0.0160%	2%	75

5. **Loss ratio surcharge schedule:** The Loss Rating Surcharge Ratios were changed in accordance with the decisions made by the Programs Committee during its every three-year review of the Crime Program member allocation formula. See Table 2 below. Only one Member received a loss surcharge of 40% which increased its premium by \$7,940; however, the final premium is still lower than last year's premium due to the program rate decrease.

TABLE 2

Loss Rating Surcharge Schedule

Surcharge Ratio	FY 17/18	FY 18/19
Less than 50%	0%	0%
Over 50%	10%	0%
Over 100%	20%	20%
Over 200%	20%	40%
Over 300%	20%	50%

A motion was made to approve the FY 18/19 Crime Program Allocation Factors and the member allocation as presented allowing Staff to revise the allocation with updated expenditure and/or payroll information as appropriate.

First: Raven Tyson
Second: Jason Porth

NAME	AYE	ABSTAIN	NAY	ABSENT
Gigi Kiama	X			
Bill Olmsted	X			

Jason Porth	X			
Jun Reina	X			
Raven Tyson	X			

Motion carried.

C8. Unemployment Insurance Program Member Allocation for FY 18 19

Mimi Long state the AORMA Unemployment Insurance Program (UIP) member allocation uses two factors – paid claims and administrative costs – in order to calculate each member’s deposit premium. Each member must maintain a minimum fund balance of two times its average annual losses. If the member’s fund balance is below the minimum, annually, the member will be assessed an amount not to exceed 20% of the additional funding required to achieve the minimum fund balance. The FY 18/19 UIP member allocation has been calculated in accordance with Policy and Procedure UI-1 and is being presented for the Programs Committee’s approval.

The UIP member allocation results in a total deposit for FY 18/19 of \$1,739,385. This is a decrease of \$185,170 or 10% compared to FY 17/18.

In order to stabilize each member’s annual deposits, the premium is based on the member’s average annual claims over a five year period. Unlike the liability and workers’ compensation programs, the members within the UIP do not share in each other losses. Therefore, this program is referred to as a banking program rather than a pooled program.

A motion was made to approve the FY 18/19 UIP member allocation as presented.

First: Gigi Kiama
Second: Jun Reina

NAME	AYE	ABSTAIN	NAY	ABSENT
Gigi Kiama	X			
Bill Olmsted	X			
Jason Porth	X			
Jun Reina	X			
Raven Tyson	X			

Motion carried.

C9. Discussion and Recommendation for New Programs Committee Chair and New Members for the Programs Committee

Mimi Long explained per Policy and Procedure A-2 that the Programs Committee shall have a minimum of five members, and at least two will also serve on the AORMA Committee. Since Gigi Kiama stepped down from the AORMA Committee, only one Programs Committee member, Bill Olmsted, serves on both the Programs Committee and the AORMA Committee. The

Committee members was asked to recommend to the AORMA Committee Chair that Bill Olmstead be appointed to serve as the new Programs Committee Chair. The Committee members also discussed prospects to serve on the AORMA Committee (either new or existing Programs Committee members.)

A motion was made to recommend Bill Olmstead as the new Programs Committee Chair to the AORMA Committee.

First: Jun Reina
Second: Raven Tyson

NAME	AYE	ABSTAIN	NAY	ABSENT
Gigi Kiama	X			
Bill Olmsted	X			
Jason Porth	X			
Jun Reina	X			
Raven Tyson	X			

Motion carried.

C10. Unemployment Insurance Programs Claims Administration

Mimi Long explained the cost for the UIP claims administration with Equifax is \$14,000 annually. Employers Edge charges \$30,044 annually. The AORMA Committee met on October 26, 2017 and discussed the recommendation made by the Unemployment Insurance Program (UIP) ad hoc committee to move the UIP claims administration from Employers Edge to Equifax effective July 1, 2018. The AORMA Committee agreed with the ad hoc committee’s recommendation and approved a new contract with Equifax. The AORMA committee delegated authority to the CSURMA Secretary-Auditor to finalize the contract with Equifax for claims administration of the unemployment insurance program.

D. INFORMATION ITEMS

The Committee Members reviewed the information items.

- D1. 2018 CSURMA AORMA Meeting Calendar**
- D2. FY 17 18 AORMA Long Range Action Plan**
- D3. AORMA Committee and Standing Committee Roster**

E. ADJOURNMENT

A motion was made to adjourn the meeting at 8:47 AM