

**MINUTES OF THE CSURMA EXECUTIVE COMMITTEE  
LONG RANGE ACTION PLANNING MEETING**

**MARCH 10, 2017**

**ALLIANT INSURANCE SERVICES  
701 B Street, 6<sup>th</sup> Floor • San Diego, CA**

**8:30 AM**

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**MEMBERS PRESENT**

Scott Apel, California State University, Long Beach  
Lisa Chavez (Vice-Chair), California State University, Los Angeles  
Thom Davis, California State University, Bakersfield  
Robert Eaton (Treasurer), CSU, Office of the Chancellor (*via Teleconference*)  
Frank Mumford (AORMA Chair), CSU Fullerton Auxiliary Services Corporation  
Kevin Saunders, California State University, Monterey Bay  
Jody Van Leuven, California State University, San Bernardino

**MEMBERS ABSENT**

Mike Lee (Chair), California State University, Sacramento

**STAFF, GUESTS & CONSULTANTS**

Mary Ek, CSU, Office of the Chancellor  
Zachary Gifford (CSURMA Secretary/Auditor), CSU, Office of the Chancellor  
Jacki Graf, Alliant Insurance Services, Inc.  
Daniel Howell, Alliant Insurance Services, Inc.  
William Hsu, CSU, Office of General Counsel (*via Teleconference*)  
Alice Kim, CSU, Chancellor's Office (*via Teleconference, joined at 12:30 pm*)  
Rob Leong, Alliant Insurance Services, Inc.  
Mimi Long, Alliant Insurance Services, Inc.  
Lilian Vanvieldt, Alliant Insurance Services, Inc.  
Matt Stanley, Witt O'Brien's  
Frank Castro-Wehr, Witt O'Brien's

**CALL TO ORDER**

The meeting was called to order by the Vice-Chair, Lisa Chavez at 8:30 AM.

**1. Review of CSURMA FY 2016/2017 Long Range Action Plan**

The Committee reviewed the items on the current FY 16/17 Long Range Action Plan and directed Staff as follows:

- **Item 1** Master Out of State On-line Education Surety. Remove this item but provide assistance to the campuses as appropriate in obtaining a bond.

- **Item 2** Special Events Resource Guide. Extend the deployment date to the Fall of 2017.
- **Item 3** Benchmarking and Trend Analysis and **Item 4** Insurance Policy Database. Combine these items into one LRP item and prepare reports for the Committee's review.
- **Item 5** Captive Insurer. Keep this on the FY 17/18 LRP.
- **Item 6** Loan Policy and Investment Options. To be discussed later in the day.
- **Item 7** On-Campus Visits with Vice Presidents. Keep this on the FY 17/18 LRP. The Committee proposed a 20 minutes presentation at the CABO meeting on June 8, 2017 in Long Beach.
- **Item 8** CSURMA Communications and Outreach Plan. Remove.
- **Item 9** Master Enabling Agreement for Transportation. Remove as this item has been completed and is awaiting legal counsel's final review.

## 2. CSAC-EIA Member Services and Resources Presentation

The CSAC EIA's Chief Member Services Officer, Rick Brush, presented information on EIA's services and capabilities. Brush handed out the Menu of Services & Partner Programs brochure for the Committee members to review. EIA is able to leverage its size in order to negotiate risk management services at extremely competitive prices. The Committee also reviewed the CSAC EIA annual report for CSURMA which estimates that CSURMA has saved \$4.4 million in FY 16/17 by joining CSAC EIA.

The Committee directed Staff to add an item to the FY 17/18 LRP – Accessing and Communicating EIA Resources.

## 3. Campus Risk Pools Funding Status

Rob Leong explained that Staff prepared an analysis of the pooled programs' funding position relative to the actuary's projection for CSURMA's minimum funding requirements and expected cash expenditures for program administration through June 30, 2017. The Executive Committee, at its March meeting, reviews the pooled programs' funding position and determines if there are sufficient funds to meet anticipated needs, including a confidence margin for unexpected expenditures, if an assessment is necessary, or if there is ample surplus to consider a release of dividends to the members which would be discussed at the September meeting based on the independent actuary's updated study valued at June 30. The Committee reviewed the Estimated Funding Charts as well as the Target Surplus Funding Analysis. Leong noted that these exhibits were updated based on the December 31, 2016, financial statements, including the budget amendments, and the actuary's recommendations for outstanding liabilities. Leong explained that the Estimated Outstanding Liabilities fluctuate primarily due to the actuary's calculation of the risk pool's outstanding liabilities. The outstanding liabilities do include a risk margin. If the outstanding liability decrease, generally, the assets will decrease as well due to claims closures. Assets will also be reduced by the release of dividends. The number in the exhibits are estimates only; the Committee will review a revised report at the September meeting.

The next item, was discussed out of agenda order.

**9. CSURMA Workers’ Compensation Renewal Options**

Lilian Vanvieldt presented the CSAC EIA renewal workers’ compensation options. CSURMA committed that both the campus and AORMA programs would renew for FY 17/18 in return for a guaranteed rate on the primary layer and reduced cost from EIA’s captive investment pool. The EIA has proposed a new two year proposal that would provide additional savings. The Committee reviewed the proposed pricing for FY 17/18.

**CSURMA Workers’ Compensation Program Cost Options for FY 17/18**

A	Funding at a discounted 70% confidence level *	\$36,080,994
B	CSAC EIA renewal cost at current rate agreement	\$33,629,066
C	Anticipated savings compared to funding at a discounted 70% confidence level (A-B)	\$2,451,928
D	Revised CSAC EIA renewal costs for new two-year commitment	\$32,442,899
E	Additional savings (B-D)	\$1,186,167
F	Total savings (C+E)	\$3,638,095

*\* Based on Aon Actuarial Study Dated August, 2016, excluding excess cost.*

The CSAC EIA proposal will lock in a cost near CSURMA’s discounted expected cost of \$31,607,261, thereby confirming the potential dividend in advance. Daniel Howell noted that the final costs are based on rates that are applied to the actual CSU payroll.

Vanvieldt recused herself from the meeting so the Committee could discuss and consider CSAC EIA’s revised two-year rate proposal.

Howell noted that CSURMA paid a significant additional audit premium due payroll increases that were not included in the deposit calculation. Howell argues that the employee exposure did not increase at the same rate as the catch-up payroll increase of July 1, 2016 Howell recommends negotiating a +/- 5% payroll cap on the audited payroll. If payroll increases more than 5%, CSU would pay the difference. This 5% payroll cap would not apply to the auxiliaries. Howell will need to substantiate his assertion that the payroll increases are mostly due to pay raises rather than new employees.

A motion was made to delegate authority to the CSURMA Secretary-Auditor to lock in a two-year rate guarantee with a +/- 5% payroll cap on the audit; however, if CSAC EIA does not agree to the 5% rate cap, the Secretary-Auditor will renew with the two-year rate guarantee as presented.

MOTION: Kevin Saunders  
 SECOND: Scott Apel

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Thom Davis	X			
Robert Eaton		X		
Mike Lee				X
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

**MOTION CARRIED**

**4. Witt O’Brien Consulting Services**

Witt O’Brien’s provides emergency services consulting for the California State University System under an agreement dated July 1, 2012 between Witt Group Holdings, LLC and CSURMA. The agreement is renewable for successive two-year periods. The current service term is July 1, 2016-18. Frank Castro-Wehr and Matt Stanley from Witt O’Brien’s provided the Committee will an overview of the present projects and the future projects to be completed under the current contract. Zachary Gifford will work with Witt O’Brien’s to establish the scope of work for the period July 1, 2017 to June 30, 2018.

**5. Aggregate Financial Discussion**

Robert Eaton noted that Steve Relyea has not made a final decision whether the JPA should be terminated in favor of using a captive to fund CSURMA’s liabilities. Eaton recommends moving just the legacy workers’ compensation claims into a captive structure as a way of testing the use of a captive.

The Committee discussed the current member loan policy. The Committee felt the loans should be used for risk management projects. If the captive is capitalized, the funding available for loans would diminish. The Committee discussed the use of funds for deferred maintenance, and agreed that the funds available through CSURMA wouldn’t make a significant dent in the total deferred maintenance for all the campuses. Staff is directed to review the parameters of the current loan policy and provide recommendations for clear distinctions.

CSU now has new investment flexibility. Eaton will review with legal counsel to ascertain if this also applies to CSURMA. Eaton will strive for broader investment options deploying the new flexibility for CSURMA. Review of the cash flow analysis within the actuarial study will be necessary.

The Committee discussed the earthquake insurance product using the parametric trigger. Coverage is based on the severity of shaking at a particular zip code and there is no deductible. The University would need to issue a Systemwide certification of damage, but unlike traditional property coverage, a line item description of damage is not required. CSU would simply receive

a lump sum of money to be distributed as appropriate. FEMA requires those entities who have received prior reimbursements to make a good faith effort to mitigate future losses. The Committee directed Staff to ask underwriters to provide a presentation at the Chancellor’s Office.

The next item was discussed out of order.

**8. Discussion of CAJPA Comparative Review in FY 2017/2018**

In 2014, CSURMA engaged an independent consultant to conduct a performance review of CSURMA’s program administration along the lines of the California Association of Joint Powers Authority (CAJPA) Accreditation Standards. The comparative review did not include a review of CSURMA’s accounting services since those services are already audited on an annual basis. The review was conducted by Robin Johnson and provided several recommendations that served to improve overall management of CSURMA. As it has been three years since the last review.

A motion was made to engage a consultant to perform another CSURMA Operational Review in FY 17/18 and to exclude a review of CSURMA’s accounting practices as a separate audit is completed annually.

MOTION: Frank Mumford  
 SECOND: Thom Davis

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Thom Davis	X			
Robert Eaton		X		
Mike Lee				X
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

MOTION CARRIED

**6. Risk Management Innovation Grants**

The Risk Management Innovation Grant Program makes funds available for Campus members to supplement Campus costs for innovative safety-related items and/or training that may lead to mitigation of risk exposures. It is anticipated that projects supported by the grants may also reduce risk for other CSU campuses, and thereby improve loss results systemwide. Zachary Gifford provided information regarding the grants that had been awarded.

The Committee directed Staff to revise the grant program for Systemwide projects only as proposed by the affinity groups. The budgeted amount for FY 17/18 will be \$150,000. Rob Leong and Zachary Gifford will update the application and Policy and Procedure accordingly.

## **7. Benchmarking and Trend Analysis**

At the March 2015 Long Range Planning Meeting, the CSURMA Executive Committee asked staff to develop a more robust means of evaluating the risk management performance of the Campuses and Auxiliary Organizations. In response, the Workers' Compensation Scorecards are reviewed monthly and distributed to CABO members on a quarterly basis. The enhanced benchmarking capabilities from the California Workers' Compensation Institute (CWCI) now includes data from University of California in addition to more public entity participants. Staff continues to move forward on the planned implementation of Ventiv's Risk Console risk management information system which includes benchmarking dashboards.

Jacki Graf provided a demonstration of the benchmarking capabilities through CWCI.

The Committee directed Graf to decide on three CWCI comparable benchmarking exhibits for review at the September, 2017 meeting. Staff was also directed to work with Sedgwick to see whether other institutional sized clients could be motivated to contribute data to CWCI.

## **10. Development of New Programs, Services and Projects**

The Committee discussed access to the EIA loss prevention and risk management services. Staff was directed to review the menu options and push some out to the CSURMA membership. Staff will continue to finalize a marine program and will review a student health program. Alliant is currently responding to an RFP for benefits for the auxiliary organization.

## **11. Development of CSURMA Goals for next one to three years**

The Committee reviewed the items discussed during the meeting and compiled the following list of Long Range Action Plan items:

1. Special Events Resource Guide
2. Implementation of RMIS and Regular Reporting
3. Captive Evaluation and Development
4. Campus Visits
5. Accessing and Communicating EIA Resources
6. Member Loan Policy
7. Allocation of Investments
8. Evaluate Earthquake Options
9. Augmentation of Risk Management Grant Program
10. Analysis of Top Workers' Compensation Projects Based on CWCI Data
11. Marine Program
12. Auxiliary Organizations Employee Benefits
13. Evaluation of a Student Health and UC Ship
14. Worker's Compensation Experience Modification Factor Calculation Review

Staff was directed to draft the FY 17/18 Long Range Action Plan to include the items noted above and to develop steps for completion.

A motion was made to adjourn the meeting at 12:47 PM.

MOTION: Kevin Saunders

SECOND: Scott Apel

<b>NAME</b>	<b>AYE</b>	<b>ABSTAIN</b>	<b>NAY</b>	<b>ABSENT</b>
Scott Apel	X			
Lisa Chavez	X			
Thom Davis	X			
Robert Eaton		X		
Mike Lee				X
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

MOTION CARRIED