

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

JUNE 06, 2013

**TELECONFERENCE MEETING
2:00 PM**

MEMBERS PRESENT

Guy Dalpe, Cesar Chaves Student Center (San Francisco State University)
Haleh Minakary, The Cal Poly Pomona Foundation, Inc. (Cal Poly Pomona)
Mark Day, Santos Manual Student Union (CSU San Bernardino) *joined at 2:30pm*
Kurt Borsting, Associated Students, Inc. (CSU Fullerton) *joined at 2:15pm; left at 3:00pm*
Gigi Kiama, University Corporation (CSU Monterey Bay)

MEMBERS ABSENT

None

STAFF, GUESTS AND CONSULTANTS

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

A. CALL TO ORDER

The meeting was called to order by Guy Dalpe at 2:03 PM.

B. PUBLIC COMMENTS

There were no public comments.

C. GENERAL ADMINISTRATION

C1. Approval of Minutes – April 18, 2018

A motion was made to approve the minutes as presented.

First: Haleh Minakary

Second: Gigi Kiama

MOTION CARRIED

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting				X

Guy Dalpe	X			
Gigi Kiama	X			
Haleh Minakary	X			
Mark Day		X		

C2. Review of the Draft FY 14/15 Property Program Rating and Allocation Method

Mimi Long explained the proposed FY 14/15 property rating allocation method to the committee members.

Basic Rates - The revised property allocation still uses two rates – one for real property and business interruption / rents and the other for personal property. Rather than using the rates of .19 and .23 (a .04 point difference between the two) the personal property rate has been changed to a formula which is 20% higher than the real property rate. The basic rates in the property allocation are .2215 for real property and business interruption / rents and .2657 for personal property. These rates will change every year depending on the total program premium.

Size Credits – Staff added a size credit to the property allocation which allows the largest members to receive rate relief. In the standard insurance marketplace, rates are commensurate with TIV size. The larger your TIV, the lower your rate. Overall, AORMA receives a lower rate due its size; therefore, the smaller members are still benefiting from an AORMA pool size credit.

The maximum size credit is 30%. Each member is assigned a size credit percentage which is based on their basic premium compared to the maximum premium of \$600,000. Only one member receives the total 30% credit.

Loss Rating - A loss rating surcharge is assigned to each member based on the following criteria:

- Loss ratio under 20% - no surcharge
- Loss ratio between 20% and 40% - 5% surcharge
- Loss ratio between 40% and 60% - 10% surcharge
- Loss ratio between 60% and 80% -15% surcharge
- Loss ratio between 80% and 100% - 20% surcharge
- Loss ratio in excess of 100% - 25% surcharge

The loss rating surcharges did not change from the previous draft FY 14/15 property rating allocation method.

Deductible Credits - Staff reviewed the deductibles and revised the credits to provide a more meaningful deduction as shown below.

- \$10,000 deductible - .95
- \$25,000 deductible - .90
- \$50,000 deductible - .85
- \$100,000 deductible - .80

The committee members reviewed the deductible credits and noted that the deductible credits for the different sized members didn't always make sense. Mimi Long agreed and noted that a "one size fits all" deductible credit didn't work. Deductible options are also problematic because a change to one member's premium impacts the premium of the remaining members. The idea was suggested that minimum deductibles be assigned to each member based on TIV size. Mimi Long will provide two options – one with a minimum deductible based on total TIV and one with a split deductible. The second option will have a higher deductible for real property and a lower deductible for personal property.

Collared Rates - The collars will change every year, until no collars are necessary. The current property allocation uses collars of .90 and 1.25. These collars result in six members at the minimum collar and nine members at the maximum collar.

Minimum rate collar – 90% of the previous year's rate
Maximum rate collar – 125% of the previous year's rate

Minimum Premium – The minimum premium for FY 14/15 was increased to \$600 rather than \$500, because the FY 13/14 premium is \$623.

The committee members directed staff to revise the draft FY 14/15 property rating allocation method to include minimum deductibles. Because a change to one member's premium impacts the premium of the remaining members, the idea was suggested that minimum deductibles be assigned to each member based on TIV size. Mimi Long will provide two options – one with a minimum deductible based on total TIV and one with a split deductible. The split option will have a higher deductible for real property and a lower deductible for personal property.

C3. Review of the Draft FY 14/15 Crime Program Rating and Allocation Method

Mimi Long explained the changes to the draft FY 14/15 crime program rating allocation.

Basic Rates - All members are assigned a basic rate of .0650.

Size Credit - Staff added a size credit to the crime allocation which allows the largest members to receive rate relief. Overall, AORMA receives a lower rate due its size; therefore, the smaller members are still benefiting from an AORMA pool size credit. The maximum size credit is 30%. Each member is assigned a size credit percentage which is based on their basic premium compared to the maximum premium of \$10,000.

Collared Rates - Rate collars are included as follows and will change every year, until no collars are necessary:

Minimum premium collar – 85% of the previous year's premium
Maximum premium collar – 145% of the previous year's premium

Loss Rating – the loss rating surcharges are as follows and have not changed from the previous crime allocation version:

Loss ratio of less than 50% - no surcharge
Loss ratio between 50% and 100% - 10% surcharge
Loss ratio in excess of 100% - 20% surcharge

Minimum Premiums – As a way to gauge the appropriate minimum premium size for a member without payroll, the members were grouped together based on expenditure size. A median premium was established for each expenditure range as noted below:

Expenditures under \$2,000,000 – MP \$500 (Median \$383)
Expenditures between \$2,000,001 and \$6,000,000 – MP \$1,500 (Median Premium \$1,876)
Expenditures between \$6,000,001 and \$10,000,000 – MP \$2,500 (Median Premium \$2,608)
Expenditures between \$10,000,001 and \$20,000,000 – MP \$3,000 (Median Premium \$4,108)
Expenditures over \$20,000,000 – MP \$3,500 (Median Premium \$11,739)

The committee members expressed concern over the minimum premiums. In prior years, the premium for some members was less than \$10. Last year the minimum premium was increased to \$100. For FY 14/15 the lowest minimum premium would be \$500. Because the admin costs for the crime program are only \$50,668, it was suggested that the admin costs be spread evenly between the members rather than based on a percentage of premium. The committee members' rationale for this request was that, unlike the other AORMA insurance programs, the larger members within the crime program do not create a higher administrative burden and therefore should not be charged more than the smaller members.

Deductible – A 5% deductible credit has been added should a member decide to increase its deductible to \$10,000 from \$5,000.

The committee members directed staff to delete the \$10,000 deductible option. Because crime losses are infrequent, having a \$10,000 deductible option isn't reducing the overall program losses. Therefore, it was felt that a premium reduction for a higher deductible did not benefit the pool.

An additional Programs Committee meeting was set for Thursday, June 27, 2013 at 2:00 PM to review the revisions to the draft FY 14/15 property and crime rating allocation methods prior to the AORMA officers retreat in July.

D. ADJOURNMENT

The meeting was adjourned at 3:27 PM.