



**APPROVED**

**MINUTES OF THE CSURMA AORMA  
COMMITTEE MEETING**

**SEPTEMBER 10, 2014**

**ALLIANT INSURANCE SERVICES**

**1301 DOVE STREET, 2<sup>ND</sup> FLOOR • NEWPORT BEACH, CA**

**10:00 AM**

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**MEMBERS PRESENT**

Kurt Borsting, Associated Students, Inc., CSU Fullerton (*left the meeting at 12:15 PM*)  
Dwayne Brummett, Associated Students, Cal Poly San Luis Obispo  
Melinda Coil, San Diego State University Research Foundation  
Guy Dalpe, Cesar Chaves Student Center, San Francisco State University  
Leslie Davis, University Union Operation of CSUS, Inc., Sacramento State University  
Mark Day, Santos Manuel Student Union of CSU San Bernardino  
Robert de Wit, Forty-Niner Shops, Inc., CSU Long Beach  
Gigi Kiama, University Corporation, CSU Monterey Bay  
Keith Kompsi, Fresno Association, Inc., CSU Fresno  
Haleh Minakary, The Cal Poly Pomona Foundation, Inc., Cal Poly Pomona  
Frank Mumford, CSU Fullerton Auxiliary Services Corporation, CSU Fullerton (*left the meeting at 12:30 and returned at 1:41 PM*)  
Brian Nowlin, CSULB Foundation, CSU Long Beach

**STAFF, GUESTS AND CONSULTANTS**

Kevin Bibler, Alliant Insurance Services, Inc.  
Mujtaba Dattoo, Aon Risk Solutions  
Melissa Diaz, Alliant Insurance Services, Inc.  
Brent Escoubas, Alliant Risk Control Consulting  
Zachary Gifford, CSU Office of the Chancellor – Systemwide Risk Management  
Daniel Howell, Alliant Insurance Services, Inc.  
Mimi Long, Alliant Insurance Services, Inc.  
Ziruo Wang, Aon Risk Solutions

**A. CALL TO ORDER**

The meeting was called to order by the Chair, Robert de Wit at 10:06 AM.

**B. PUBLIC COMMENTS**

**C. GENERAL ADMINISTRATION**

**C1. Introduction of New Committee Member**

Robert de Wit introduced Mark Day the Executive Director of the Santos Manuel Student Union who was elected as the newest AORMA Committee member for the two-year term beginning on July 1, 2014.

## **C2. CSURMA JPA Administration – Alliant Team Assignments and Additions**

Mimi Long let the committee know that Melissa Diaz has joined the CSURMA service team. Melissa will work with Mimi on assigned AORMA projects and will focus on member communications and outreach. She will spend a significant amount of her time conducting in-person campus visits along with Daniel Howell, Rob Leong and Mimi Long. All of the CSURMA administrative services have been combined so that all the meeting planning, agenda coordination and operational compliance will be completed by Mimi and Tevea Him. Melissa has also been assigned the responsibility for the CSURMA website improvement project the results of which will be demonstrated at today's meeting. Myron Leavell will continue to support the board tablet administration and will support Melissa in the administration of the CSURMA website.

## **C3. Review of FY 13/14 AORMA Long Range Action Plan**

The committee reviewed the FY 13/14 Long Range Action Plan and discussed some of the open items. Regarding LRP A-1, Mimi stated that all of the workers' compensation policies and procedures had been reviewed; however, WC-1 still needs to be approved by the AORMA Committee. The Programs Committee will review the amendments to WC-1 after the FY 15/16 workers' compensation member allocation formula is approved in December. LRP P-3 – Liability program member allocation formula is ongoing. The Programs Committee will continue to review the new allocation. Regarding the SkillSoft/LawRoom on-line training, Mimi will have David Kervella attend the next AORMA Committee meeting in October to discuss the progress of loading auxiliary staff into the AORMA hub.

## **C4. AORMA Officers' Retreat Recap**

Robert de Wit summarized the AORMA Officers Retreat discussions. Brent Escoubas will create a Minors on Campus handbook and a real property acquisitions checklist. Alliant staff will create a handbook that describes when a member may need to purchase additional insurance, how much insurance is enough, and which risks are outside the AORMA programs. The committee spoke briefly about the need for a workplace grievances hotline. Creation of a program to offer earthquake coverage to condo owner's at member property developments when the HOA does not purchase earthquake coverage. The committee also discussed ideas for better communication to the membership. Staff will add an AOA link to the CSURMA website and review using the AOA distribution list for some of AORMA's bulletins. Robert briefly summarized the AOA conference sessions that AORMA will be organizing.

The committee also discussed creating two additional policies and procedures – Closed Session and Rating Plan Three-Year Review.

#### **C5. 2015 AOA Conference Risk Management Sessions**

Mimi noted that AORMA is now responsible for organizing all of the Risk Management sessions for the AOA Annual Conference. The following sessions have been confirmed:

1. The Fascinating World of Insurance, Indemnification and Contracts
2. AORMA ... What's Covered and What's Not!
3. Who Wants to be an Employment Practices Millionaire
4. Keep Your Eyes Open for This ... a Virtual Safety Tour
5. Keeping Minors Safe While on Campus

AORMA has been asked to provide an HR session which outlines the basics of AORMA.

For the AORMA breakfast presentation, the AORMA officers proposed the idea of AORMA Pub Trivia. The pub trivia would be no more than ten questions that the AORMA Chair would ask and each table would answer on an answer sheet provided. The table with the most points will win. Each person at the table will win a prize.

The committee asked staff to run a website access report to see how many members are accessing the CSURMA website. For the AOA Conference, the committee thought it would be nice to have an AORMA Committee Member badge on the AOA nametag.

#### **C6. AOA and AORMA Relationship**

Robert de Wit stated that the AOA Executive Committee approved at its August 15, 2014 meeting revisions to the AOA CSURMA Relationship Policy and the AOA Risk Management and Insurance Programs Committee Operating Guidelines. The policy/guideline includes statements which are not stated anywhere in AORMA's policies or procedures, such as, "participation in CSURMA auxiliary organization coverage programs requires membership in AOA."

It also states that that AORMA is designated as the Risk Management and Insurance Programs standing committee to the AOA Executive Committee to advise upon and coordinate risk management and insurance, including employee benefit programs, made available through the CSURMA to AOA members. It also states that the AORMA Chair will serve as a voting member of the AOA Executive Committee.

Staff was directed to update AORMA's policies and procedures to include the same reciprocal agreement with AOA.

## **C10. Review of FY 15/16 AORMA Liability and Workers' Compensation Program Actuarial Reports**

Robert de Wit introduced Mujtaba Dattoo, from Aon Global Risk Consulting, who has been CSURMA's actuary for over ten years. Mujtaba presented the committee with his Actuarial Overview of Workers' Compensation and Liability. His presentation discussed AORMA's estimated outstanding loss, projected future ultimate losses, historical perspective and general observations.

With regard to estimated outstanding losses, Mujtaba noted that all pool insurance plans are required by GASB 10 to determine its liability for unpaid claims including incurred but not reported (IBNR) claims. The determination of liability is based on the estimated ultimate cost of claims, including (1) the effects of inflation and other social and economic factors, (2) past experience adjusted for current trends, and (3) other factors that would modify past experience. The estimated outstanding losses used in CSURMA's financial statement, as required by GASB 10, are at an expected confidence level, are undiscounted (for future interest earned), and exclude unallocated loss adjustment expense (ULAE). The estimated outstanding losses for the liability program at 6/30/13 and 6/30/14 are \$2.9. For the workers' compensation program, the estimated outstanding losses at 6/30/13 were \$7.6 and for 6/30/14 are \$8.4.

Mujtaba also discussed the projected ultimate limited losses which is the prefunding for the losses in the upcoming fiscal year. It does not include ULAE, general expenses or excess insurance. The workers' compensation program had a 3% increase and the liability program had a 1% decrease. The "Projected Ultimate Limited Losses" report shows the estimate comparison at 6/30/13 and 6/30/14 for ten years. The estimates increased in most years. This is typical for workers' compensation because of loss development. The extent of the injury is not always known when the accident occurs. Because of this, costs often increase beyond the original estimate.

Mujtaba also explained, in a chart, what is included in the outstanding loss. It is the case reserves plus the incurred but not reporting claims. How claims develop was demonstrated. Workers' compensation claims develop much slower than liability claims. AORMA's total claims demonstrate that 93% of the workers' compensation claims are closed within 132 months (or 11 years); whereas 99% of the liability claims are closed within 48 months (or 4 years.) Workers' compensation has a much longer tail.

The frequency vs. severity chart shows that the workers' compensation claim severity is going down but the number of claims is going up. Within the liability program, the number of claims is increased along with the cost per claim.

The Distribution of Losses above the Retention charts shows how many claims have incurred amounts in excess of the current self-insured retention on both programs. Within the workers' compensation program, only one claim has an incurred amount in excess of \$500,000. Within

the liability program, there are several claims with incurred amounts excess of the retention. This may have an impact on AORMA current \$350,000 self-insured retention.

#### **C7. CSU Auxiliary Organization – Revised Campus Visit Presentation**

The committee viewed the updated campus visit – member presentation. Mimi stated that the presentation had been updated to include AORMA and Campus information so that pages can be included or removed depending on the audience. It was suggested that Staff communicate with the members well in advance so that the meetings can be scheduled during auxiliary board meetings, if requested.

#### **C8. Prevention of Sexual Misconduct and Abuse of Minors**

Mimi let the committee know that the contract with Praesidium for prevention of sexual misconduct and abuse of minors has been signed by both parties and is scheduled to go live on September 30, 2015. The online self-assessment resources and standards have been reviewed and approved for use by CSU Systemwide Risk Management. Praesidium is now uploading the resources and standards and customizing their on-line self-assessment tool for use by the CSURMA members. The draft self-assessment tool will be ready for CSURMA's review by September 15<sup>th</sup>. Staff will work with CSU Systemwide Risk Management and Praesidium to finalize the announcement materials as well as the webinar invitations. Webinars, which explain how the self-assessment tool operates, have been scheduled for;

- ✓ Thursday, October 9<sup>th</sup> at 10:00 AM
- ✓ Wednesday, October 17<sup>th</sup> at 1:00 PM
- ✓ Monday, October 20<sup>th</sup> at 11:00 AM

Praesidium staff will also attend the CSURMA Board of Directors meeting on Friday, October 24<sup>th</sup> to provide an in-person presentation.

Praesidium will start by loading three different training courses onto CSU's SkillPort platform. Praesidium will suggest the best training options which will be reviewed and approved by CSU Systemwide Risk Management. Auxiliary Organization staff who may not be able to access SkillPort can still view the training via Praesidium's platform.

Robert de Wit announced that Kevin Bibler would provide the Target Surplus Funding and Dividend Calculation presentation next.

#### **C12. Target Surplus Funding and Dividend Calculation**

Kevin Bibler from Alliant Insurance Services, Inc. presented to the committee his Target Surplus Funding Report presentation. The purpose of the report is to (a) provide guidance to the AORMA Committee for development of annual funding, dividends and assessment decisions, (b) develop a set of benchmarks to measure the program's financial stability (compared to

industry standards and past experience), (c) assist in evaluation and implementation of prudent funding levels and (d) expose deteriorating experience before it can have an adverse impact on the pool.

Within the report, several factors are considered. Kevin explained that the confidence level is a statistical term used to express the degree to which an actuarial projection will be an accurate prediction of the dollar losses ultimately paid for a given program year or combination of years. The higher a confidence level the greater certainty the actuary has that losses will not exceed the dollar value used to attain the confidence level. The surplus is the amount of funds remaining, after deducting all administrative and excess insurance costs, available to pay claims in excess of losses (undiscounted for investment income) at the actuarially determined expected confidence level. Gross Premium includes the total contributions from members less the excess insurance costs. Retention is the maximum amount of exposure for a single loss retained by AORMA.

The **Gross Premium to Surplus ratio** is a measure of how the surplus is leveraged against possible pricing inaccuracies. The goal is for the gross premium to be no more than 150% of the program's surplus. The current ratio in the liability program is 77% and in the workers' compensation is 82%. A low ratio is desirable.

The **Surplus to Pool Retention ratio** is a measure of the maximum amount that surplus could decline due to a single loss. The goal is to have five times the retention in surplus. Currently, the liability program has nine times the retention and the workers' compensation program has ten times the retention. A high ratio is desirable.

The **Outstanding Reserves to Surplus ratio** is a measure of how the surplus is leveraged against possible reserve inaccuracies. The goal is for the outstanding reserves to be no more than 150% of the surplus. The current ratio in the liability program is 40% and in the workers' compensation program is 79%. A low ratio is desirable.

Kevin reviewed two additional ratios that were not adopted by AORMA, but were presented for information and interest only – the Reserve Development Ratio and the Change in Equity Ratio.

Based on the results of the Target Surplus Funding Analysis, staff is recommending on the liability program returning 25% of the maximum dividend available, or \$464,087. Two reports were provided for the liability program – one including a \$350,000 retention and one including a \$500,000 retention. Because staff believes that the excess carrier may require that the retention be increased to \$500,000 in FY 15/16, staff is recommending returning 25% of the maximum deductible available using the information on the report with the \$500,000 retention. Staff is recommending 33% of the maximum dividend available on the workers' compensation program or \$715,802. Action will be taken at tomorrow's meeting.

## **C11. Estimated Pool Layer Funding Exhibit**

The committee reviewed the estimated fund balance exhibits for both the liability and workers' compensation programs. The reports show a comparison of the program assets, outstanding liabilities and estimated fund balances at 6/30/13 and 6/30/14. The committee also reviewed an eight year comparison report showing the estimated fund balance, maximum dividends available and dividends declared within the liability and workers' compensation programs.

**C9. Alliant Risk Control Consulting – Scope of Services**

The AORMA Officers met on July 15<sup>th</sup> and discussed the types of work and projects being requested by the members through the AORMA contract with Alliant Risk Control Consulting. The committee will be asked to discuss the current scope of services and decide if a more rigid schedule of services should be put into place or if the contract should be expanded to include additional hours. The committee directed the MSLCTC to review ARCC's scope of services within its contract.

**C13. Employment Practices Liability Member Deductibles for FY 15/16**

Mimi let the committee know that staff had completed the minimum EPL deductible calculation for FY 15/16. Nine auxiliary organizations are subject to a higher EPL deductible. According to Policy & Procedure L-7, the Programs Committee is responsible for approving the EPL deductible calculation; therefore, the calculation and Policy and Procedure are being presented for the committee's review only.

Noted below are the proposed FY 15/16 EPL deductibles and the historical EPL deductibles since the change became effective July 1, 2013.

<b>Auxiliary Organization</b>	<b>FY 15/16</b>	<b>FY 14/15</b>	<b>FY 13/14</b>
California State University, East Bay Foundation, Inc.	\$50,000	\$50,000	\$50,000
California State University, Fresno Foundation	\$75,000	\$50,000	\$25,000
California State University, Long Beach Research Foundation	\$75,000	\$75,000	\$50,000
Cal State L.A. University Auxiliary Services, Inc.	\$50,000	\$50,000	\$50,000
The Cal Poly Pomona Foundation, Inc.	\$100,000	\$75,000	\$100,000
University Enterprises, Inc., CSU Sacramento	\$75,000	\$50,000	\$25,000
San Diego State University Research Foundation	\$100,000	\$75,000	\$50,000
San Jose State University Research Foundation	\$75,000	\$50,000	\$25,000
Cal Poly Corporation	\$50,000	\$50,000	\$50,000

**C14. AORMA Historical Premium Payments, Dividends and Loss Ratios report**

The committee reviewed the AORMA Historical Premium Payments, Dividends and Loss Ratio report. It was noted that the dividends for the past five years are \$5,335,080 for the workers'

compensation program and \$3,026,799 for the liability program. The committee asked that this information be included in the master member presentation.

#### **C15. Evaluation of Primary Reinsurance Program for Workers' Compensation**

Daniel noted that Executive Committee authorized the purchase of a primary reinsurance program for the Campus Workers' Compensation Risk Pool for the years FY 08/09, 09/10 and 10/11. The CSURMA actuary recommended funding of \$20MM and the reinsurance was purchased for \$18MM, which resulted in significant savings. After that time, the cost of reinsurance coverage significantly exceeded the CSURMA actuary's projection of the cost to retain the risk.

Staff has received interest from the CSAC Excess Insurance Authority (EIA) to offer a primary reinsurance program to both the Campus Workers' Compensation Risk Pool and the AORMA Workers' Compensation Program. If the AORMA Committee finds the conceptual proposal of interest, staff will work with EIA to prepare a formal proposal for the October 23, 2014 meeting.

In general, it is less costly to self-insure first dollar claims with high frequency. These savings are achieved by avoidance of the frictional costs of insurance transactions. In the case of workers' compensation claims, the frictional costs are reduced since claims are adjusted on statutory rules and regulations and the payments are processed with electronic feeds. As a result, large self-insureds can benefit from locking in their claims costs by purchasing primary layer reinsurance when a reinsurer can offer pricing that is close to or improves on the self-insured cost. Reinsurers may be able to offer better pricing options when their investment income outlook is strong since the claims will be paid over many years. Because workers' compensation claims costs have been rising, self-insureds have benefitted by locking in the cost of primary workers' compensation coverage.

EIA is a statewide JPA insurance pool that has a history of offering products that maximize benefits to members. EIA has received underwriting information from CSURMA and is expected to offer their opinion on what possibilities exist for the AORMA Workers' Compensation program to benefit from EIA's Primary Workers' Compensation Program.

The EIA reinsurance program would provide first dollar coverage through AmTrust and excess reinsurance through EIA. Excess of \$500,000, Safety National would continue to provide the excess workers' compensation coverage. Claims administration within the first \$500,000 would continue to be provided by Sedgwick; however, EIA, would likely have to sign off on all large claims. AORMA gets to maintain its self-insured status, but receives guaranteed rates.

#### **C16. Review of the Draft Liability Program Member Allocation Formula for FY 15/16**

Mimi explained that the Programs Committee continues to review the current and proposed liability program member allocation formula. Due to the complexity of the current liability program rating formula and the need for underwriter subjectivity in finalizing each member's

premium, the liability program rating has historically been completed by Phil Lendaris, Alliant's staff underwriter. Each member is rated separately based on the several different ISO rating factors. The supplemental reports from the actuary have not yet been received; therefore, the Programs Committee was unable to view the final allocation prior to this meeting.

The committee suggested that when the allocation is viewed by the Programs Committee and AORMA Committee that the member's name be removed. Also it was suggested that any increases over 25% include an explanation.

#### **C17. On-Line Safety Training through SkillSoft**

The committee discussed this item earlier in the meeting, so there was no additional discussion.

#### **C18. Discussion of AORMA's Continuity Plan**

Robert de Wit appointed Jun Reina to the Programs Committee and he appointed the nominations committee to poll the eligible AORMA Committee members to determine who will be nominated for the Vice-Chair position effective July 1, 2015.

#### **C19. CSURMA Website**

Melissa Diaz demonstrated the upgrades to the CSURMA website. She notes that the upgrades will not go live before October. The committee discussed the option of using a contract web designer to completely overhaul the website. There was discussion that staff may not be equipped to maintain a complex website.

#### **C20. Development of the Long Range Action Plan Items for FY 14/15**

The committee proposed the following items for FY 14/15 long range action plan:

1. AORMA Insurance Handbook – Is this Covered?
2. Real property acquisitions checklist
3. Keeping Minors Safe While on Campus Handbook
4. Workplace grievances hotline; assess how it differs from what the auxiliary organization and campus may already have available. This item will be sent to the AOA HR Committee for discussion
5. Creation of a program to offer earthquake coverage to condo owner's at member property developments where the HOA does not purchase earthquake coverage
6. Create a closed session policy and procedure applicable to all lines of coverage
7. Create a policy and procedure requiring a rate plan review every three years
8. Create an I-9 reporting AORMA bulletin; work with Michele Goetz from SDSURF. This item will be sent to the AOA HR Committee for discussion