



APPROVED

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

DECEMBER 8, 2016

**ALLIANT INSURANCE SERVICES
100 Pine Street, 11th Floor • San Francisco, CA**

8:00 AM

MEMBERS PRESENT

Guy Dalpe, Associated Students, Inc., San Francisco State University
 Gigi Kiama, University Corporation, CSU Monterey Bay
 Bill Olmsted, University Union Operation of CSUS, Inc. (*Arrived at 8:34 AM*)
 Jason Porth, The University Corporation, San Francisco State University
 Raven Tyson, Associated Students of San Diego State University

ABSENT MEMBERS

Jun Reina, Capital Public Radio, Inc., CSU Sacramento

STAFF, GUESTS AND CONSULTANTS

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

A. CALL TO ORDER

The meeting was called to order by Gigi Kiama at 8:04 AM.

A1. Approval of the Agenda Order

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

First: Guy Dalpe
Second: Jason Porth

NAME	AYE	ABSTAIN	NAY	ABSENT
Guy Dalpe	X			
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 29, 2016

A motion was made to approve the minutes of the September 29, 2016 meeting.

First: Guy Dalpe
Second: Jason Porth

NAME	AYE	ABSTAIN	NAY	ABSENT
Guy Dalpe		X		
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 provide several different reports. The actuary calculates the projected losses for FY 17/18 as well as the outstanding liabilities which are included in CSURMA’s financial statements. These reports have already been received and accepted by the AORMA Committee. The actuary also calculates each member’s experience modification factor (EMF) for use in the member allocation. Long explained that in order to achieve rate stability, the AORMA Committee approved changes to Policy and Procedure W-1 – Workers’ Compensation Program Member Allocation Formula which requires the EMF’s to be “normalized” to 1.00 and capped at +/- 15%. The actuary incorporated these changes into the EMF calculation as shown in the supplemental reports. Each member will receive their own EMF calculation so they can review how their EMF was estimated.

A motion was made to accept the Workers’ Compensation 2017/18 Experience Modification Factors supplemental report dated October 28, 2016.

First: Raven Tyson
Second: Jason Porth

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

Motion carried.

C3. Workers’ Compensation Program Member Allocation for FY 17 18

Mimi Long explained that at its September 8, 2016 meeting, the AORMA Committee approved the FY 17/18 Workers’ Compensation Program funding of \$4,481,160. The Programs Committee is now responsible for approving the FY 17/18 workers’ compensation rates as well as the allocation of the total program costs to the members. Costs are allocated to the members based on their estimated payroll for FY 17/18 and their experience modification factor as determined by the 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. Staff applied a normalization factor of .68 to each WCIRB rate in order to establish the proposed AORMA FY 17/18 rates. By applying .68 normalization factor to each of the WCIRB rates, staff was able to reduce all but one of the AORMA rates (compared to the FY 16/17 AORMA rates) while at the same time achieving the required funding for the program. The rate for 1005 went up 2%.

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

AORMA Class Code	1001	1002	1004	1005	1006	1007
FY 17 18 Rates	.29	.69	1.04	2.54	3.28	4.02

A motion was made to the approved the FY 17/18 rates shown above, as well as the FY 17/18 Workers’ Compensation Program Member Allocation allowing Staff to revise the allocation with updated member information as appropriate.

First: Raven Tyson
Second: Jason Porth

NAME	AYE	ABSTAIN	NAY	ABSENT
Guy Dalpe	X			
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 provide several different reports. The actuary calculates the projected losses for FY 17/18 as well as the outstanding liabilities which are included in CSURMA’s financial statements. These reports have already been received and accepted by the AORMA Committee. 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, the actuary reviews 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 are limited to between .75 and 2.00.

A motion was made to accept the Liability Program 17/18 Rates and Experience Modification Factors report dated October 28, 2016 and Employment Practices Liability Indicated Deductible Credits report dated October 28, 2016.

First: Guy Dalpe
Second: Jason Porth

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

Motion carried.

C5. Liability Program Member Allocation for FY 17 18

Mimi Long noted that the Liability Program Member Allocation formula was revised effective July 1, 2015 and when an allocation formula is change premium fluctuations are common. Because of this, Staff has added rate and premiums collars to the allocation formula in order to

minimize premium fluctuations. The Programs Committee is responsible for approving the final member allocation and the allocation factors for the FY 17/18 Liability Program Member Allocation. The AORMA Committee approved the total liability program costs for FY 17/18 of \$4,098,878 which is a 7% increase over the FY 16/17 allocated program costs. 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	17/18 Actuary's Recommended Rates	16/17 Collared Rates	17/18 Collared Rates	Difference Actuary vs 17/18 Collared Rates	Difference 16/17 vs 17/18 Collared Rates
Auto Liability	150	151	150	0%	-1%
Premises Liability	40	45	41	1%	-10%
Other Liability	176	439	395	55%	-10%
EPL	2,149	1,172	1,289	-67%	10%

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

Actuary's Recommended Projected Limited Loss Rates (Full Value, Gross of Deductibles)			
Exposure	FY 15/16	FY 16/17	FY 17/18
Auto Liability	150	159	150
Premises Liability	37	42	40
Other Liability	132	140	176
EPL	2,566	2,325	2,149

2. **Maximum premium for calculating the size credit.** The premium has remained at \$65,000 which allows about 10% of the members to receive the maximum size credit.
3. **Maximum size credit rate percentage.** The size credit has remained the same at 20%.
4. **Maximum collared rate percentage increase.** The maximum increase was reduced from 35% to 33% to provide premium stability.
5. **Maximum collared rate percentage decrease.** The maximum decrease was changed from a 5% decrease to a mandatory 7.6% increase for all members.

6. **Capped excess premium.** This remains at \$85,000. Two members received the capped excess premium.
7. **Minimum administrative costs.** This remains at \$600. 25 members received the minimum capped admin costs.
8. **Maximum administrative costs.** This remains at \$60,000. Two member received the maximum capped admin costs.
9. **Minimum premium.** This remains at \$2,000; however, due to the mandatory 7.6% increase for all members, the minimum premium increased to \$2,152.

Long noted that the allocation being presented results in total funding of \$4,097,502 which is a difference of -\$1,376 (which will be paid from the program’s fund balance.)

A motion was made to approve the FY 17/18 liability member allocation as presented and to allow Staff to revise the allocation with updated member information as appropriate.

First: Guy Dalpe
Second: Raven Tyson

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

Motion carried.

A second motion was made to approve the FY 17/18 Liability Program Allocation Factors.

First: Jason Porth
Second: Bill Olmstead

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

Motion carried.

C6. Property Program Member Allocation for FY 17 18

Mimi Long stated that the Programs Committee is responsible for approving the final member allocation and the allocation factors for the FY 17/18 Property Program. The AORMA Committee approved the total property program costs for FY 17/18 of \$2,281,660. This is a 4% (or \$90,542) decrease compared to FY 16/17. 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:** .1340 for real property and business interruption/rents and .1608 for business personal property. TABLE 1 below notes the program’s historical rates.

Coverage	FY 14/15	FY 15/16	FY 16/17	FY 17/18	% Diff
Real Property, Business Interruption and Rents	0.1730	0.1424	0.1402	0.1340	-4%
Business Personal Property	0.2076	0.1709	0.1682	0.1608	-4%

2. **Maximum premium for calculating the size credit:** \$600,000. *No change.*
3. **Maximum size credit rate percentage:** 30% *(One member received the entire 30% size credit – no change from the FY 16/17 calculation.)*
4. **Minimum premium:** \$600 *(No change from FY 16/17 calculation.)*
5. **Loss ratio surcharge schedule:** *(No change from FY 16/17 calculation.)*
 - a. Less than 20% - 0%
 - b. Between 20% and 40% - 5%
 - c. Between 40% and 60% - 10%
 - d. Between 60% and 80% - 15%
 - e. Between 60% and 80% - 20%
 - f. Excess of 100% - 25%

A motion was made to approve the FY 17/18 Property Program allocation factors and the member allocation as presented, and to allow Staff to revise the allocation with updated member information as appropriate.

First: Guy Dalpe
Second: Bill Olmstead

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

Motion carried.

C7. Crime Program Member Allocation for FY 17 18

Mimi Long state that the Programs Committee is responsible for approving the final member allocation and the allocation factors for FY 17/18 Crime Program. The AORMA Committee approved the total crime program costs for FY 17/18 of \$277,000. 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:** .00051. This rate was lowered from .000654 in FY 16/17.
2. **Maximum premium for calculating the size credit:** \$10,000; Staff looked at decreasing the maximum premium from \$10,000 to \$9,000 in order to give the maximum size credit to approximately 10% of the members. However, because of the 11% premium decreased, most members received a significant decrease, and an additional size credit wasn't necessary.
3. **Maximum size credit rate percentage:** 30% - No change.
4. **Minimum premium:** No change. The minimum premium table was amended effective July 1, 2016 and is shown on the next page as Table 1.

Expenditures Less Than	Current Minimum Premium	Prior Minimum Premium
1,000,000	250	250
1,250,000	500	
1,500,000	750	
2,000,000	1,000	
3,000,000	1,250	1,250
4,000,000	1,500	
5,000,000	1,750	
6,000,000	2,000	
7,000,000	2,250	2,250
8,000,000	2,383	
9,000,000	2,516	
10,000,000	2,649	
12,500,000	2,750	2,750
15,000,000	2,875	
17,500,000	3,000	
20,000,000	3,125	
20,000,001	3,250	3,250

5. **Loss ratio surcharge schedule:** No change.
 - a. Less than 50% - 0%

- b. Between 50% and 100% - 10%
 - c. Excess of 100% - 20%
6. **Loss ratio surcharge schedule:** No change for FY 15/16 allocation.
- a. Less than 50% - 0%
 - b. Between 50% and 100% - 10%
 - c. Excess of 100% - 20%

A motion was made to approve the FY 17/18 Crime Program Allocation Factors and the member allocation as presented and to allow Staff to revise the allocation with updated expenditure and/or payroll information as appropriate.

First: Raven Tyson
Second: Guy Dalpe

NAME	AYE	ABSTAIN	NAY	ABSENT
Guy Dalpe	X			
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 17 18

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 17/18 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 17/18 of \$1,924,554. This is a decrease of \$671,120 or 26% compared to FY 16/17.

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 17/18 UIP member allocation as presented and to allow Staff to revise the allocation with updated claims information as appropriate.

First: Guy Dalpe
Second: Jason Porth

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

Motion carried.

C9. 2017 Meeting Dates for the CSURMA AORMA Programs Committee

Mimi Long explained an AORMA Committee meeting has been scheduled for Thursday, December 7, 2017, which conflicts with the AORMA Programs Committee meeting scheduled for the same day. Staff is proposing the Programs Committee move its meeting to Thursday, November 30, 2017.

A motion was made to move the December 7, 2017 meeting to November 30, 2017.

First: Bill Olmstead
Second: Raven Tyson

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

Motion carried.

D. INFORMATION ITEMS

The Committee Members reviewed the information items.

- D1. 2017 CSURMA AORMA Meeting Calendar**
- D2. FY 16 17 AORMA Long Range Action Plan**
- D3. AORMA Committee and Standing Committee Roster**



APPROVED

**D4. AORMA Programs Committee – Ad Hoc Committee for UIP Claims
Administration RFP**

E. ADJOURNMENT

A motion was made to adjourn the meeting at 9:56 AM