



CSURMA EXECUTIVE COMMITTEE MEETING AGENDA
“This is an Open Public Meeting”

In accordance with the requirements of the Bagley-Keene Open Meeting Act, notice of this meeting must be posted in publicly accessible places, including the Internet, at least ten (10) days in advance of the meeting.

Meeting Date: March 21, 2013
 Time: 2:30pm
 Executive Lounge

Primary Location: Fairmont Newport Beach
 4500 MacArthur Blvd.
 Newport Beach, CA 92660

Reconvene: March 22, 2013
 8:00 am
 Executive Lounge

Legend: **A** = Action
I = Information
V = Verbal
S = Separate

A. CALL TO ORDER

- 1. **Approval of the Agenda** A p. 5

B. PUBLIC COMMENTS

C. CONSENT CALENDAR A

The Committee is asked to take action on the consent calendar items as a group, except that a member may request that an item be withdrawn from the Consent Calendar for discussion and action.

- 1. **Approval of Minutes – December 6 & 7, 2012** p. 6
The Committee will be asked to approve the minutes from their last meeting.

2. **Financial Report**

- a. **Receipt and Review of the Draft Financial Statements at 02/28/2013** p. 18
The Committee will be asked to review and accept the audited Financial Statement as February 28, 2013.

- b. **Treasurer’s Report – December 31, 2012** p. 19
The Committee review and accept the Treasurer’s Report at December 31, 2012.

- c. **Reconciliation of Property Funds and Adoption of Resolution No. 01-13 (EC)** p. 26
The Committee will be asked to approve the Property Funds Reconciliation and adopt the Resolution 01-13 (EC).

- d. **FY 2012/2013 Midterm Budget Amendments and Adoption of Resolution No. 02-13 (EC)** p. 32
The Committee will be asked to approve the amendments to FY 2012/2013 budget and adopt of Resolution 02-13 (EC).

3. **SAS 70 Policy & Procedure** p. 57
The Committee will be asked to adopt the Policy & Procedure regarding the collection of SAS 70 reports.
4. **Adoption of CSURMA Travel Policy & Procedure** p. 59
The Committee will be asked to adopt the CSURMA Travel Policy & Procedure.
5. **CSURMA Board of Directors Participation, Executive Committee Nominations, and Elections** p. 62
The Committee will be asked to recommend a policy and procedure to the CSURMA Board.
6. **Campus Risk Pool Claims Settlement Authority Policy & Procedure** p. 64
The Committee will be asked to review Campus Risk Pool Claims Settlement Policy & Procedure, taking action as necessary.
7. **Selection of Workers' Compensation Program TPA** p. 67
The Committee will receive a report from the Workers' Compensation TPA Task Group on the RFP process; taking action as necessary.

D. GENERAL ADMINISTRATION

1. **Service Provider Performance Evaluations** I p. 74
The Committee will be asked to review and discuss the Service Provider Performance Evaluations, taking action as necessary.
2. **CSURMA FY 2013/2014 Vendor Service Fee** A p. 76
The Committee will receive a report on the Vendor Service Fee proposals, taking action as necessary.
3. **Delegation of the Authority to Renew Insurance Program** A p. 77
The Committee will receive a report on the CSURMA insurance program renewal for the FY 2013/2014, taking action as necessary.
4. **Recommendation for Approval of the FY 2013/2014 Operating Budget** A p. 95
The Committee will review and recommend approval of the FY 2013/2014 budget to the Board of Directors, taking action as necessary.
5. **Appointment of Nominations Committee for Executive Committee Elections** A p. 120
The Committee will be asked to appoint a Nominating Committee for Executive Committee election, taking action as necessary.
6. **CAJPA Accreditation** A p. 122
The Committee will review CAJPA Accreditation opportunities, taking action as necessary.



California State University Risk Management Authority

7. **MOU between CSURMA and Chancellor's Office** A p. 123
The Committee will be asked to delegate authority to prepare and execute an MOU.
8. **Specified Subject Matters in Service Agreements** A p. 124
The Committee will be asked to adopt Resolution No. 03-13 (EC) describing the process for specified matters in service agreements.
9. **Claims Audit Requisitions** A p. 127
The Committee will hear a report on the selection of auditor(s), scope of services and expected costs.

E. AUXILIARY ORGANIZATIONS INSURANCE PROGRAMS

1. **AORMA Programs Update** I p. 204
The Committee will receive a verbal report on the AORMA programs.
2. **Report on the 2013 AOA Annual Conference** I p. 205
The Committee will receive a final report on the 2013 AOA Annual Conference.

- F. CLOSED SESSION Pursuant to Cal. Gov. Code Sec. 11126(e)(1) & 11126(f)(1) – Action may be taken per Government Code Section 11126(e)(1) & 11126(f)(1). Please refer to the claims listed below, that may be discussed. The Committee may take action or provide direction to Staff regarding the litigation discussed.** A

NONE

G. LONG RANGE PLANNING

1. **Investment Task Group** A p. 206
***** TIME CERTAIN - Friday, March 22, 2013 8:00 a.m. *****
The Committee will receive a report from the Investment Task Group taking action as necessary.
2. **Review of 2012/2013 Long Range Action Plan** A p. 239
The Committee will be asked to review and discuss the 2012/2013 Long Range Action Plan, taking action as necessary.
3. **Campus Pooled Program Funding Status** A p. 247
The Committee will receive a report on the campus pooled program funding status, taking action as necessary.
4. **On-Line Training & Learning Management Systems** I p. 254
The Committee will receive a report on On-Line Training & Learning Management Systems.



California State University Risk Management Authority

5. **Development of CSURMA Goals for next 1 to 3 years** **A** *p. 255*
The Committee will be asked to discuss the development of CSURMA Goals for the next 1-3 years, taking action as necessary.

H. INFORMATION ITEMS

1. **CSURMA 2013 Meeting Calendar** **I** *p. 256*
2. **CSURMA Executive Committee & Staff Contact List** **I** *p. 259*

I. ADJOURNMENT **A**

TELECONFERENCE LOCATIONS

CSU Chancellor's Office – 401 Golden Shore, Long Beach, CA

The next CSURMA Executive Committee meeting is scheduled for May 10, 2013 in Long Beach, please contact Myron Leavell at mleavell@alliant.com with questions.

APPROVAL OF AGENDA

ISSUE: The Executive Committee is asked to review and approve the proposed agenda before discussion of any business.

RECOMMENDATION: Staff recommends that the Committee approve the agenda as presented.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S): None.

APPROVAL OF MINUTES – DECEMBER 6 & 7, 2012

ISSUE: The Committee will be asked to review and approve the draft minutes from its December 6 & 7, 2012 meeting

RECOMMENDATION: It is recommended that the Committee approve the minutes from its December 6 & 7, 2012 meeting, including corrections as necessary.

FISCAL IMPACT: None.

BACKGROUND: The minutes reflect the actions taken by the Executive Committee at its last meeting.

PUBLICATION: None

ATTACHMENT(S):

- a. CSURMA EC Committee Meeting Minutes - December 6 & 7, 2012

**MINUTES OF THE CSURMA
EXECUTIVE COMMITTEE MEETING
DECEMBER 6 & 7, 2012
SAN FRANCISCO, CALIFORNIA**

MEMBERS PRESENT

George V. Ashkar, CSU Office of the Chancellor, Treasurer (Arrived 12.07.12 8:50 a.m.)
Kurt Borsting, Associated Students, CSU Fullerton
Dwayne Brummett, California Polytechnic State University
Lori Gentles, San Francisco State University (Arrived 12.07.12 8:30 a.m.)
Linda Hawk, CSU San Marcos
Cynthia Matson, CSU Fresno, Chair
Tom McCarron, CSU Northridge
Mary Ann Rodriguez, CSU Dominguez Hills Vice-Chair (Arrived 12.07.12 8:30 a.m.)
Michael Thorpe, CSU Chico

MEMBERS ABSENT

None

STAFF, GUESTS & CONSULTANTS

Kelly Cox, CSU Office of the Chancellor
Zachary Gifford, CSU Office of the Chancellor
Jacki Graf, Alliant Insurance Services
Daniel Howell, Alliant Insurance Services
William Hsu, CSU Office of General Counsel
Myron Leavell, Alliant Insurance Services
Robert Leong, Alliant Insurance Services
Charlene Minnick, CSU Office of the Chancellor

A. CALL TO ORDER

The meeting was called to order at 4:00 p.m. by Chair, Cynthia Matson.

It was requested that Items C.1 & C.5 be removed from the Consent Calendar for further discussion and that Items D.1, D.2, D.5 and D.6 be tabled to the Friday, December 7, 2012 session.

A motion was made to remove Items C.1 & C.5 from the Consent Calendar as further discussion was needed and to table D.1, D.2, D.5 and D.6 to the Friday, December 7, 2012 session.

MOTION: Tom McCarron **SECOND:** Michael Thorpe **MOTION CARRIED**

NAME	AYES	ABSTAIN	NAYS	ABSENT
George Ashkar				X
Kurt Borsting	X			
Lori Gentles				X
Linda Hawk	X			
Cynthia Matson	X			
Tom McCarron	X			
Mary Ann Rodriguez				X
Michael Thorpe	X			

B. PUBLIC COMMENTS

Tom McCarron announced his retirement in 2013.

C. CONSENT CALENDAR

C.2 Receipt and Review of the Draft Financial Statements at October 31, 2012

C.3 Approval of Student Travel Accident Policy Renewal

C.4 Pollution Liability Insurance Renewal

A motion was made to approve the consent calendar as discussed at today’s meeting.

MOTION: Michael Thorpe **SECOND:** Linda Hawk **MOTION CARRIED**

NAME	AYES	ABSTAIN	NAYS	ABSENT
George Ashkar				X
Kurt Borsting	X			
Lori Gentles				X
Linda Hawk	X			
Cynthia Matson	X			
Tom McCarron	X			
Mary Ann Rodriguez				X
Michael Thorpe	X			

C.1 ACCEPTANCE OF MINUTES – OCTOBER 26, 2012

The Executive Committee reviewed the minutes of the October 26, 2012 meeting.

A clarification was requested to the comments on Item D.3. Fiscal Year 2012/2013 Campus Risk Pool Program Funding reflecting that the Executive Committee delegated authority to the AIME Committee.

A motion was made to accept the meeting minutes of October 26, 2012 with the noted corrections.

MOTION: Tom McCarron **SECOND:** Linda Hawk **MOTION CARRIED**

NAME	AYES	ABSTAIN	NAYS	ABSENT
George Ashkar				X
Kurt Borsting	X			
Lori Gentles				X
Linda Hawk	X			
Cynthia Matson	X			
Tom McCarron	X			
Mary Ann Rodriguez				X
Michael Thorpe	X			

C.5 Aviation Liability Insurance Proposal

Charlene Minnick reviewed this item with the Committee. Due to the increased exposure in international travel, CSURMA received an indication from ACE to increase the coverage limits for non-owned aircraft liability from \$50MM to \$100MM. ACE currently provides Aviation Liability coverage for CSURMA members for \$50MM in limits at a cost of \$38,700.

A motion was made to delegate authority to the Secretary-Auditor to negotiate an increase from \$50MM to \$100MM in non-owned aircraft liability coverage limits at a cost not to exceed \$20,000 and if the final terms are deemed acceptable, to bind the insurance.

MOTION: Tom McCarron **SECOND:** Kurt Borsting **MOTION CARRIED**

NAME	AYES	ABSTAIN	NAYS	ABSENT
George Ashkar				X
Kurt Borsting	X			
Lori Gentles				X
Linda Hawk	X			
Cynthia Matson	X			
Tom McCarron	X			
Mary Ann Rodriguez				X
Michael Thorpe	X			

D. GENERAL ADMINISTRATION

D.1 Approval of Member Loan Agreement

Daniel Howell introduced the item to the Executive Committee. The Humboldt State University Advancement Foundation has a member loan outstanding in the amount of \$2,535,000 that matures in October 2013. They have requested that they be allowed to pay the loan down to a \$2 million balance and to extend the loan to October 31, 2017 at substantially the same terms as the existing loan. The proposed changes are consistent with CSURMA’s member loan policy and procedure No. 10.

There was significant discussion on the issue of member loans, their structure and terms of repayment. This item has been tabled for further discussion until March 2013.

No action was taken at this time.

D.2. Campus Risk Pool Dividends and Assessments

Daniel Howell reviewed the item with the Executive Committee. The Executive Committee evaluated the funding position of the Campus Risk Pools and determines whether dividends are available or assessments are necessary. Based on staff’s analysis of the Target Reserve Funding and Funding Status reports, it appears there are funds for a Workers’ Compensation Program dividend and that the IDL/NDI/UI program requires an assessment to cover a funding shortfall. CSURMA adopted a funding policy that calls for each program to fund its liabilities. CSURMA allows interfund borrowing if a fund has a deficit position. The IDL/NDI/UI fund is in a deficit position due an increase in costs that have outpaced rate increases.

A motion was made to declare a Workers’ Compensation Program dividend and IDL/NDL/UI Assessment, resulting in a net dividend of \$4,788,202 toe paid to the membership; calculated per the formula outlined in Policy & Procedure 14-JPA, Campus Risk Pool Dividends & Assessments.

MOTION: Tom McCarron **SECOND:** Mary Ann Rodriguez **MOTION CARRIED**

NAME	AYES	ABSTAIN	NAYS	ABSENT
George Ashkar				X
Kurt Borsting	X			
Lori Gentles	X			
Linda Hawk	X			
Cynthia Matson	X			
Tom McCarron	X			
Mary Ann Rodriguez	X			
Michael Thorpe	X			

D.3. Underwriter Meetings Report

Charlene Minnick reviewed the item with the Executive Committee. The Assistant Vice Chancellor for Risk Management & Public Safety and the Program Director accompanied Chancellor Reed on his last round of renewal discussions with the London underwriters. The meetings generally went well with successful outcomes as regards the Property, SPLIP and SAFECLIP programs.

Charlene commented on the hardening of rates has begun. Renewal rates and other details will be finalized at the March 2013 meetings with the London underwriters.

D.4. Campus Risk Pool, AIME and AORMA Programs Claims Audits

Daniel Howell reviewed the item with the Executive Committee. CSU’s Trustee’s Audit identified that CSURMA has not recently secured a claims audit of the CSURMA Campus Risk Pool liability claims administration. Additionally, the Program Director recommends that a claims audit be performed for the AORMA Liability Program and the AIME Programs. The purpose of the claims audit is to evaluate quality of the work, as well as identify weaknesses in the process.

CSURMA engages third party administrators to handle claims covered under the self insured retentions of the various programs. The Campus Liability Risk Pool claims are administered by the CSU Office of Systemwide Risk Management in conjunction with the Office of General Counsel, while AORMA liability claims are administered by Carl Warren & Company; with AIME claims administered by A-G Administrators. As each program has different administrative protocols, it is expected that more than one independent auditor will be engaged.

It was recommended that the Executive Committee form a task group to develop the scope of work, and select the auditor(s). The Task Group consists of Mary Ann Rodriguez, Executive Committee; Michael Thorpe, AIME EC Liaison; Kurt Borsting and Dwayne Brummett, AORMA Committee representatives.

It is expected that all claims audit processes can be completed for a cost not to exceed \$20,000. It was also recommended that the Executive Committee delegate authority to the Secretary-Auditor to enter auditing engagement agreements with the selected auditors.

A motion was made to form a Claims Audit Task Group and to delegate authority to the Secretary-Auditor to enter auditing engagement agreements with the selected auditors at a total cost not to exceed \$20,000.

MOTION: Kurt Borsting **SECOND:** Linda Hawk **MOTION CARRIED**

NAME	AYES	ABSTAIN	NAYS	ABSENT
George Ashkar				X
Kurt Borsting	X			

Lori Gentles				X
Linda Hawk	X			
Cynthia Matson	X			
Tom McCarron	X			
Mary Ann Rodriguez				X
Michael Thorpe	X			

D.5. Service Provider Performance Survey

Zachary Gifford reviewed the item with the Executive Committee. An online Service Provider Performance Questionnaire was developed for distribution and collection of data concerning the management of CSURMA and the quality of those services provided.

The survey is sent to anyone that interacts with Risk Management and Systemwide Risk Management. This year, the questionnaire was revised to only require responses for those vendors that a particular campus accesses.

This process is completed annually, with a report to the Executive Committee in March, which will present 3-4 years of service history as well.

D.6. CSURMA's Investment Policy & Strategy

Daniel Howell reviewed this item with the Executive Committee. At its' September 14, 2012 meeting, The California State University Risk Management (CSURMA) adopted the Investment Policy of the California State University (CSU) as the Investment Policy of the CSURMA. California Government Code Section 56343(a)(2) requires the Treasurer of CSURMA to annually render an Investment Policy to the Executive Committee for review. At that time, it was requested that there be further discussion on the topic.

There was discussion on whether to continue with the current passive strategy or move to a more aggressive investment strategy. Mary Ann Rodriguez suggested that we solicit proposals for other strategies. Tom McCarron reminded the Executive Committee that they have a fiduciary responsibility as to the end result of the investment efforts.

Daniel Howell suggested that a Task Force be formed to analyze the issue and form a working Investment Task Group to research the options available and to report back to the Executive Committee in March 2013.

The Task Force would initially consist of George Ashkar, Treasurer, Mary Ann Rodriguez, Linda Hawk and Tom McCarron.

Willie Hsu, Office of General Counsel, reminded everyone that by adopting the CSU Investment Policy as that of the CSURMA provided legal cover and that there would be

greater responsibility on the Executive Committee if they opted to break away from the CSU Investment Policy.

A motion was made to form a Task Group to review the current Investment Policy as adopted and the strategies currently used for efficacy.

MOTION: Mary Ann Rodriguez **SECOND:** Michael Thorpe **MOTION CARRIED**

NAME	AYES	ABSTAIN	NAYS	ABSENT
George Ashkar	X			
Kurt Borsting	X			
Lori Gentles	X			
Linda Hawk	X			
Cynthia Matson	X			
Tom McCarron	X			
Mary Ann Rodriguez	X			
Michael Thorpe	X			

D.7. CSU’s Trustees Audit Update

Daniel Howell reviewed this item with the Executive Committee. The CSU Trustee’s Auditor has completed the major fieldwork and raised certain items that are addressed in this item. The items and their initial responses are as below:

1. **Reporting relationship of CSURMA to CSU EVC/CFO** - The Trustee’s Audit draft finds that there is a lack of formal reporting line/communication line from CSURMA to the EVC/CFO. Staff comments that the EVC/CFO receives copies of CSURMA EC and BOD agendas and is represented by the Treasurer and Secretary-Auditor who are both direct reports. The EVC/CFO also holds the right to control a supermajority of votes on the governing body of CSURMA.
2. **Board or EC have not directed staff regarding pursuit of CAJPA accreditation.** - Staff believes that the EC did formally direct staff not to pursue re-accreditation ten years ago when CAJPA indicated it would withhold accreditation solely because CAJPA disagreed with CSU’s plan to achieve full funding. CSURMA has engaged James P. Marta and Associates, one of CAJPA’s lead accreditation consultants to perform a shadow accreditation which has been received by the EC and Board and acted upon.
3. **Succession Planning** - The Trustees’ Auditor has raised for discussion the issue of succession planning. Staff believes this topic is directly addressed in the CSURMA EC and AORMA LRP discussions.
4. **CSU WERCS committee formal reporting relationship to CSURMA** - The Trustees’ Auditor has questioned whether the CSU WERCS committee should have a formal reporting relationship to CSURMA. Staff believes there is a substantial connection between CSU WERCS committee and CSURMA via the participation of CSU SORM, EC and BOD members in various CSURMA capacities.

- 5. **Standard contracting provisions** - The Trustees’ Auditor finds that CSURMA does not have standard contract language. Staff agrees that a standard addendum should be prepared by CSURMA General Counsel and included as an amendment to existing vendor service agreements and in future vendor RFP processes.
- 6. **Requirement for SAS 70 reports on vendor internal controls and CSURMA review process** - CSURMA receives SAS 70 from some vendors, but not all. Staff agrees that an operating guideline should developed to describe which vendors will be required to submit SAS 70 reports, how they should be reviewed by staff and appropriate follow up procedures.
- 7. **Claims Settlement Authority processes** - CSURMA has established operating protocols for claims settlement authorities and processes. The Trustees’ Auditor is recommending that the processes and authorities be more formally developed and memorialized.

Willie Hsu, Office of General Counsel, suggests that we wait until more input received from the auditors, in the form of an Exit Interview. Additionally, Willie Hsu, will be responding to any legal questions that may be posed on CSURMA’s behalf.

No action was taken at this time.

D.8. Adoption of Resolution No. 03-12-EC Amending CSURMA Conflict of Interest Code

Daniel Howell reviewed this item with the Executive Committee. CSU’s Trustee’s Audit identified that CSURMA’s Conflict of Interest Code was out of date in that it referenced committees that no longer operate under CSURMA’s revised Joint Exercise of Powers Agreement and Bylaws. The Program Director has drafted a revision to the CSURMA Conflict of Interest Code which updates the document to reflect CSURMA’s current operating structure.

A motion was made to adopt Resolution 03-12 to effect the changes to CSURMA’s Conflict of Interest Code and directing staff to file the revised Conflict of Interest Code with the Fair Political Practices Commission.

MOTION: Dwayne Brummett **SECOND:** Michael Thorpe **MOTION CARRIED**

NAME	AYES	ABSTAIN	NAYS	ABSENT
George Ashkar				X
Kurt Borsting	X			
Lori Gentles				X
Linda Hawk	X			
Cynthia Matson	X			
Tom McCarron	X			
Mary Ann Rodriguez				X
Michael Thorpe	X			

D.9. Draft Policy & Procedure No. 17 – Appointment of Members of the Board of Directors & Nomination and Election of Officers and Executive Committee

Daniel Howell reviewed this item with the Executive Committee. The CSURMA Joint Exercise of Powers Agreement and Bylaws sets out the process for appointment of members of the Board of Directors and alternate members of the Board of the Directors, as well as nomination and election of the CSURMA Officers and Executive Committee. This draft policy and procedure was developed to simplify the process and to insure compliance with the governing documents.

A motion was made to adopt the draft Policy & Procedure No. 17 – Appointment of Members of the Board of Directors & Nomination and Election of Officers and Executive Committee.

MOTION: Tom McCarron **SECOND:** Linda Hawk **MOTION CARRIED**

NAME	AYES	ABSTAIN	NAYS	ABSENT
George Ashkar				X
Kurt Borsting	X			
Lori Gentles				X
Linda Hawk	X			
Cynthia Matson	X			
Tom McCarron				X
Mary Ann Rodriguez	X			
Michael Thorpe	X			

BREAK

The meeting was adjourned on Thursday, December 6, 2012 at 5:26 p.m for dinner.

The meeting was reconvened on Friday, December 7, 2012 at 8:36 a.m. by Chair, Cynthia Matson.

D.10. Review of FY 2102/2013 CSURMA Long Range Planning Goals

Daniel Howell reviewed the Long Range Action Plan Timeline with the Executive Committee. Most items are underway with several completed.

D.11. 2013 Long Range Planning Meeting Date, Location, and Agenda

Chair Cindy Matson reviewed this item with the Executive Committee. It was suggested that we change from an office setting to a more retreat-oriented setting for the Long Range Planning Session in March 2013.

The Program Administrators were informally directed to scout locations in San Diego, La Jolla and Palm Springs. Additionally, Myron Leavell, suggested Newport Beach as possible location due to its proximity to the Orange County Airport and its adjacent hotel facilities.

There was discussion on the volume of items to be discussed necessitating an early afternoon start on Thursday in order make it through all of the material by the desired ending time of 1 PM on Friday.

The Program Administrators were directed to scout out good venues for the Long Range Planning Session with the parameters above and report back.

No action was taken at this time.

D.12. CSURMA Website Revamp

Daniel Howell introduced this item to the Executive Committee. Myron Leavell briefly described the new website and that it will be much easier to navigate.

A demo of the new website will be available at the Long Range Planning Session in March 2013.

E. CLOSED SESSION

There were no items for closed session discussion.

F. AUXILIARY ORGANIZATIONS COVERAGE PROGRAM

F.1. AORMA Programs Update

Kurt Borsting provided the following AORMA status report:

- EPL Deductible Policy & Procedure Criteria Development
- Guidelines for extending Auxiliary Liability coverage to Affinity Groups
- Discussion on Development of Earthquake program
- Focus on auxiliaries with opportunities for improvement and help with incentive funds

F.2. 2013 AOA Annual Conference Update

The AOA Conference is slated for January 16-19, 2013 in Pasadena, CA.

Kurt Borsting offered the following AOA Conference status report:

- AOA Conference sponsorship of \$18,000 from CSURMA
- Discussed ways to increase AOA Breakfast attendance
- Discussion on development of five (5) breakout sessions at the AOA Conference to help auxiliaries perform better, with these topics under discussion:

Overview of AORMA – recent changes and updates
Presentation of Employment Practices Liability claims
Overview of AORMA claims and how they can be prevented
Insurance Requirements in Contracts / Release of Liability Waiver /
Facility Use Agreement
Club Sports Program
Lessons Learned from Penn State – What does this all mean for your
Auxiliary Organization?

G. INFORMATION ITEMS

G1. 2013 PARMA Conference Announcement

Charlene Minnick reminded the Executive Committee that they can attend one (1) Professional Development conference per year at a cost not exceed \$2,500, inclusive of registration, hotel and airfare.

These include PARMA, URMIA, RIMS, WCUBO and NCUBO.

G2. Alliant's New Partner Announcement

Daniel Howell reviewed the item with the Executive Committee. Kohlberg Kravis Roberts (KKR) is replacing Blackstone as Alliant Insurance Services venture capital partner. KKR is the oldest and one of the largest private equity firms in the United States.

There will not be a change in management as result of this change.

G.3. CSURMA Executive Committee and Staff Telephone, Postal Address and E-mail List

The Committee was asked to review the attached list and report any changes to Staff.

H. ADJOURNMENT

The meeting adjourned at 11:53 a.m.

A motion was made to adjourn the meeting.

**RECEIPT AND REVIEW OF THE DRAFT FINANCIAL STATEMENTS
AT FEBRUARY 28, 2013**

ISSUE: The Chancellor's Office Financial Services Accounting prepares the Financial Statements for CSURMA. The Financial Statements at February 28, 2013 are provided as an attachment to this item. The Executive Committee is asked to review the Financial Statements as part of the Consent Calendar. A representative from the Chancellor's Office Finance Services Accounting will be on hand to answer questions.

RECOMMENDATION: It is recommended that the Executive Committee review and accept the Draft CSURMA Financial Statements at February 28, 2013 as part of the Consent Calendar.

FISCAL IMPACT: None.

BACKGROUND: The Financial Statements will be relied upon for CSURMA decision making.

PUBLICATION: None.

ATTACHMENT(S):

- a. Draft CSURMA Financial Statements at February 28, 2013 - Handout.

TREASURER'S REPORT – DECEMBER 31, 2012

ISSUE: California Government Code Section 53646(b)(1) requires that the CSURMA Treasurer submit a Quarterly Investment Report stating that all investments are in compliance with the current investment policy and that CSURMA has sufficient funds to meet its expenditure requirements for the next six months. The CSURMA Treasurer will be on hand to address questions.

RECOMMENDATION: It is recommended that the Executive Committee review the Treasurer's Report ending December 31, 2012 as part of the Consent Calendar.

FISCAL IMPACT: None.

BACKGROUND: The objective of ensuring that CSURMA has sufficient funds is to assure that policies and procedures are in effect and followed to protect and preserve the JPA's financial assets.

PUBLICATION: None.

ATTACHMENT(S):

- a. Certification of Funds Letter dated February 13, 2013
- b. CSURMA Investment Report



California State University Risk Management Authority

Officers

Cynthia Teniente-Matson
Chair

Mary Ann Rodriguez
Vice Chair

George V. Ashkar
Treasurer

Charlene M. Minnick
Secretary

To: Executive Committee
CSU Risk Management Authority

From: George V. Ashkar
Treasurer of CSU Risk Management Authority

Re: Quarterly Investment Report
Ending December 31, 2012

Date: February 13, 2013

Government Code Section 53646(b)(1) requires the Authority's Treasurer to submit to the legislative body (Executive Committee), a quarterly investment report. Attached is the quarterly investment report ending December 31, 2012. The report contains a portfolio summary which includes market value, return, yield, weighted average to maturity (WAM), and duration for each of CSURMA investment Portfolios; Fixed Income Portfolio with Morgan Stanley-Smith Barney, and CSU's Consolidated Investment Pool.

It is the belief of the Treasurer that the funds held in investments are sufficient to meet the Authority's cash flow needs for the following six (6) months, and the investments are in accordance with the investment policy of the Authority, as duly authorized by the Executive Committee.

George V. Ashkar, Treasurer

CSURMA Quarterly Investment Report

October 1, 2012 – December 31, 2012

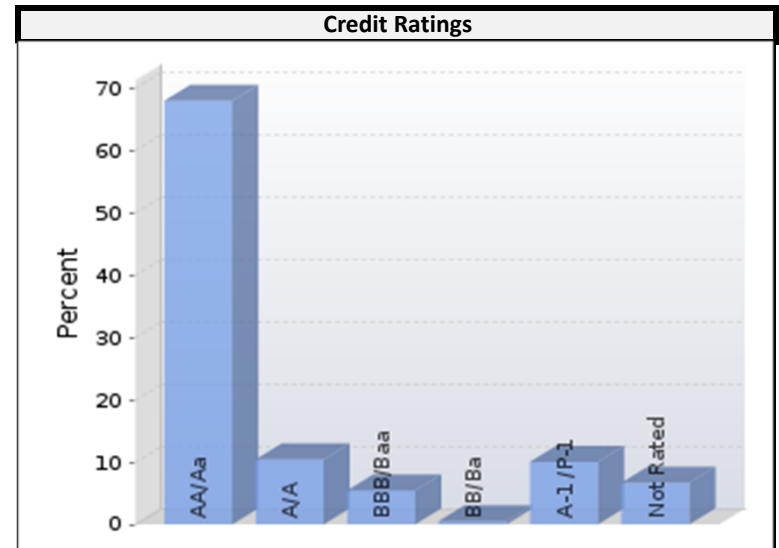
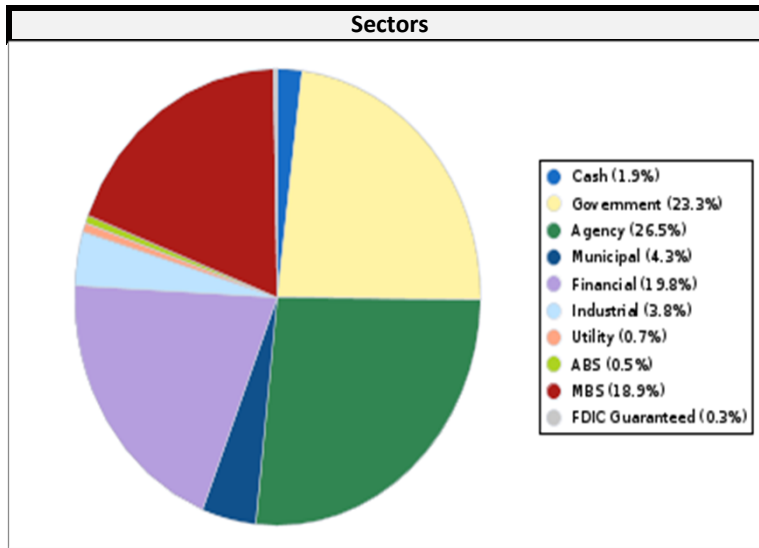
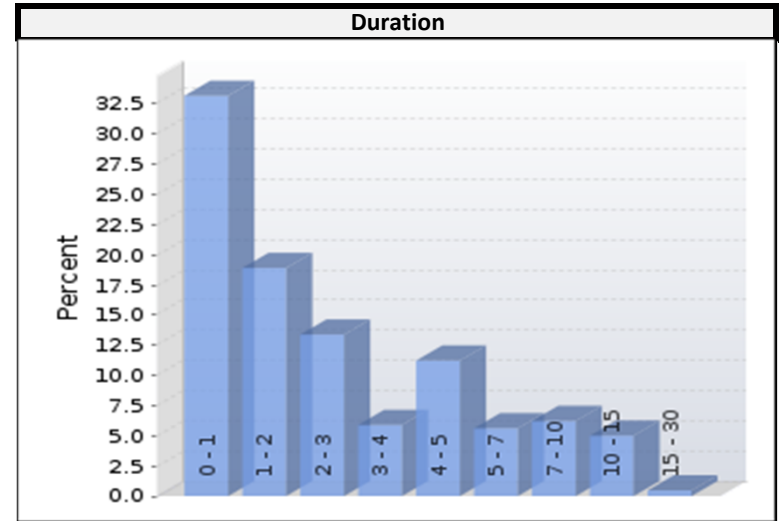
Prepared by the Office of Financing and Treasury

California State University Risk Management Authority

Fixed Income Portfolio (Auxiliary Investment Platform)

As of 12/31/2012

Portfolio Summary Total	
Total Assets	127,719,279
Duration	2.911
Yield	0.870%
Avg Credit Rating	AA-/Aa3
QE Performance	0.449%



California State University Risk Management Authority

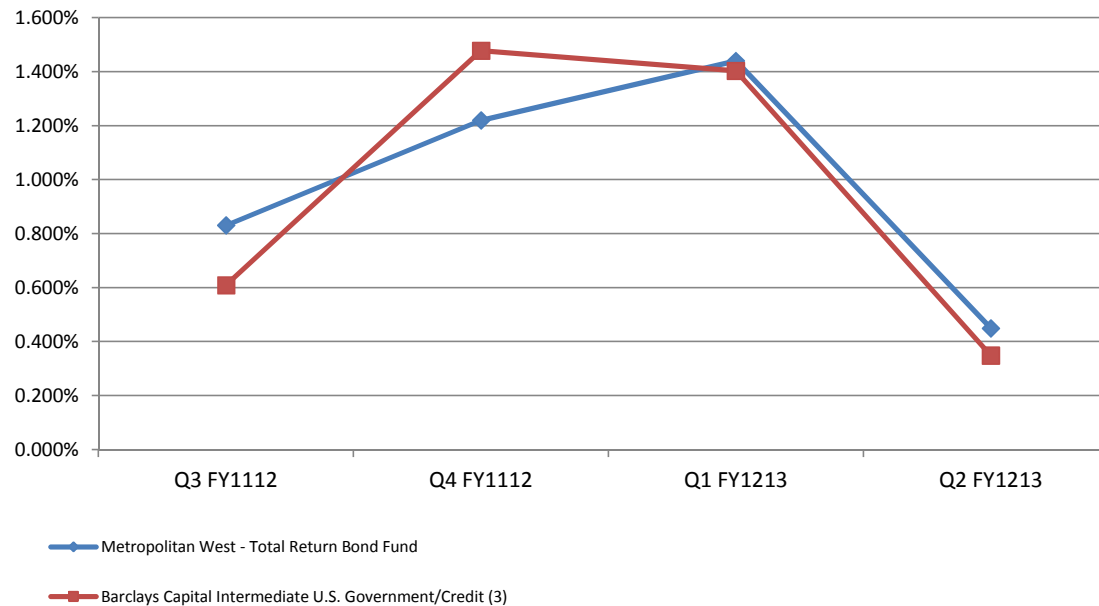
Fixed Income Portfolio (Auxiliary Investment Platform)

Performance Summary

Period Ended 12/31/12

Account / Index	Market Value	3 Month Return ⁽¹⁾	12 Month Return ⁽¹⁾	Yield	WAM ⁽²⁾	Duration
	12/31/2012	10/01/2012 - 12/31/2012	01/01/2012 - 12/31/2012			
Metropolitan West - Total Return Bond Fund	127,719,279	0.449%	3.957%	0.870	7.593	2.911
Barclays Capital Intermediate U.S. Government/Credit ⁽³⁾		0.348%	3.892%	1.042	4.267	3.890

Account / Index	Q3 FY1112	Q4 FY1112	Q1 FY1213	Q2 FY1213	12 Month Return ⁽¹⁾
	01/01/2012 - 03/31/2012	04/01/2012 - 06/30/2012	07/01/2012 - 09/30/2012	10/01/2012 - 12/31/2012	01/01/2012 - 12/31/2012
Metropolitan West - Total Return Bond Fund	0.831%	1.220%	1.441%	0.449%	3.957%
Barclays Capital Intermediate U.S. Government/Credit ⁽³⁾	0.610%	1.479%	1.404%	0.348%	3.892%



(1) Represents Total Return on the portfolio (Income Return plus Price Return)

(2) Weighted Average Maturity

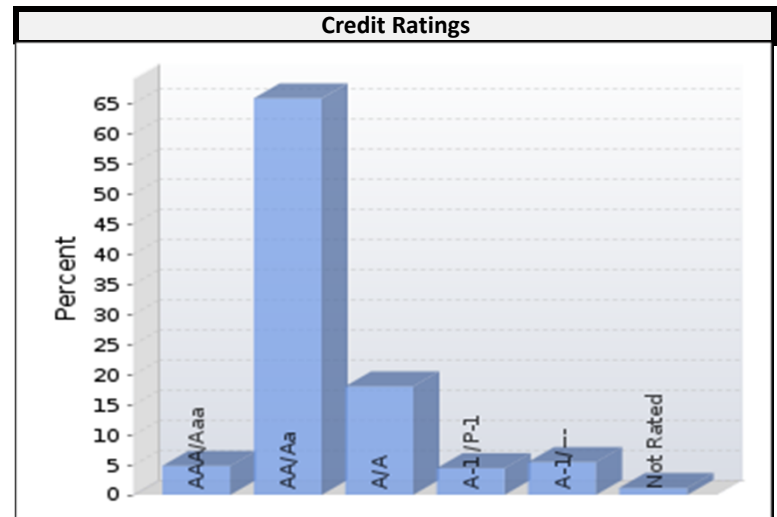
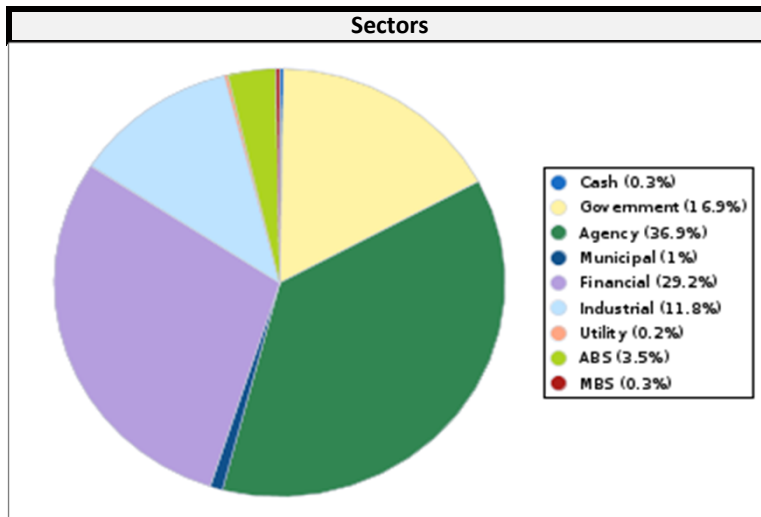
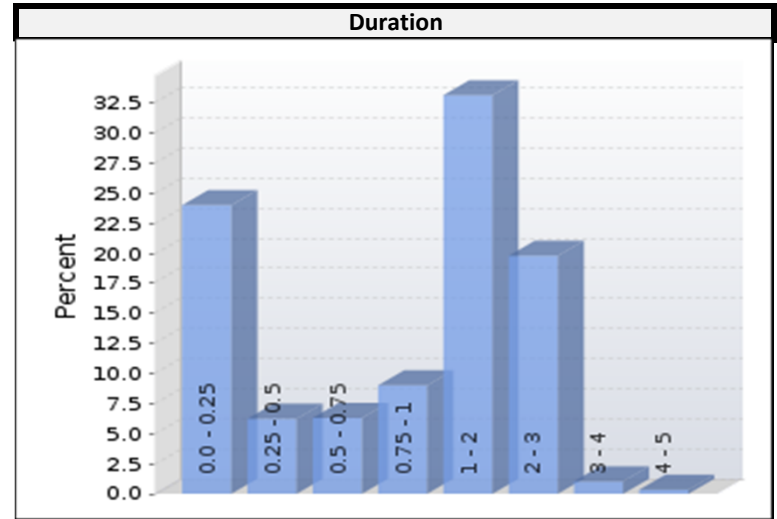
(3) Portfolio Benchmark

California State University Risk Management Authority

SWIFT Portfolio

As of 12/31/2012

Portfolio Summary Total	
Total Assets	44,812,687
Duration	1.184
Yield	0.367%
Avg Credit Rating	AA-/Aa3
QE Performance	0.113%



California State University Risk Management Authority

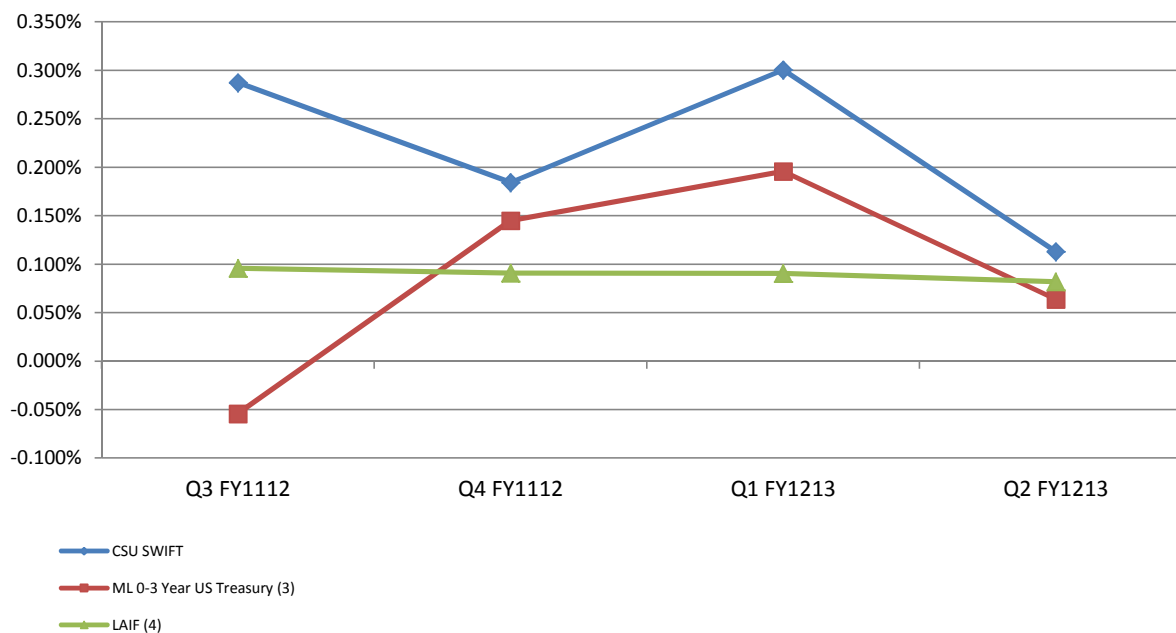
SWIFT Portfolio

Performance Summary

Period Ended 12/31/12

Account / Index	Market Value	3 Month Return ⁽¹⁾	12 Month Return ⁽¹⁾	Yield	WAM ⁽²⁾	Duration
	12/31/2012	10/01/2012 - 12/31/2012	01/01/2012 - 12/31/2012			
CSU SWIFT	44,812,687	0.113%	0.888%	0.367	1.582	1.184
ML 0-3 Year US Treasury ⁽³⁾		0.064%	0.351%	0.224	1.415	1.437
LAIF ⁽⁴⁾		0.082%	0.360%	0.330		

Account / Index	Q3 FY1112	Q4 FY1112	Q1 FY1213	Q2 FY1213	12 Month Return ⁽¹⁾
	01/01/2012 - 03/31/2012	04/01/2012 - 06/30/2012	07/01/2012 - 09/30/2012	10/01/2012 - 12/31/2012	01/01/2012 - 12/31/2012
CSU SWIFT	0.287%	0.184%	0.300%	0.113%	0.888%
ML 0-3 Year US Treasury ⁽³⁾	-0.054%	0.145%	0.196%	0.064%	0.351%
LAIF ⁽⁴⁾	0.096%	0.091%	0.091%	0.082%	0.360%



(1) Represents Total Return on the portfolio (Income Return plus Price Return)

(2) Weighted Average Maturity

(3) Portfolio Benchmark

(4) LAIF quarterly return calculated by CSUCO Financing & Treasury

**RECONCILIATION OF PROPERTY FUNDS AND ADOPTION OF
RESOLUTION NO. 01-13 (EC)**

ISSUE: Upon review of the draft financial statements dated December 31, 2012, staff determined that the fund balances for Campus Property and AORMA Property need correction for the following reasons:

In accordance with CSURMA Policy & Procedure No. 9:

1. Property Coverage for all state-owned buildings is the responsibility of the University including state-owned buildings leased to an Auxiliary Organization, unless there exists a written agreement that the Auxiliary Organization is required to purchase and maintain Property Coverage for the leased building;
2. CSURMA may invoice either the University or an Auxiliary Organization for state-owned buildings leased to an Auxiliary Organization as advised upon agreement of the University and the Auxiliary Organization;
3. Property Coverage cost attributable to state-owned facilities that are leased to an Auxiliary Organization have been paid by the University, however,
4. Property Fund contributions for state-owned buildings leased to an Auxiliary Organization have been improperly recorded to AORMA Property Fund rather than to Campus Property Fund.

As a result, Campus Property Fund is understated by \$1,774,885 whereas AORMA Property Fund is overstated by \$1,774,885 requiring a reconciliation of fund balances to correct fund balances and restore Property Fund assets at December 31, 2012.

Further, Program Administrator has instructed and trained its staff on proper method when issuing invoices for state-owned buildings leased to an Auxiliary Organization so that CSURMA Accounting may correctly record the transactions.

RECOMMENDATION: It is recommended the Executive Committee adopt Resolution No. 01-13 (EC).

FISCAL IMPACT: The Balance Sheet at December 31, 2012, shows AORMA Property Fund has a fund balance of \$2,024,479. The proposed resolution transfers \$1,774,885 from AORMA Property Fund to Campus Property Fund resulting in \$249,594 remaining in the AORMA Property Fund for claim payments. The Campus Property Fund would increase by \$1,774,885 becoming \$7,560,040. There is no effect on planned revenues or expenditures as this resolution is an accounting reconciliation for the respective funds.

BACKGROUND: AORMA funds its \$250,000 Aggregate Self-Insured Retention (SIR) by member contributions (\$240,000) and expected investment income (\$10,000). Property losses have completely depleted the Aggregate SIR every year except the current year. Claims paid within the current year are \$406, leaving a balance of \$249,594 in the AORMA Property Fund. Therefore, the Balance Sheet at December 31, 2012 showing AORMA Property Fund Balance in the amount of \$2,024,479 should be corrected to \$249,594 by transferring \$1,774,885 to the Campus Property Fund. The resultant action would decrease the AORMA Property Fund at December 31, 2012 from \$2,024,479 to \$249,594 and increase the Campus Property Fund at December 31, 2012 from \$5,785,155 to \$7,560,040.

AORMA Property Fund					
Fiscal Year	SIR Funding	Estimate of Investment Income Earned on SIR Funding	Total SIR Funding	Claims Paid w/in the Aggregate	Remaining Funds w/in SIR to Pay Claims
FY 07/08	\$240,000	\$10,000	\$250,000	\$250,000	\$0
FY 08/09	240,000	10,000	250,000	250,000	0
FY 09/10	240,000	10,000	250,000	250,000	0
FY 10/11	240,000	10,000	250,000	250,000	0
FY 11/12	240,000	10,000	250,000	250,000	0
FY 12/13	240,000	10,000	250,000	\$406	249,594
Total	\$1,440,000	\$60,000	\$1,500,000	\$1,250,406	\$249,594

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S):

- a. Policy & Procedure No. 9
- b. Draft Resolution No. 01-13 (EC)



CSURMA**POLICY AND PROCEDURE NO. 9**

ADOPTED: March 26, 2009

EFFECTIVE: April 17, 2006 and revised March 26, 2009

SUBJECT: PROPERTY COVERAGE OF STATE-OWNED BUILDINGS LEASED TO AN AUXILIARY ORGANIZATION AND OTHER SPECIFIED STATE-OWNED BUILDINGS

SUPERSEDES: 9-JPA

POLICY:

As a clarification of the insurable interest under the CSURMA property insurance programs, CSURMA has determined that Property Coverage for state-owned buildings is the responsibility of the University including state-owned buildings leased to an Auxiliary Organization, unless there exists a written agreement that the Auxiliary Organization is required to purchase and maintain Property Coverage for the leased building. This Policy and Procedure describes the responsibility and procedure for insuring these buildings and other specified state-owned buildings needing special deductibles in accordance with the CSU policy. This policy and procedure is not intended to impact any cost allocation practices among the campuses and auxiliary organizations that may exist or be developed in the future.

PROCEDURE:

As a result of negotiations with insurance companies and accepted by the CSU Office of the Chancellor, the CSURMA Property Coverage program will cover state-owned buildings (real property) that are leased to a CSU Auxiliary Organization as follows:

Effective: December 1, 2005

1. All buildings (real property) owned by the University (State) that are leased to a CSU Auxiliary Organization will be covered by the Campus Property Program, unless there exists a written agreement that the Auxiliary Organization is required to purchase and maintain Property Coverage for the leased building.
2. The University and Auxiliary Organization may agree to apportion that part of the University's Property Coverage premium covering buildings leased to an Auxiliary Organization. Said premium may be payable by the Auxiliary Organization to the University, or if advised by the Campus and Auxiliary Organization, CSURMA will separately invoice the premium to be paid by the Auxiliary Organization.



3. If the lease agreement does not specify responsibility for deductibles and uninsured losses, the Campus and Auxiliary Organization shall determine responsibility for deductibles and uninsured losses.
4. All buildings which are funded by Public Works Bonds (PWB) or State Revenue Bonds (SRB) have as a maximum deductible the amount required in the applicable bond covenants.
5. If an Auxiliary Organization desires a lower deductible, then that lower deductible can be purchased as approved by the underwriters and invoicing of the additional cost shall be directed by the Campus and Auxiliary Organization
6. If it is necessary for other University owned buildings to maintain a deductible other than the standard deductible offered maintained by a Campus Member, then that specified building may be insured at a lower deductible as approved by the underwriters and the additional cost shall be invoiced as agreed.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

**EXECUTIVE COMMITTEE
Resolution No. 01-13 (EC)**

Resolution Approving CSURMA Property Fund Reconciliation for FY 2012-13

The Executive Committee of the California State University Risk Management Authority finds and determines as follows:

In accordance with CSURMA Policy & Procedure No. 9:

1. Property Coverage for all state-owned buildings is the responsibility of the University including state-owned buildings leased to an Auxiliary Organization, unless there exists a written agreement that the Auxiliary Organization is required to purchase and maintain Property Coverage for the leased building;
2. CSURMA may invoice either the University or an Auxiliary Organization for state-owned buildings leased to an Auxiliary Organization as advised upon agreement of the University and the Auxiliary Organization;
3. Property Coverage cost attributable to state-owned facilities that are leased to an Auxiliary Organization have been paid by the University, however,
4. Property Fund contributions for state-owned buildings leased to an Auxiliary Organization have been improperly recorded to AORMA Property Fund rather than to Campus Property Fund;
5. Campus Property Fund and AORMA Property Fund require a reconciliation of fund balances to correct fund balances and restore Property Fund assets at December 31, 2012.
6. Program Administrator has instructed and trained staff on proper method when issuing invoices for state-owned buildings leased to an Auxiliary Organization so that Accounting may correctly record the transactions.

In consideration of the foregoing findings and determinations,

IT IS RESOLVED by the Executive Committee of the California State University Risk Management Authority as follows:

AORMA Property Fund Balance and Campus Property Fund Balance at December 31, 2012 shall be amended as follows:

1. Decrease AORMA Property Fund Balance by \$1,774,885; thereby AORMA Property Fund Balance at December 31, 2012 is corrected from \$2,024,479 to become \$249,594.
2. Increase Campus Property Fund Balance by \$1,774,885; thereby Campus Property Fund Balance at December 31, 2012 is corrected from \$5,785,155 to become \$7,560,040.

The transfer of funds from AORMA Property to Campus Property reconciles the fund balances to reflect Campus Property payments for AORMA Property expenditures. There is no effect on planned revenues or expenditures as this resolution is an accounting reconciliation for the respective funds.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

In consideration of the foregoing findings and determinations,

IT IS RESOLVED by the Executive Committee of the California State University Risk Management Authority as follows:

The California State University Risk Management Authority does hereby amend the FY 2012-13 operating budget as presented herein.

* * * * *

I hereby certify that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted and passed at a meeting of the Executive Committee of the California State University Risk Management Authority held on the 21th day of March 2013, which was approved by the following vote:

AYES, and in favor thereof, members:

NOES, members:

ABSTAIN, members:

ABSENT, members:

ATTEST: _____
Chair, Cynthia Teniente-Matson

Secretary, Charlene M. Minnick

**FY 2012/13 MIDTERM BUDGET AMENDMENT AND
ADOPTION OF RESOLUTION NO. 02-13 (EC)**

ISSUE: The Board of Directors adopted the FY 2012/13 Budget at its meeting on April 24, 2012. Upon review of the Financial Statements at December 31, 2012 (unaudited), Staff recommends that the Executive Committee adopt Resolution No. 02-13 (EC) amending the FY 2012/13 Budget as follows:

1. Decrease Contributions by \$5,458,879 for IDL/NDL/UI (\$2,716,515 supplemental assessment), AIME (\$41,098 CSUEB new), OCIP (\$8,421,306 project enrollment), Club Sports (\$204,814 new).
2. Increase Contributions for Reinsurance Premiums negative revenue by \$14,756,542 due to non-renewal of Campus WC reinsurance (\$16,771,051) and 2011/12 final premium adjustment (-\$2,014,509).
3. Decrease Claims Payments & Legal Expenses by \$841,172 for projected losses paid per 2012 actuarial reports.
4. Increase Claims Administrators by \$91,909 for Campus Liability consulting, AIME and Club Sports.
5. Decrease Claims MIS by \$337,500 due to fee waiver by Sedgwick for Campus WC.
6. Increase Insurance Premiums by \$408,759 for Campus Liability (APEEL, Non-owned Aviation), Campus XWC final premium adjustment, and Club Sports
7. Increase Program Legal by \$10,000 for AORMA UIP.
8. Decrease Workshop/Training Expenses by \$50,000 for “Fitting the Pieces Together” conference rescheduled to FY 13/14.
9. Increase Loss Control Expenses by \$18,125 for AORMA programs.
10. Increase Reinsurance Recovery negative expense by \$7,295,442 for Campus Liability and Campus WC per 2012 actuarial report.
11. Increase Dividend Distributions by \$7,504,717 for Campus Liability & Campus WC dividends payments to members.

The effect of the above budget adjustment increases planned expenditures by \$14,109,437 resulting in FY 12/13 Total Revenues of \$87,026,337; Total Expenses of \$83,376,266; and Non-operating Income of \$5,000,000. The Ending Balance at June 30, 2013 is estimated to be \$67,008,604.

Additional budget adjustments may be identified at today’s Executive Committee meeting for review and adoption as appropriate.

RECOMMENDATION: It is recommended the Executive Committee adopt Resolution No. 02-13 (EC) including the budget amendment described above and any additional amendments approved at the meeting.

FISCAL IMPACT: The effect of the proposed changes will increase the total expenditure budget with the additional expense funded from program reserves.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S):

- a. Draft FY 2012/13 CSURMA Proposed Midterm Budget Amendments
- b. Draft Resolution No. 02-13 (EC)

CSURMA

**Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013**

MID YEAR BUDGET AMENDMENT

Draft 10

**Executive Committee
March 21, 2013**

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

TOTAL: ALL FUNDS

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	95,489,725	90,030,846	-5,458,879
Reinsurance Premiums	-17,761,051	-3,004,509	14,756,542
Total Operating Revenues	<u>77,728,674</u>	<u>87,026,337</u>	<u>9,297,663</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	60,090,798	59,249,626	-841,172
Deductible Recoveries	-4,050,000	-4,050,000	0
Claims Administrators	4,547,886	4,639,795	91,909
Claims Management Information System	437,500	100,000	-337,500
Program Administrators	2,449,686	2,449,686	0
Brokerage Commissions & Fees	1,249,250	1,258,407	9,157
Insurance Premiums (net of brokerage)	18,896,611	19,305,370	408,759
Taxes, Assessments & Fees	235,000	235,000	0
Actuarial Services	26,000	26,000	0
Claims Audit	22,000	22,000	0
Coverage Counsel	16,000	16,000	0
Program Legal	2,500	12,500	10,000
Miscellaneous Program Services	11,905	11,905	0
Workshop/Training Expenses	85,000	35,000	-50,000
Loss Control Expenses	540,000	558,125	18,125
Appraisals	0	0	0
Reinsurance Recovery	-19,125,935	-11,830,493	7,295,442
Program Committee	30,688	30,688	0
Dividend Distributions	2,219,190	9,723,907	7,504,717
Total Direct Program Expenses	<u>67,684,079</u>	<u>81,793,516</u>	<u>14,109,437</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

TOTAL: ALL FUNDS

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget <u>Change</u>
General & Administrative Expenses			
Financial Audit	55,000	55,000	0
Executive Committee & Board Expenses	34,000	34,000	0
JPA Insurance	27,500	27,500	0
Memberships, Associations & Dues	5,250	5,250	0
Chancellor's Office Accounting Services	325,000	325,000	0
Chancellor's Office Risk Management Service	1,116,000	1,116,000	0
JPA Accreditation	0	0	0
JPA Legal	5,000	5,000	0
Miscellaneous Expenses	15,000	15,000	0
Total General & Administrative Expenses	<u>1,582,750</u>	<u>1,582,750</u>	<u>0</u>
Total Operating Expenses	<u>69,266,829</u>	<u>83,376,266</u>	<u>14,109,437</u>
Non-Operating Revenues			
Investment Income	5,000,000	5,000,000	0
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>5,000,000</u>	<u>5,000,000</u>	<u>0</u>
Net Surplus (Deficit)	<u>13,461,845</u>	<u>8,650,071</u>	
Beginning Retained Earnings	58,358,534	58,358,534	
Ending Retained Earnings	71,820,379	67,008,604	

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

GENERAL FUND

**To allocate General Expenses
to Program Funds**

<i>Adopted</i>	<i>Proposed</i>	
FY 12/13	Midyear	Budget
<u>Budget</u>	<u>Amendment</u>	<u>Change</u>

Operating Revenues

Contributions	0	0	0
Reinsurance Premiums	0	0	0
Total Operating Revenues	<u>0</u>	<u>0</u>	<u>0</u>

Operating Expenses

Direct Program Expenses

Claims Payments & Legal Expenses	0	0	0
Deductible Recoveries	0	0	0
Claims Administrators	0	0	0
Claims Management Information System	0	0	0
Program Administrators	0	0	0
Brokerage Commissions & Fees	0	0	0
Insurance Premiums (net of brokerage)	0	0	0
Taxes, Assessments & Fees	0	0	0
Actuarial Services	0	0	0
Claims Audit	0	0	0
Coverage Counsel	0	0	0
Program Legal	0	0	0
Miscellaneous Program Services	0	0	0
Workshop/Training Expenses	0	0	0
Loss Control Expenses	0	0	0
Appraisals	0	0	0
Reinsurance Recovery	0	0	0
Program Committee	0	0	0
Dividend Distributions	0	0	0
Total Direct Program Expenses	<u>0</u>	<u>0</u>	<u>0</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

GENERAL FUND

**To allocate General Expenses
to Program Funds**

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget Change
General & Administrative Expenses			
Financial Audit	55,000	55,000	0
Executive Committee & Board Expenses	34,000	34,000	0
JPA Insurance	27,500	27,500	0
Memberships, Associations & Dues	5,250	5,250	0
Chancellor's Office Accounting Services	325,000	325,000	0
Chancellor's Office Risk Management Service	1,116,000	1,116,000	0
JPA Accreditation	0	0	0
JPA Legal	5,000	5,000	0
Miscellaneous Expenses	15,000	15,000	0
Total General & Administrative Expenses	<u>1,582,750</u>	<u>1,582,750</u>	<u>0</u>
Total Operating Expenses	<u>1,582,750</u>	<u>1,582,750</u>	<u>0</u>
Non-Operating Revenues			
Investment Income	5,000,000	5,120,000	120,000
Interest Income - Loans (separate fund)	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>5,000,000</u>	<u>5,120,000</u>	<u>120,000</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

TOTAL: CAMPUS PROGRAMS

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	71,223,964	73,981,577	2,757,613
Reinsurance Premiums	-16,936,051	-2,179,509	14,756,542
Total Operating Revenues	<u>54,287,912</u>	<u>71,802,068</u>	<u>17,514,155</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	54,675,092	53,777,398	-897,694
Deductible Recoveries	-4,000,000	-4,000,000	0
Claims Administrators	4,307,886	4,394,795	86,909
Claims Management Information System	437,500	100,000	-337,500
Program Administrators	964,190	964,190	0
Brokerage Commissions & Fees	920,500	920,500	0
Insurance Premiums (net of brokerage)	13,310,158	13,636,503	326,345
Taxes, Assessments & Fees	200,000	200,000	0
Actuarial Services	15,000	15,000	0
Claims Audit	12,000	12,000	0
Coverage Counsel	10,000	10,000	0
Program Legal	0	0	0
Miscellaneous Program Services	11,650	11,650	0
Workshop/Training Expenses	61,958	20,000	-41,958
Loss Control Expenses	300,000	300,000	0
Appraisals	0	0	0
Reinsurance Recovery	-19,125,935	-11,830,493	7,295,442
Program Committee	2,000	2,000	0
Dividend Distributions	0	7,504,717	7,504,717
Total Direct Program Expenses	<u>52,101,998</u>	<u>66,038,260</u>	<u>13,936,262</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

TOTAL: CAMPUS PROGRAMS

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget <u>Change</u>
General & Administrative Expenses			
Financial Audit	41,053	41,053	0
Executive Committee & Board Expenses	25,378	25,378	0
JPA Insurance	20,526	20,526	0
Memberships, Associations & Dues	3,919	3,919	0
Chancellor's Office Accounting Services	242,584	242,584	0
Chancellor's Office Risk Management Service	832,995	832,995	0
JPA Accreditation	0	0	0
JPA Legal	3,732	3,732	0
Miscellaneous Expenses	11,196	11,196	0
Total General & Administrative Expenses	<u>1,181,382</u>	<u>1,181,382</u>	<u>0</u>
Total Operating Expenses	<u>53,283,381</u>	<u>67,219,643</u>	<u>13,936,262</u>
Non-Operating Revenues			
Investment Income	4,205,914	4,307,524	101,610
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>4,205,914</u>	<u>4,307,524</u>	<u>101,610</u>
Net Surplus (Deficit)	<u>5,210,445</u>	<u>8,889,949</u>	
Beginning Retained Earnings	44,729,659	46,504,544	
Ending Retained Earnings	49,940,104	55,394,493	

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

CAMPUS LIABILITY PROGRAM

(Fund 10)

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	14,573,913	14,573,913	0
Reinsurance Premiums	-165,000	-165,000	0
Total Operating Revenues	<u>14,408,913</u>	<u>14,408,913</u>	<u>0</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	12,234,132	9,431,586	-2,802,546
Deductible Recoveries	-4,000,000	-4,000,000	0
Claims Administrators	0	81,909	81,909
Claims Management Information System	100,000	100,000	0
Program Administrators	178,208	194,334	16,126
Brokerage Commissions & Fees	316,000	316,000	0
Insurance Premiums (net of brokerage)	3,407,781	3,542,173	134,392
Taxes, Assessments & Fees	200,000	200,000	0
Actuarial Services	6,000	6,000	0
Claims Audit	10,000	10,000	0
Coverage Counsel	10,000	10,000	0
Program Legal	0	0	0
Miscellaneous Program Services	1,000	1,000	0
Workshop/Training Expenses	9,042	0	-9,042
Loss Control Expenses	300,000	300,000	0
Appraisals	0	0	0
Reinsurance Recovery	-5,000,000	0	5,000,000
Program Committee	0	0	0
Dividend Distributions	0	0	0
Total Direct Program Expenses	<u>7,772,163</u>	<u>10,193,002</u>	<u>2,420,839</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

CAMPUS LIABILITY PROGRAM

(Fund 10)

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget <u>Change</u>
General & Administrative Expenses			
Financial Audit	8,482	8,482	0
Executive Committee & Board Expenses	5,243	5,243	0
JPA Insurance	4,241	4,241	0
Memberships, Associations & Dues	810	810	0
Chancellor's Office Accounting Services	50,119	50,119	0
Chancellor's Office Risk Management Service	172,099	172,099	0
JPA Accreditation	0	0	0
JPA Legal	771	771	0
Miscellaneous Expenses	2,313	2,313	0
Total General & Administrative Expenses	<u>244,077</u>	<u>244,077</u>	<u>0</u>
Total Operating Expenses	<u>8,016,240</u>	<u>10,437,080</u>	<u>2,420,839</u>
Non-Operating Revenues			
Investment Income	1,347,494	1,380,048	32,554
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>1,347,494</u>	<u>1,380,048</u>	<u>32,554</u>
Net Surplus (Deficit)	<u>7,740,166</u>	<u>5,351,881</u>	
Beginning Retained Earnings	19,801,080	19,801,080	
Ending Retained Earnings	27,541,246	25,152,961	

CSURMA**Cash Flow Budget of Revenues and Expenses****Fiscal Year July 1, 2012 to June 30, 2013****DRAFT****CAMPUS WORKERS' COMPENSATION PROGRAM**

(Fund 11)

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	<u>Budget</u> <u>Change</u>
Operating Revenues			
Contributions	29,652,429	29,652,429	0
Reinsurance Premiums	-16,771,051	-2,014,509	14,756,542
Total Operating Revenues	<u>12,881,378</u>	<u>27,637,920</u>	<u>14,756,542</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	20,617,572	22,404,634	1,787,062
Deductible Recoveries	0	0	0
Claims Administrators	4,132,886	4,132,886	0
Claims Management Information System	337,500	0	-337,500
Program Administrators	418,328	395,396	-22,932
Brokerage Commissions & Fees	160,000	160,000	0
Insurance Premiums (net of brokerage)	1,438,042	1,629,995	191,953
Taxes, Assessments & Fees	0	0	0
Actuarial Services	6,000	6,000	0
Claims Audit	2,000	2,000	0
Coverage Counsel	0	0	0
Program Legal	0	0	0
Miscellaneous Program Services	8,500	8,500	0
Workshop/Training Expenses	18,397	0	-18,397
Loss Control Expenses	0	0	0
Appraisals	0	0	0
Reinsurance Recovery	-14,125,935	-11,830,493	2,295,442
Program Committee	0	0	0
Dividend Distributions	0	7,504,717	7,504,717

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

CAMPUS WORKERS' COMPENSATION PROGRAM

(Fund 11)

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	<u>Budget</u> <u>Change</u>
Total Direct Program Expenses	<u>13,013,290</u>	<u>24,413,635</u>	<u>11,400,345</u>
General & Administrative Expenses			
Financial Audit	17,257	17,257	0
Executive Committee & Board Expenses	10,668	10,668	0
JPA Insurance	8,628	8,628	0
Memberships, Associations & Dues	1,647	1,647	0
Chancellor's Office Accounting Services	101,972	101,972	0
Chancellor's Office Risk Management Service	350,157	350,157	0
JPA Accreditation	0	0	0
JPA Legal	1,569	1,569	0
Miscellaneous Expenses	4,706	4,706	0
Total General & Administrative Expenses	<u>496,605</u>	<u>496,605</u>	<u>0</u>
Total Operating Expenses	<u>13,509,896</u>	<u>24,910,240</u>	<u>11,400,345</u>
Non-Operating Revenues			
Investment Income	2,478,502	2,538,380	59,878
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>2,478,502</u>	<u>2,538,380</u>	<u>59,878</u>
Net Surplus (Deficit)	<u>1,849,985</u>	<u>5,266,060</u>	
Beginning Retained Earnings	18,370,519	18,370,519	
Ending Retained Earnings	20,220,503	23,636,579	

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

CAMPUS WORKERS' COMPENSATION PROGRAM

(Fund 11)

<i>Adopted</i>	<i>Proposed</i>	
FY 12/13	Midyear	Budget
<u>Budget</u>	<u>Amendment</u>	<u>Change</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

CAMPUS IDL NDL UI PROGRAM *

(Fund 12)

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	12,500,000	15,216,515	2,716,515
Reinsurance Premiums	0	0	0
Total Operating Revenues	<u>12,500,000</u>	<u>15,216,515</u>	<u>2,716,515</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	16,000,000	16,000,000	0
Deductible Recoveries	0	0	0
Claims Administrators	60,000	60,000	0
Claims Management Information System	0	0	0
Program Administrators	159,874	166,680	6,806
Brokerage Commissions & Fees	0	0	0
Insurance Premiums (net of brokerage)	0	0	0
Taxes, Assessments & Fees	0	0	0
Actuarial Services	0	0	0
Claims Audit	0	0	0
Coverage Counsel	0	0	0
Program Legal	0	0	0
Miscellaneous Program Services	1,000	1,000	0
Workshop/Training Expenses	7,755	0	-7,755
Loss Control Expenses	0	0	0
Appraisals	0	0	0
Reinsurance Recovery	0	0	0
Program Committee	0	0	0
Dividend Distributions	0	0	0
Total Direct Program Expenses	<u>16,228,629</u>	<u>16,227,680</u>	<u>-949</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

CAMPUS IDL NDL UI PROGRAM *

(Fund 12)

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget <u>Change</u>
General & Administrative Expenses			
Financial Audit	7,275	7,275	0
Executive Committee & Board Expenses	4,497	4,497	0
JPA Insurance	3,637	3,637	0
Memberships, Associations & Dues	694	694	0
Chancellor's Office Accounting Services	42,987	42,987	0
Chancellor's Office Risk Management Service	147,609	147,609	0
JPA Accreditation	0	0	0
JPA Legal	661	661	0
Miscellaneous Expenses	1,984	1,984	0
Total General & Administrative Expenses	<u>209,344</u>	<u>209,344</u>	<u>0</u>
Total Operating Expenses	<u>16,437,974</u>	<u>16,437,024</u>	<u>-949</u>
Non-Operating Revenues			
Investment Income	98,253	100,627	2,374
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>98,253</u>	<u>100,627</u>	<u>2,374</u>
Net Surplus (Deficit)	<u>-3,839,721</u>	<u>-1,119,883</u>	
Beginning Retained Earnings	510,717	510,717	
Ending Retained Earnings	-3,329,003	-609,165	

* Industrial Disability, Non-industrial Disability, Unemployment Insurance

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

CAMPUS PROPERTY PROGRAM

(Fund 13)

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	10,900,000	10,900,000	0
Reinsurance Premiums	0	0	0
Total Operating Revenues	<u>10,900,000</u>	<u>10,900,000</u>	<u>0</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	3,363,266	3,363,266	0
Deductible Recoveries	0	0	0
Claims Administrators	0	0	0
Claims Management Information System	0	0	0
Program Administrators	198,145	198,145	0
Brokerage Commissions & Fees	442,500	442,500	0
Insurance Premiums (net of brokerage)	7,761,199	7,761,199	0
Taxes, Assessments & Fees	0	0	0
Actuarial Services	0	0	0
Claims Audit	0	0	0
Coverage Counsel	0	0	0
Program Legal	0	0	0
Miscellaneous Program Services	1,000	1,000	0
Workshop/Training Expenses	6,763	0	-6,763
Loss Control Expenses	0	0	0
Appraisals	0	0	0
Reinsurance Recovery	0	0	0
Program Committee	0	0	0
Dividend Distributions	0	0	0

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

CAMPUS PROPERTY PROGRAM

(Fund 13)

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget <u>Change</u>
Total Direct Program Expenses	<u>11,772,873</u>	<u>11,766,110</u>	<u>-6,763</u>
General & Administrative Expenses			
Financial Audit	6,343	6,343	0
Executive Committee & Board Expenses	3,921	3,921	0
JPA Insurance	3,172	3,172	0
Memberships, Associations & Dues	606	606	0
Chancellor's Office Accounting Services	37,484	37,484	0
Chancellor's Office Risk Management Service	128,715	128,715	0
JPA Accreditation	0	0	0
JPA Legal	577	577	0
Miscellaneous Expenses	1,730	1,730	0
Total General & Administrative Expenses	<u>182,548</u>	<u>182,548</u>	<u>0</u>
Total Operating Expenses	<u>11,955,421</u>	<u>11,948,658</u>	<u>-6,763</u>
Non-Operating Revenues			
Investment Income	159,874	163,736	3,862
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>159,874</u>	<u>163,736</u>	<u>3,862</u>
Net Surplus (Deficit)	<u>-895,547</u>	<u>-884,922</u>	
Beginning Retained Earnings	5,185,396	6,960,281	
Ending Retained Earnings	4,289,849	6,075,359	

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

CAMPUS PROPERTY PROGRAM

(Fund 13)

<i>Adopted</i>	<i>Proposed</i>	
FY 12/13	Midyear	Budget
<u>Budget</u>	<u>Amendment</u>	<u>Change</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

CAMPUS ATHLETIC INJURY MEDICAL EXPENSE

(Fund 14)

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	2,914,286	2,955,384	41,098
Reinsurance Premiums	0	0	0
Total Operating Revenues	<u>2,914,286</u>	<u>2,955,384</u>	<u>41,098</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	2,460,122	2,577,912	117,790
Deductible Recoveries	0	0	0
Claims Administrators	115,000	120,000	5,000
Claims Management Information System	0	0	0
Program Administrators	9,635	9,635	0
Brokerage Commissions & Fees	2,000	2,000	0
Insurance Premiums (net of brokerage)	19,800	19,800	0
Taxes, Assessments & Fees	0	0	0
Actuarial Services	3,000	3,000	0
Claims Audit	0	0	0
Coverage Counsel	0	0	0
Program Legal	0	0	0
Miscellaneous Program Services	150	150	0
Workshop/Training Expenses	20,000	20,000	0
Loss Control Expenses	0	0	0
Appraisals	0	0	0
Reinsurance Recovery	0	0	0
Program Committee	2,000	2,000	0
Dividend Distributions	0	0	0
Total Direct Program Expenses	<u>2,631,707</u>	<u>2,754,497</u>	<u>122,790</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

CAMPUS ATHLETIC INJURY MEDICAL EXPENSE

(Fund 14)

<i>Adopted</i>	<i>Proposed</i>	
FY 12/13	Midyear	Budget
<u>Budget</u>	<u>Amendment</u>	<u>Change</u>

General & Administrative Expenses

Financial Audit	1,696	1,696	0
Executive Committee & Board Expenses	1,048	1,048	0
JPA Insurance	848	848	0
Memberships, Associations & Dues	162	162	0
Chancellor's Office Accounting Services	10,022	10,022	0
Chancellor's Office Risk Management Services	34,414	34,414	0
JPA Accreditation	0	0	0
JPA Legal	154	154	0
Miscellaneous Expenses	463	463	0
Total General & Administrative Expenses	<u>48,807</u>	<u>48,807</u>	<u>0</u>
Total Operating Expenses	<u>2,680,514</u>	<u>2,803,304</u>	<u>122,790</u>

Non-Operating Revenues

Investment Income	121,790	124,733	2,942
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>121,790</u>	<u>124,733</u>	<u>2,942</u>

Net Surplus (Deficit) **355,562** **276,813**

Beginning Retained Earnings 861,948 861,948
Ending Retained Earnings 1,217,510 1,138,760

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

CAMPUS AUTO LIABILITY PROGRAM *

(Fund 15)

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	683,336	683,336	0
Reinsurance Premiums	0	0	0
Total Operating Revenues	<u>683,336</u>	<u>683,336</u>	<u>0</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	0	0	0
Deductible Recoveries	0	0	0
Claims Administrators	0	0	0
Claims Management Information System	0	0	0
Program Administrators	0	0	0
Brokerage Commissions & Fees	0	0	0
Insurance Premiums (net of brokerage)	683,336	683,336	0
Taxes, Assessments & Fees	0	0	0
Actuarial Services	0	0	0
Claims Audit	0	0	0
Coverage Counsel	0	0	0
Program Legal	0	0	0
Miscellaneous Program Services	0	0	0
Workshop/Training Expenses	0	0	0
Loss Control Expenses	0	0	0
Appraisals	0	0	0
Reinsurance Recovery	0	0	0
Program Committee	0	0	0
Dividend Distributions	0	0	0
Total Direct Program Expenses	<u>683,336</u>	<u>683,336</u>	<u>0</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2012 to June 30, 2013

DRAFT

CAMPUS AUTO LIABILITY PROGRAM *

(Fund 15)

	<i>Adopted</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> Midyear <u>Amendment</u>	Budget Change
General & Administrative Expenses			
Financial Audit	0	0	0
Executive Committee & Board Expenses	0	0	0
JPA Insurance	0	0	0
Memberships, Associations & Dues	0	0	0
Chancellor's Office Accounting Services	0	0	0
Chancellor's Office Risk Management Service	0	0	0
JPA Accreditation	0	0	0
JPA Legal	0	0	0
Miscellaneous Expenses	0	0	0
Total General & Administrative Expenses	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	<u>683,336</u>	<u>683,336</u>	<u>0</u>
Non-Operating Revenues			
Investment Income	0	0	0
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>0</u>	<u>0</u>	<u>0</u>
Net Surplus (Deficit)	<u>0</u>	<u>0</u>	
Beginning Retained Earnings	0	0	
Ending Retained Earnings	0	0	

* Vehicle Liability Self-Insurance Program
 State Motor Vehicle Self-Insurance Account

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

**EXECUTIVE COMMITTEE
RESOLUTION NO. 02-13 (EC)**

Resolution Approving CSURMA Midterm Budget Amendment for FY 2012/13

The Executive Committee of the California State University Risk Management Authority finds and determines that the FY 2012/13 operating budget shall be amended as follows:

1. Decrease Contributions by \$5,458,879 for IDL/NDL/UI (\$2,716,515 supplemental assessment), AIME (\$41,098 CSUEB new), OCIP (\$8,421,306 project enrollment), Club Sports (\$204,814 new).
2. Increase Contributions for Reinsurance Premiums negative revenue by \$14,756,542 due to non-renewal of Campus WC reinsurance (\$16,771,051) and 2011/12 final premium adjustment (-\$2,014,509).
3. Decrease Claims Payments & Legal Expenses by \$841,172 for projected losses paid per 2012 actuarial reports.
4. Increase Claims Administrators by \$91,909 for Campus Liability consulting, AIME and Club Sports.
5. Decrease Claims MIS by \$337,500 due to fee waiver by Sedgwick for Campus WC.
6. Increase Insurance Premiums by \$408,759 for Campus Liability (APEEL, Non-owned Aviation), Campus XWC final premium adjustment, and Club Sports
7. Increase Program Legal by \$10,000 for AORMA UIP.
8. Decrease Workshop/Training Expenses by \$50,000 for “Fitting the Pieces Together” conference rescheduled to FY 13/14.
9. Increase Loss Control Expenses by \$18,125 for AORMA programs.
10. Increase Reinsurance Recovery negative expense by \$7,295,442 for Campus Liability and Campus WC per 2012 actuarial report.
11. Increase Dividend Distributions by \$7,504,717 for Campus Liability & Campus WC dividends payments to members.

The effect of the above budget adjustment increases planned expenditures by \$14,109,437 resulting in FY 12/13 Total Revenues of \$87,026,337; Total Expenses of \$83,376,266; and Non-operating Income of \$5,000,000. The Ending Balance at June 30, 2013 is estimated to be \$67,008,604.

In consideration of the foregoing findings and determinations,

IT IS RESOLVED by the Executive Committee of the California State University Risk Management Authority as follows:

The California State University Risk Management Authority does hereby amend the FY 2012/13 operating budget as presented herein.

* * * * *

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

I hereby certify that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted and passed at a meeting of the Executive Committee of the California State University Risk Management Authority held on March 21, 2013 which was approved by the following votes:

AYES, and in favor thereof, members:

NOES, members: None.

ABSTAIN, members:

ABSENT, members:

ATTEST: _____
Cynthia Teniente-Matson, Chair

Charlene M. Minnick, Secretary-Auditor

SAS 70 POLICY AND PROCEDURE

ISSUE: The CSU University Auditor has drafted a finding that CSURMA should define when a Statement on Auditing Standards No. 70 Servicing Organizations (SAS 70) report is required from a CSURMA servicing organization and how that report will be handled by CSURMA. The Program Administrator has prepared the attached policy and procedure that requires a SAS 70 report from all CSURMA's claims administrators expected to handle more than \$5 million of claims in a specific year. The Chancellor's Office has been specifically exempted from the requirement to provide a SAS 70 report.

RECOMMENDATION: It is recommended that the Executive Committee adopt the attached Policy and Procedure No. XX: Requirement and Processing of SAS 70 Reports.

FISCAL IMPACT: No direct fiscal impact is expected from action at today's meeting as CSURMA's current service providers who would be required to submit a report already do so. Future service providers required to submit a report will be required to include the cost of the report in any future request for proposal.

BACKGROUND: The SAS 70 report is intended to protect entities that outsource processing of operations such as claims payment or sensitive data handling. A SAS 70 report includes an independent review of the service provider's processes for adequacy and may also include a test of the processes.

PUBLICATION: None.

ATTACHMENT(S):

- a. DRAFT P&P No. XX: Requirement and Processing of SAS 70 Reports



CSURMA

POLICY AND PROCEDURE NO. XX

ADOPTED: March 22, 2013

EFFECTIVE: March 22, 2013

SUBJECT: REQUIREMENT AND PROCESSING OF SAS 70 REPORTS

PURPOSE: The purpose of this Policy and Procedure No. XX is to define when a Statement on Auditing Standards No. 70 Servicing Organizations (SAS 70) report is required from a CSURMA servicing organization and how that report will be handled by CSURMA.

POLICY: It is the policy of the CSURMA that a SAS 70 report is required for any service provider handling CSURMA self-insured claims where that service provided is expected to pay claims totaling more than \$5 million in any fiscal year as projected by CSURMA's independent actuary. The CSURMA Secretary-Auditor will notify affected service providers and include this requirement in the service agreement at no additional cost to CSURMA. A minimum of a Type I report will be required. The CSU Chancellor's Office is specifically not included in this service provider requirement.

PROCEDURE: Annually, the following activities will be performed:

1. As a part of the year end independent financial audit, the Program Administrator shall identify and notify service providers required to submit a SAS 70 report current within the preceding CSURMA fiscal year.
2. For each service provider, the Program Administrator will identify the appropriate designated reviewer at the Program Administrator or Chancellor's Office to review each report.
3. The designated reviewer will review each report provided and will indicate whether the report includes findings that raise concern for CSURMA.
4. Not later than December each year, the Program Administrator will report to the Executive committee which service providers were required to submit SAS 70 reports and whether those reports included findings that raise concern for CSURMA.
5. The Executive Committee will evaluate the Program Administrator's report and take action as appropriate.

ADOPTION OF CSURMA TRAVEL POLICY AND PROCEDURE

ISSUE: The CSURMA has had a practice of reimbursing travel expenses of campus and Chancellor Office personnel participating in committee meetings and other program related travel. The attached policy and procedure is intended to document the CSURMA requirements for reimbursement of travel expenses. The AORMA Committee has a separate travel reimbursement policy and procedure before it that takes into account auxiliary organization processes.

RECOMMENDATION: It is recommended that the Executive Committee adopt Policy and Procedure No. ____: Travel Reimbursement.

FISCAL IMPACT: No direct fiscal impact is expected from action at today's meeting.

BACKGROUND: Please refer to the attachment to this item which is the policy and procedure drafted to memorialize the current practice.

PUBLICATION: None.

ATTACHMENT(S):

- a. DRAFT Policy and Procedure No. ____: Travel Reimbursement Policy.



CSURMA

POLICY AND PROCEDURE NO. XX

ADOPTED: March 22, 2013
EFFECTIVE: March 22, 2013
SUBJECT: TRAVEL REIMBURSEMENT

PURPOSE:

This Policy and Procedure is intended to formalize the prior existing practices of CSURMA.

POLICY:

It is the policy of the CSURMA that reasonable and actual expenses incurred by AUTHORIZED TRAVELERS for COVERED PURPOSES related to operation of CSURMA's programs shall be reimbursed. The method of approving travel, and reporting and calculating the reimbursable amount shall be in accordance with the travel reimbursement policy of the California State University or the AUTHORIZED TRAVELER'S member auxiliary organization at the time of the travel. The AORMA Committee may adopt more a more specific travel reimbursement policy and procedure for travel related to the AORMA programs.

PROCEDURE:

1. Reimbursement requests will be reported on the AUTHORIZED TRAVELER'S completed State of California – Travel Expense Claim form. The claim form may be forwarded to the AUHORIZED TRAVELER's member accounting department for reimbursement or sent to the CSU Systemwide Office of Risk Management for processing. If the AUTHORIZED TRAVELER is reimbursed by the member's accounting department, that member may then seek reimbursement from CSURMA.
2. The member's accounting department should send the following documents to CSURMA c/o the Systemwide Office of Risk Management:
 - a) Invoices for all reasonable expenses
 - b) Completed State of California – Travel Expense Claim form
 - c) Documentation of the purpose of the travel such as a copy of the agenda, presentation, etc. for the COVERED PURPOSE that the COVERED TRAVELER attended.
3. The CSURMA Secretary-Auditor or designee shall then process the reimbursement request in the manner of other CSURMA payment requests.



DEFINITIONS:

AUTHORIZED TRAVELERS – includes CSURMA Executive Committee members and officers, standing committee members and participants in duly established task groups. Other persons, including University personnel traveling on CSURMA related travel shall be reimbursed pursuant to this P&P No. ___ as agreed under separate agreement in advance of the travel. Independent consultants shall not be considered **AUTHORIZED TRAVELERS** under this P&P No. ___ and any travel expenses incurred by independent consultants may be reimbursed as provided under separate consulting agreements.

COVERED EXPENSES – includes reasonable expenses incurred by the **AUTHORIZED TRAVELER** as provided under the travel reimbursement policy of the California State University.

COVERED PURPOSES – covered purposes shall include attendance at meetings of the CSURMA Executive Committee, standing committees, task group meetings, program presentations, member meetings, approved professional development trainings and other travel approved for University personnel. Any other **COVERED PURPOSES** must be approved for reimbursement by the Executive Committee. Travel to CSURMA Board of Directors Meetings is not a covered purpose. If there is travel to an event that would otherwise be a **COVERED PURPOSE** in conjunction with another event the **AUTHORIZED TRAVELER** would otherwise attend, such as a CSURMA Board of Directors meeting or the CSURMA Fitting the Pieces Together Conference, the **AUTHORIZED TRAVELER** is eligible for reimbursement of **COVERED EXPENSES** to attend the **COVERED PURPOSE** meeting only and there will be no CSURMA reimbursement of the expenses the **AUTHORIZED TRAVELER** would have normally incurred to attend the CSURMA Board of Directors Meeting or the CSURMA Fitting the Pieces Together Conference.

CSURMA BOARD OF DIRECTORS PARTICIPATION AND EXECUTIVE COMMITTEE NOMINATION & ELECTIONS

ISSUE: CSURMA is governed by its Board of Directors which has 30 votes held by the University and 10 votes held by the auxiliary organization members. The auxiliary organization members have had a formal policy and procedure for election of the Auxiliary Organization Committee which holds their 10 Board votes. The University Auditor has drafted a finding that CSURMA adopt a written policy and procedure for participation on the Board of Directors and Executive Committee. Staff has prepared the attached draft policy and procedure for discussion at today's meeting.

RECOMMENDATION: It is recommended that the Executive Committee consider the attached draft Policy and Procedure No. XX: Board of Directors Participation and Executive Committee Nominations and Election Process.

FISCAL IMPACT: No fiscal impact is expected from action on this item at today's meeting.

BACKGROUND: The thirty CSURMA Board votes held by the University are subject to the discretion of the Executive Vice Chancellor, Business & Finance/CFO (EVC/CFO). The EVC/CFO has historically designated one vote to the campus Vice President participating in the CABO Group. The campuses Vice Presidents have had a history of retaining the vote in their name and usually designating the campus Risk Manager as their alternate.

The CSURMA Executive Committee (EC) is elected by the Board of Directors. The EC relies on a nominating committee appointed by the CSURMA Chair and usually comprised of members from the Executive Committee not currently up for re-election. It has been the practice of the Executive Committee to seek membership of representatives from the CABO group, a campus Risk Manager and a campus human resources Vice President.

PUBLICATION: None.

ATTACHMENT(S):

- a. Draft Policy and Procedure No. XX: Board of Directors Participation and Executive Committee Nominations and Election Process.



CSURMA

POLICY AND PROCEDURE NO. XX

ADOPTED: March 22, 2013

EFFECTIVE: March 22, 2013

SUBJECT: BOARD OF DIRECTORS PARTICIPATION AND EXECUTIVE COMMITTEE NOMINATIONS AND ELECTIONS PROCESS

PURPOSE: The purpose of this Policy and Procedure No. XX is to describe the process by which members of the CSURMA Board of Directors are appointed and Executive Committee members are nominated and elected.

POLICY: It is the policy of the CSURMA that membership in the Board of Directors shall be adequately documented, and that nomination and election to the Executive Committee shall follow the process described in this Policy and Procedure No. XX. The AORMA Committee may adopt a separate policy and procedure applicable to auxiliary organization representation on the AORMA Committee and Board of Directors.

PROCEDURE: The following activities will be performed to effect the above stated policy.

1. Board of Directors Participation:
 - a. The CSU Executive Vice Chancellor, Business & Finance (EVC/CFO) will determine in writing to the Secretary-Auditor how to allocate CSURMA Board votes.
 - b. If votes are to be delegated to a campus, the EVC/CFO's campus designee will provide a written statement to the Secretary-Auditor of which person will be the primary representative of the campus and may designate one alternate representative. If the primary or alternate representative are to be replaced or are no longer eligible to serve, the campus designee will provide a written statement of the replacement.
 - c. The Program Administrator will maintain a list of primary and alternate representatives and will conduct orientations at least annually for new Board members.
2. Executive Committee Nominations and Elections:
 - a. Prior to the spring Board of Directors meeting the Chair will appoint a Nominating Committee to seek nominations for available positions on the Executive Committee.
 - b. The Nominating Committee will evaluate potential candidates and provide a report to the Board of Directors at the spring meeting.
 - c. The Board of Directors will conduct elections at the spring meeting for terms beginning July 1.
 - d. The Program Administrator will conduct orientations for new Board members.

CAMPUS RISK POOL SETTLEMENT AUTHORITY
POLICY AND PROCEDURE

ISSUE: CSURMA operates insured and self-insured coverage programs. For insured programs the insurance company processes claims and pays the covered amount. For self-insured programs, covered claims are paid by CSURMA up to CSURMA's retained limit. The University Auditor has drafted a finding that CSURMA needs better documentation of claims settlement process and authorities for campus pooled programs. The Program Administrator has prepared the attached Policy and Procedure to address the finding raised by the University Auditor.

RECOMMENDATION: It is recommended that the Executive Committee consider the attached draft Policy and Procedure No. XX: Campus Risk Pool Claims Settlement Authority.

FISCAL IMPACT: No fiscal impact is expected from action on this item at today's meeting.

BACKGROUND: Joint Powers Authorities (JPA's) that provide coverage to members establish claims settlement authority policies and procedures to protect the members from unauthorized settlement of claims with the JPA's funds. CSURMA has established these policies and procedures in detail for the AORMA programs but has not done so for the Campus Risk Pool programs since these programs only have one member, the University. Based in the University Auditor's draft finding, staff has prepared the attached policy and procedure to describe how claims may be settled using CSURMA funds for the Campus Risk Pool programs. The goal of the policy and procedure is to provide adequate documentation of authority to expend CSURMA funds in settlement of claims without interfering with the processes and authority of the University in handling claims.

PUBLICATION: None.

ATTACHMENT(S):

- a. Draft Policy and Procedure No. XX: Campus Risk Pool Claims Settlement Authority.



CSURMA

POLICY AND PROCEDURE NO. XX

ADOPTED: March 22, 2013

EFFECTIVE: March 22, 2013

SUBJECT: CAMPUS RISK POOL CLAIMS SETTLEMENT AUTHORITY

PURPOSE: The purpose of this Policy and Procedure No. XX is to describe the process and level of authorities to pay claims incurred by the CSURMA Campus Risk Pool Programs. This Policy and Procedure No. XX applies solely to the operation of CSURMA and does not affect any policy, process, or authorities of the California State University. The AORMA Committee may adopt policies and procedures for claims settlement authorities for AORMA's self-insured programs.

POLICY: It is the policy of the CSURMA that payment of claims covered under the self-insured programs known as the "Campus Risk Pool" will follow the processes and documentation requirements described in this policy and procedure.

PROCEDURE: The following activities will be performed to effect the above stated policy.

1. For the Liability and Workers' Compensation Programs, the Program Manual will include a claims settlement authority designation form that identifies:
 - a. The campus person or persons have authority to authorize payment of CSURMA funds in settlement of claims.
 - b. The designated dollar amount of the authority for persons identified in item 1.a above.
2. The Program Administrator will maintain records of the form described in Paragraph 1 and shall annually confirm with the campus Vice President for Administration that the authorizations remain current.
3. The following amounts may be authorized for the Campus Risk Pool Programs:
 - a. Liability Program: The campus may authorize payments from CSURMA funds up to the campus deductible, but not more than \$100,000.00. Above \$100,000.00, the CSURMA Secretary-Auditor or designee may authorize payment of CSURMA funds upon written approval from the appropriate University personnel up to the retained amount of the Liability Program.
 - b. Workers' Compensation Program: Upon approval of a Settlement Authorization Request (SAR) from the third party claims administrator, the campus may authorize aggregate claim settlements from CSURMA funds up to \$175,000.00. Above \$175,000.00, the CSURMA Secretary-Auditor or designee may authorize payment of CSURMA funds upon written approval from the appropriate University personnel up to the retained amount of the Workers' Compensation Program.



CSURMA

POLICY AND PROCEDURE NO. XX

- c. Unemployment Insurance/Non-industrial Disability Leave/Industrial Disability Leave Program: Upon the appropriately documented written request from a campus, the CSURMA Secretary-Auditor or designee may authorize payment from CSURMA funds to reimburse funds expended by the campus for benefits covered under the program.
- d. Property Program: Upon the receipt from the program claims adjuster of the completed and executed Proof of Loss statement, the CSURMA Secretary-Auditor or designee may authorize payment from CSURMA funds up to the retained amount of the Property Program.

SELECTION OF WORKERS' COMPENSATION PROGRAMS
THIRD PARTY CLAIMS ADMINISTRATOR

ISSUE: CSURMA engages the services of a third party claims administrator (TPA) to handle workers' compensation claims for the Campus WC Risk Pool and the AORMA WC Program. The Chancellor's Office Department of Procurement assisted staff in conducting a request for proposals (RFP) process for services and five proposals were received and reviewed. Two firms, Sedgwick and York were selected for oral interviews which were conducted on February 26, 2013. Sedgwick is the highest ranked bidder by the CSURMA WC RFP Task Group. The Task Group included the following:

- Dwayne Brummett, AORMA Committee Vice Chair
- Lori Gentiles, CSURMA EC Committee Member
- Michael Thorpe, CSURMA EC Committee Member
- Zachary Gifford, Associate Director, Systemwide Risk Management

The Task Group ranked all the proposers using scoring criteria developed with the assistance of the Chancellor's Office Department of Procurement.

RECOMMENDATION: The CSURMA WC RFP Task Group recommends that the Executive Committee delegate authority to the CSURMA Chair and CSURMA Secretary-Auditor to negotiate and execute a service agreement with the highest ranked bidder, Sedgwick, as described in the RFP.

FISCAL IMPACT: For FY 2013/2014, Sedgwick has proposed a fee of \$3,626,345 which represents no increase over the current year fee. Sedgwick has proposed 2% annual fee increases at the current staffing model for the initial term of the proposed service agreement. The final cost and services of the agreement will be subject to negotiation and included in the proposed FY 2013/2014 CSURMA Budget to be presented to the CSURMA Board of Directors on May 10, 2013.

BACKGROUND: Part of the CSURMA WC TPA RFP is included as an attachment to this item. It includes background on the programs and a summary of the scope of services being bid.

PUBLICATION: None.

ATTACHMENT(S):

- a. Excerpt from the CSURMA WC TPA RFP



California State University Risk Management Authority

Request for Proposal Workers' Compensation Claims Administration

California State University Risk Management Authority (CSURMA)

Edit November 2012



CSURMA PROGRAM ADMINISTRATOR

Alliant Insurance Services, Inc.

100 Pine Street, 11th Floor

San Francisco, CA 94111

Main: (415) 403-1400 ~ Fax: (415) 402-0773

www.alliantinsurance.com

This page intentionally left blank for double-sided printing

SECTION I: DESCRIPTION OF THE CSU PROGRAM

1.1 DESCRIPTION OF THE CSU

The individual California State Colleges were brought together as a system by the Donahoe Higher Education Act of 1960. In 1972, the system became The California State University and Colleges, and in 1982 the system became The California State University (CSU). Today the campuses of the CSU include comprehensive and polytechnic universities and, the California Maritime Academy, a specialized campus.

The oldest campus--San Jose State--was founded in 1857 and became the first institution of public higher education in California. The newest site was opened in the fall of 2002, the 23rd campus, CSU Channel Islands in Ventura County.

Responsibility for the CSU is vested in the Board of Trustees, whose members are appointed by the Governor. The Trustees appoint the Chancellor, who is the chief executive officer of the system, and the Presidents, who are the chief executive officers on the respective campuses.

The Trustees, the Chancellor and the Presidents develop systemwide policy, with actual implementation at the campus level taking place through broadly based consultative procedures. The Academic Senate of the CSU, made up of elected representatives of the faculty from each campus, recommends academic policy to the Board of Trustees through the Chancellor.

Academic excellence has been achieved by the CSU through a distinguished faculty, whose primary responsibility is superior teaching. While each campus in the system has its own unique geographic and curricular character, all campuses, as multipurpose institutions, offer undergraduate and graduate instruction for professional and occupational goals as well as broad liberal education. All of the campuses require for graduation a basic program of "General Education-Breadth Requirements" regardless of the type of bachelor's degree or major field selected by the student.

The CSU offers more than 1,600 bachelor's and master's degree programs in some 240 subject areas. Many of these programs are offered so that students can complete all upper-division and graduate requirements by part-time late afternoon and evening study. In addition, a variety of teaching and school service credential programs are available. A limited number of doctoral degrees are offered jointly with the University of California and with private institutions in California.

The CSU has a workforce of approximately 44,000 employees working in 23 campus locations and the Chancellor's Office. The locations are specified in Appendix A.

The CSU's Auxiliary Organizations are all separate legal entities. Each auxiliary organization is IRC 501(c)(3), not-for-profit organization, formed under California Education code 89901 to support the mission of the University. There are several different types of auxiliary organizations on each campus. Foundation auxiliary organizations administer grants and contracts on behalf of the University. Associated Students auxiliary organizations help promote student life for the University. Commercial shops auxiliary organizations operate retail enterprises on behalf of the University. Philanthropic auxiliary organizations manage fundraising and endowment operations for the University. A complete list of the CSU's "Auxiliary Organizations in Good Standing" can be found at: <http://www.calstate.edu/FT/AuxOrg/AuxOrgList.shtml>

In May 2004, two auxiliary organizations, Associated Students, SDSU and University Center, Humboldt State University, formed AO-COMP, Inc., a mutual benefit corporation, to self-insure its workers' compensation liabilities. AO-COMP was the state's first self-insured group (SIG) for not-for-profit organizations. AO-COMP, Inc. grew to include 44 auxiliary organizations. In 2006, AO-COMP, Inc. received permission from the State of California's Manager of Self-Insured Plans, to sell all outstanding liabilities to the CSURMA, a Joint Powers Authority comprised of the CSU and its Auxiliary Organizations in Good Standing.

The California State University Risk Management Authority (CSURMA) is an association of the CSU and 91 not-for-profit auxiliary organizations joined to protect member resources by providing broad coverage and quality risk management services that stabilize risk cost in a reliable, economical and beneficial manner. The CSURMA currently has assets under control of ~\$209M.

Additional information about the CSURMA can be found at: <http://www.csurma.org/>. Additional information about CSU Auxiliary Organization can be found at: <http://www.calstate.edu/FT/auxorg/index.shtml>.

1.2 DESCRIPTION OF THE PROGRAMS

On July 1, 1995, the Chancellor's Office decentralized the administration of Workers' Compensation (WC), Industrial Disability Leave (IDL), and Non-Industrial disability Leave (NDI) and the campuses assumed the budget for these programs. Prior to that date the Chancellor's Office was responsible for the funding of these programs.

On January 1, 1997 the CSU Board of Trustees and its auxiliary organizations entered into a joint powers agreement to form the California State University Risk Management Authority (CSURMA). This agreement authorized the CSU and the auxiliary organizations to establish and operate pooled coverage programs, specifically, but not limited to, workers' compensation claims administration.

CSURMA operates two WC programs, the Campus Risk Pool WC Program and the AORMA WC Program. As of June 30 2012, WC claims administration for both programs is the subject of this RFP and can be summarized as follows:

Current Compensation	Campus	AORMA
WC Administration	\$3,418,256	\$207,089
UR Services	\$381,508	\$23,663

Current Statistics	Campus	AORMA
# of Members	24	48
Current Open Claims		
Record Only	4	0
First Aid	44	8
Medical Only (MO)	215	56
Indemnity	1181	134
Future Medical	438	9
New Reports FY 11/12		
Record Only	383	48
First Aid	198	62
Medical Only	704	218
Indemnity	764	89

Current Staffing Model	Campus	AORMA
Claims Support	1	
MO Examiner/Assistant	2	1
Examiners	13	1
Supervisors	1.9	.10
Data Analyst	.90	.10
Operations Manager	.90	.10
Program Manager	.25	

The CSU currently contracts with Sedgwick Claims Management Services (Sedgwick) for administration of all workers' compensation claims. The current contract term ends June 30, 2013. Claims are administered from two locations: Oakland and Rancho Cordova.

Each campus has a claims coordinator who is responsible for oversight of claims management for his/her own individual campus. The overall program is managed by the Office of Risk Management in the Chancellor's Office and is designed to be responsive both to the needs of the CSU program, and to the specific needs of each campus. Authority levels have been assigned to the campuses with management of claims exceeding that authority relegated to the Chancellor's Office.

The CSURMA has purchased excess insurance for the Program since July 1, 1995 on an individual occurrence basis. The current retention for each workers' compensation claim is \$2,500,000 per accident (including allocated loss adjustment expense or ALAE) with coverage statutory limits.

Campus WC Program	
Period	Self-Insured Retention
To 1994/1995	Unlimited
1995/95 to 2004	\$350,000
2004/05 to 2007/09	2,500,000
2008/09 to 2012	Reinsured
2012 to 2013	2,500,000
AORMA WC Program	
From 5/1/2004 forward	500,000

Bill review services are provided by an independent vendor pursuant to contract with Sedgwick on the campus program and by Sedgwick on the AORMA program. Sedgwick provides Utilization Review services for both programs.

1.3 OBJECTIVES OF THIS REQUEST FOR PROPOSAL

The goal of this RFP process is to secure a Third Party Administrator (TPA), hereafter referred to as “Claims Administrator”, to provide appropriate workers' compensation claims administration and related services. In addition, the TPA is expected to analyze loss data, identify trends and develop methods to reduce costs for CSURMA, and at the same time, improve program efficiency and effectiveness.

To be considered, the TPA shall demonstrate that the firm has the personnel and capital resources, knowledge, expertise, experience, creativity, innovation, insight and customer service skills to serve as a third party administrator handling all CSU campus and AORMA claims. The TPA must respond to all the required items in this RFP.

The CSURMA reserves the right to select the bidder that the CSURMA, in its sole discretion, determines will best serve its Workers’ Compensation Program.

PROSPECTIVE CLAIMS ADMINISTRATORS ARE ADVISED TO CAREFULLY READ THE REQUIREMENTS OF THIS RFP.

SERVICE PROVIDERS PERFORMANCE EVALUATIONS

ISSUE: CSURMA desires to maintain open and candid communications with its Campus and Auxiliary Organization members in all areas involving the services it provides. Periodic discussions seek comments from members concerning the management of CSURMA, the quality of services provided by its staff and vendors, and offers suggestions for program enhancements that may be beneficial for all members. The CSU Office of Risk Management contacted all CSURMA/AORMA members requesting comments on vendor performance. A representative from the Vendor Survey Committee will report on comments received regarding their level of satisfaction of the following service providers:

- A-G Administrators – AIME Claims Administrator
- Alliant – CSURMA Program Administrator
- Alliant – CSURMA Insurance Brokerage/Consulting
- Alliant – Workers’ Compensation Consulting
- Alliant – Property/Crime Claims Consulting
- AON e-Solutions – WC/Liability Claims System Software
- Belfor – Property Loss Mitigation & Restoration
- CSU Office of Risk Management – CSURMA Liability Claims Administrator
- CSU Office of Risk Management – Risk Consulting
- CSU Enterprise Accounting – Accounting Services
- Equifax Workforce Solutions – Unemployment Claims Administrator
- Har-Bro – Property Loss Mitigation & Restoration
- Sedgwick CMS – CSURMA Workers’ Compensation Claims Administrator
- Workplace Answers – Campus Web-based Training

RECOMMENDATION: The Committee is asked to review the Service Provider Performance evaluations results from each of the Service Providers, their responses, and provide further direction as necessary.

FISCAL IMPACT: None.

BACKGROUND: The Service Provider Performance evaluation will assist CSURMA with information to address member service needs for strategic planning. The survey is designed to maintain respondent confidentiality in order to elicit candid comments.

PUBLICATION: None.

ATTACHMENT(S):

- a. CSURMA and AORMA Service Provider Performance Evaluation Results and Provider Responses – (Separate)

CSURMA FY 2013/2014 VENDOR SERVICE FEES

ISSUE: The Executive Committee will be reviewing the vendor service performance at tomorrow's Long Range Planning Session. Vendor service fees are included in the draft FY 13/14 budget which is to be approved at the May CSURMA Board of Directors meeting. The following vendors have service agreements with annual review of compensation:

- Alliant Insurance Services
- Carl Warren & Company
- Sedgwick (compensation is being negotiated as part of pending RFP)

RECOMMENDATION: It is recommended that the Executive Committee discuss the vendor service fees, provide direction and delegate authority to the Chair and Secretary-Auditor to negotiate fees for FY 13/14.

FISCAL IMPACT: No direct fiscal impact is expected from action at today's meeting. The negotiated service fees will be included in the CSURMA budget which will be an action item for the CSURMA Board of Directors at their May meeting.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S): None.

DELEGATION OF AUTHORITY TO RENEW INSURANCE PROGRAMS

ISSUE: CSURMA's insurance and reinsurance programs renew on July 1. The Program Administrator is actively marketing the programs to ensure competitive rates and terms. Underwriting Meetings are scheduled for the week of March 25, 2013 with key markets, including presentations to underwriters by the Chancellor and Executive Vice Chancellor Business & Finance/CFO. The CSU Chief Risk Officer and CSURMA Program Director will provide a verbal status report at today's meeting.

RECOMMENDATION: It is recommended that the Executive Committee delegate authority to the CSURMA Secretary-Auditor to negotiate and bind insurance renewals as appropriate and within the budgeted amounts of the FY 13/14 Budget to be adopted by the Board of Directors in at their May 10, 2013 meeting.

FISCAL IMPACT: No direct fiscal impact is expected from action at today's meeting. The negotiated insurance and reinsurance costs will be included in the CSURMA budget which will be an action item for the CSURMA Board of Directors at their May meeting.

BACKGROUND: The insurance market for CSU's risks is a global one that passes through soft and hard markets. CSU has benefitted from an extended soft market for the past several years, but a firming of the market began in 2012 and appears to be taking hold. Attached to this item is the 2012 Q4 rate survey report showing that rate increases have appeared across all commercial lines. Following are some comments specific to CSURMA's Programs:

- **Liability** – This program has stabilized with new underwriters following the CSU's withdrawal from the Schools Excess liability Fund at June 30, 2010. The market is firm but not hardening dramatically, though CSURMA has pending loss activity that may impact primary layer renewal terms. We are expecting renewal cost increases under 5%.
- **Property** – CSURMA has had excellent results in recent years, but the current year has had higher than average losses and losses that have impacted the excess insurers. The property market has firmed somewhat, as a result of the Hurricane Sandy loss, but we do not expect the radical hardening that occurred after the 9-11 attacks and Hurricanes Katrina, Rita & Wilma. We are expecting renewal cost increases under 15%.
- **Workers' Compensation** – the California Workers' Compensation Insurance market is hardening. Fortunately, CSURMA bound a two year rate agreement last year for the campuses that will hold off a rate increase on the excess layer. We are attempting to

negotiate an extension to this rate agreement which we will recommend if the cost is reasonable. Underwriters have not offered the AORMA program a multiyear policy due to its size. We are expecting a renewal cost increase of less than 10% for AORMA.

- **SPLIP & SAFECLIP** – We are attempting to negotiate a streamlined policy form that incorporates the many endorsements added to the current policy. These programs continue to have excellent results and no rate increase is expected.
- **Fidelity** – No increase is expected for the Campus program; however, the AORMA program has reported a large loss that may impact this year's renewal.
- **Foreign Travel** – The systemwide FTIP policy had a significant loss during the current academic year. The CSU International Programs group has been renewed with no increase, and we expect an increase of less than 10% to the systemwide FTIP policy as a result of the recent losses.
- **Athletic Injury Medical Expense** – AIME is fully self insured up to the NCAA attachment. NCAA has projected increasing their excess attachment point to \$100,000 up from the current \$90,000. The actuary has projected an increase of 2% at the current attachment and we expect the renewal to be under 5% even at the higher attachment.

PUBLICATION: None.

ATTACHMENT(S):

- a. Council of Insurance Agents and Brokers Q4 2012 Rate Survey Report



100th

THE COUNCIL OF INSURANCE AGENTS & BROKERS

NEWS RELEASE – FOR IMMEDIATE RELEASE

Contact: Brianne E. Spellane
Director of Communications
202-662-4303
brianne.spellane@ciab.com

COMMERCIAL P/C PRICING ROSE 4th QUARTER; UNDERWRITING REMAINED TIGHT, ACCORDING TO THE COUNCIL’S SURVEY

WASHINGTON, D.C. – Feb. 5, 2013 – Insurance brokers across the country reported price increases in the commercial lines market in the 4th quarter of 2012, according to The Council of Insurance Agents & Brokers’ quarterly Commercial P/C Market Index Survey. Pricing rose on average at a rate of 5.0 percent, compared with 3.9 percent in the 3rd quarter of 2012, across small, medium and large accounts.

“I think you can characterize the fourth quarter as more of the same,” said The Council’s President/CEO, Ken A. Crerar. “Carriers were still cautious about the risks they were putting on their books and pushed for price increases where they could get them.”

Average Fourth Quarter 2012 Commercial Rate Increases Accelerated

	Small Accounts	Medium Accounts	Large Accounts	Avg
Fourth Quarter 2012	5.5%	5.1%	4.4%	5.0%
Third Quarter 2012	3.7%	4.5%	3.5%	3.9%
Second Quarter 2012	4.3%	4.9%	3.7%	4.3%
First Quarter 2012	4.2%	4.9%	4.1%	4.4%
Fourth Quarter 2011	3.1%	3.5%	1.6%	2.7%
High (4Q01)	20.8%	31.7%	33.0%	28.5%
Low (3Q07)	-10.0% (1Q08)	-15.0%	-15.9%	-13.3%

Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.

The workers’ compensation market clearly was in distress last quarter. In one Northeast broker’s words, workers’ compensation was “crashing.” The broker said prices escalated 30 percent to 50 percent, mostly on large accounts. In the Midwest, a broker said some carriers weren’t particularly interested in writing workers’ compensation accounts. Others said monoline coverage was harder to find.

Property prone to catastrophes was also tough to write, according to survey results. A Southeast broker stated, “Sandy brought flood back under the microscope and carriers scrutinized coverage harder and cut flood limits.” In the Northeast where Sandy hit hardest, carriers decreased CAT limits such as flood and wind, while increasing deductibles in both areas. Brokers reported similar stories for vulnerable property across the country. Many carriers asked for percentage wind/hail deductibles and some cut back on property exposures altogether. “Carriers didn’t want an “account that was running a high loss ratio,” a Southwest broker commented.

The general feeling of the market last quarter can be summed up this way: underwriters looked carefully at their potential loss exposures and in some cases were willing to walk away rather than get caught short.

The Council's survey is the oldest, most authoritative source of existing market conditions, pricing practices and trends, dating back to 1999.

*Celebrating its 100th year in 2013, **The Council of Insurance Agents & Brokers** is the premier association for the top regional, national and international commercial insurance and employee benefits intermediaries worldwide. Council members are market leaders who annually place 85 percent of U.S. commercial property/casualty insurance premiums and administer billions of dollars in employee benefits accounts. The Council also continues to expand its international reach, and currently 20 percent of its members are headquartered outside the U.S. Based in Washington, D.C., The Council fosters relationships industry-wide by engaging lawmakers, regulators and stakeholders around the world to promote the interests of its members and the valuable role they play in the mitigation of risk for their clients.*

www.ciab.com

Commercial Property – Casualty Market Survey 4th Quarter 2012 Released: February 2013

Below are the survey results for: ALL REGIONS

1. On average, how have premium rates changed over the last three months (October 1, 2012-December 31, 2012) for the following accounts? Please check N/A if you don't know or don't handle the type of account.

	1 Down 30-40%	2 Down 20-30%	3 Down 10-20%	4 Down 1-10%	5 No Change	6 Up 1-10%	7 Up 10-20%	8 Up 20-30%	9 Up 30-50%	10 Up 50- 100%	N/A
Small (<\$25K Comm. & Fees)	0%	0%	0%	1%	13%	69%	14%	0%	0%	0%	3%
Medium (\$25K – \$100K)	0%	0%	1%	0%	14%	68%	13%	0%	0%	0%	4%
Large (>\$100K)	0%	0%	1%	3%	20%	61%	9%	1%	0%	0%	5%

2. How much have premium rates changed over the last three months (October 1, 2012-December 31, 2012) for the following lines? Please check N/A if you don't know or don't handle the line.

	1 Down 30-40%	2 Down 20-30%	3 Down 10-20%	4 Down 1-10%	5 No Change	6 Up 1-10%	7 Up 10- 20%	8 Up 20- 30%	9 Up 30- 50%	10 Up 50- 100%	N/A
Business Interruption	0%	0%	3%	1%	24%	58%	5%	0%	0%	0%	9%
Commercial Auto	0%	0%	0%	4%	27%	61%	4%	0%	0%	0%	4%
Commercial Property	0%	3%	0%	1%	10%	61%	20%	1%	0%	0%	4%
Construction Risks	0%	1%	0%	1%	18%	62%	9%	1%	0%	0%	8%
D & O	0%	0%	2%	1%	19%	51%	17%	1%	0%	0%	9%
Flood Insurance	1%	1%	0%	1%	39%	29%	9%	2%	0%	1%	17%
Employment Practices	0%	0%	3%	1%	29%	46%	6%	6%	1%	0%	8%
General Liability	0%	0%	3%	0%	23%	70%	1%	0%	0%	0%	3%
Marine	0%	0%	1%	4%	37%	42%	0%	0%	0%	0%	16%
Medical Malpractice	0%	0%	0%	4%	29%	22%	3%	0%	0%	0%	42%
Surety Bonds	0%	0%	0%	1%	48%	19%	3%	0%	0%	0%	29%
Terrorism	0%	0%	1%	1%	56%	23%	0%	0%	0%	0%	19%
Umbrella	0%	1%	0%	0%	27%	64%	4%	1%	0%	0%	3%
Workers' Compensation	1%	0%	1%	2%	10%	41%	30%	10%	0%	0%	5%
Broker E&O	0%	1%	0%	2%	24%	33%	5%	0%	0%	0%	35%

Commercial Property – Casualty Market Survey 4th Quarter 2012 Released: February 2013

Below are the survey results for: **NORTHEAST**
(CT, DE, DC, MA, ME, MD, NH, NJ, NY, PA, RI)

1. On average, how have premium rates changed over the last three months (October 1, 2012-December 31, 2012) for the following accounts? Please check N/A if you don't know or don't handle the type of account

	1 Down 30-40%	2 Down 20-30%	3 Down 10-20%	4 Down 1-10%	5 No Change	6 Up 1-10%	7 Up 10-20%	8 Up 20-30%	9 Up 30-50%	10 Up 50- 100%	N/A
Small (<\$25K Comm. & Fees)	0%	0%	0%	7%	27%	53%	13%	0%	0%	0%	0%
Medium (\$25K – \$100K)	0%	0%	6%	0%	13%	62%	19%	0%	0%	0%	0%
Large (>\$100K)	0%	0%	7%	0%	20%	59%	7%	7%	0%	0%	0%

2. How much have premium rates changed over the last three (October 1, 2012-December 31, 2012) for the following lines? Please check N/A if you don't know or don't handle the line.

	1 Down 30-40%	2 Down 20-30%	3 Down 10-20%	4 Down 1-10%	5 No Change	6 Up 1-10%	7 Up 10- 20%	8 Up 20- 30%	9 Up 30- 50%	10 Up 50- 100%	N/A
Business Interruption	0%	0%	13%	0%	25%	56%	6%	0%	0%	0%	0%
Commercial Auto	0%	0%	0%	13%	37%	50%	0%	0%	0%	0%	0%
Commercial Property	0%	13%	0%	0%	19%	55%	13%	0%	0%	0%	0%
Construction Risks	0%	6%	0%	6%	25%	57%	6%	0%	0%	0%	0%
D & O	0%	0%	13%	0%	37%	37%	13%	0%	0%	0%	0%
Flood Insurance	6%	6%	0%	0%	38%	25%	6%	13%	0%	6%	0%
Employment Practices	0%	0%	13%	0%	43%	38%	0%	6%	0%	0%	0%
General Liability	0%	0%	13%	0%	25%	62%	0%	0%	0%	0%	0%
Marine	0%	0%	6%	6%	44%	31%	0%	0%	0%	0%	13%
Medical Malpractice	0%	0%	0%	6%	38%	31%	0%	0%	0%	0%	25%
Surety Bonds	0%	0%	0%	6%	56%	19%	0%	0%	0%	0%	19%
Terrorism	0%	0%	6%	6%	56%	32%	0%	0%	0%	0%	0%
Umbrella	0%	6%	0%	0%	31%	63%	0%	0%	0%	0%	0%
Worker's Compensation	6%	0%	6%	0%	19%	50%	19%	0%	0%	0%	0%
Broker E&O	0%	6%	0%	6%	44%	31%	0%	0%	0%	0%	13%

Commercial Property – Casualty Market Survey 4th Quarter 2012 Released: February 2013

Below are the survey results for: **SOUTHEAST**
(AL, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV)

1. On average, how have premium rates changed over the last three (October 1, 2012-December 31, 2012) for the following accounts? Please check N/A if you don't know or don't handle the type of account

	1 Down 30-40%	2 Down 20-30%	3 Down 10-20%	4 Down 1-10%	5 No Change	6 Up 1-10%	7 Up 10-20%	8 Up 20-30%	9 Up 30-50%	10 Up 50- 100%	N/A
Small (<\$25K Comm. & Fees)	0%	0%	0%	0%	76%	19%	0%	0%	0%	0%	5%
Medium (\$25K – \$100K)	0%	0%	0%	0%	14%	67%	14%	0%	0%	0%	5%
Large (>\$100K)	0%	0%	0%	0%	18%	64%	18%	0%	0%	0%	0%

2. How much have premium rates changed over the last three months (October 1, 2012-December 31, 2012) for the following lines? Please check N/A if you don't know or don't handle the line.

	1 Down 30- 40%	2 Down 20-30%	3 Down 10-20%	4 Down 1-10%	5 No Change	6 Up 1-10%	7 Up 10- 20%	8 Up 20- 30%	9 Up 30- 50%	10 Up 50- 100%	N/A
Business Interruption	0%	0%	0%	0%	18%	73%	0%	0%	0%	0%	9%
Commercial Auto	0%	0%	0%	0%	23%	72%	5%	0%	0%	0%	0%
Commercial Property	0%	0%	0%	0%	0%	72%	23%	5%	0%	0%	0%
Construction Risks	0%	0%	0%	0%	9%	82%	9%	0%	0%	0%	0%
D & O	0%	0%	0%	0%	18%	64%	9%	0%	0%	0%	9%
Flood Insurance	0%	0%	0%	0%	50%	40%	5%	0%	0%	0%	5%
Employment Practices	0%	0%	0%	0%	27%	58%	5%	5%	0%	0%	5%
General Liability	0%	0%	0%	0%	18%	77%	5%	0%	0%	0%	0%
Marine	0%	0%	0%	5%	36%	50%	0%	0%	0%	0%	9%
Medical Malpractice	0%	0%	0%	0%	18%	23%	0%	0%	0%	0%	59%
Surety Bonds	0%	0%	0%	0%	23%	22%	5%	0%	0%	0%	50%
Terrorism	0%	0%	0%	0%	50%	32%	0%	0%	0%	0%	18%
Umbrella	0%	0%	0%	0%	23%	68%	9%	0%	0%	0%	0%
Workers' Compensation	0%	0%	0%	5%	5%	45%	31%	14%	0%	0%	0%
Broker E&O	0%	0%	0%	0%	14%	17%	5%	0%	0%	0%	64%

Commercial Property – Casualty Market Survey 4th Quarter 2012 Released: February 2013

Below are the survey results for: **MIDWEST**
(AR, IL, IN, IA, KS, MI, MO, MN, NE, ND, SD, OH, WI)

1. On average, how have premium rates changed over the last three months (October 1, 2012-December 31, 2012) for the following accounts? Please check N/A if you don't know or don't handle the type of account.

	1 Down 30-40%	2 Down 20-30%	3 Down 10-20%	4 Down 1-10%	5 No Change	6 Up 1-10%	7 Up 10-20%	8 Up 20-30%	9 Up 30-50%	10 Up 50- 100%	N/A
Small (<\$25K Comm. & Fees)	0%	0%	0%	0%	11%	79%	5%	0%	0%	0%	5%
Medium (\$25K – \$100K)	0%	0%	0%	0%	21%	57%	11%	0%	0%	0%	11%
Large (>\$100K)	0%	0%	0%	11%	26%	37%	5%	0%	0%	0%	21%

2. How much have premium rates changed over the last three (October 1, 2012-December 31, 2012) for the following lines? Please check N/A if you don't know or don't handle the line.

	1 Down 30-40%	2 Down 20-30%	3 Down 10-20%	4 Down 1-10%	5 No Change	6 Up 1-10%	7 Up 10- 20%	8 Up 20- 30%	9 Up 30- 50%	10 Up 50- 100%	N/A
Business Interruption	0%	0%	0%	5%	37%	42%	0%	0%	0%	0%	16%
Commercial Auto	0%	0%	0%	5%	36%	37%	11%	0%	0%	0%	11%
Commercial Property	0%	0%	0%	5%	16%	47%	16%	0%	0%	0%	16%
Construction Risks	0%	0%	0%	0%	26%	42%	11%	0%	0%	0%	21%
D & O	0%	0%	0%	5%	11%	47%	16%	5%	0%	0%	16%
Flood Insurance	0%	0%	0%	5%	37%	37%	5%	0%	0%	0%	16%
Employment Practices	0%	0%	0%	5%	37%	31%	11%	0%	0%	0%	16%
General Liability	0%	0%	0%	0%	37%	58%	0%	0%	0%	0%	5%
Marine	0%	0%	0%	0%	42%	42%	0%	0%	0%	0%	16%
Medical Malpractice	0%	0%	0%	5%	47%	0%	16%	0%	0%	0%	32%
Surety Bonds	0%	0%	0%	0%	63%	16%	5%	0%	0%	0%	16%
Terrorism	0%	0%	0%	0%	68%	16%	0%	0%	0%	0%	16%
Umbrella	0%	0%	0%	0%	37%	58%	0%	0%	0%	0%	5%
Workers' Compensation	0%	0%	0%	0%	11%	26%	47%	5%	0%	0%	11%
Broker E&O	0%	0%	0%	5%	43%	21%	5%	0%	0%	0%	26%

Commercial Property – Casualty Market Survey 4th Quarter 2012 Released: February 2013

Below are the survey results for: **SOUTHWEST (So. CA, AZ, NM, OK, TX)**

1. On average, how have premium rates changed over the last three months (October 1, 2012-December 31, 2012) for the following accounts? Please check N/A if you don't know or don't handle the type of account.

	1 Down 30-40%	2 Down 20-30%	3 Down 10-20%	4 Down 1-10%	5 No Change	6 Up 1-10%	7 Up 10-20%	8 Up 20-30%	9 Up 30-50%	10 Up 50- 100%	N/A
Small (<\$25K Comm. & Fees)	0%	0%	0%	0%	8%	59%	33%	0%	0%	0%	0%
Medium (\$25K – \$100K)	0%	0%	0%	0%	0%	83%	17%	0%	0%	0%	0%
Large (>\$100K)	0%	0%	0%	0%	9%	82%	9%	0%	0%	0%	0%

2. How much have premium rates changed over the last three months (October 1, 2012-December 31, 2012) for the following lines? Please check N/A if you don't know or don't handle the line.

	1 Down 30-40%	2 Down 20-30%	3 Down 10-20%	4 Down 1-10%	5 No Change	6 Up 1-10%	7 Up 10- 20%	8 Up 20- 30%	9 Up 30- 50%	10 Up 50- 100%	N/A
Business Interruption	0%	0%	0%	0%	17%	58%	8%	0%	0%	0%	17%
Commercial Auto	0%	0%	0%	0%	25%	67%	0%	0%	0%	0%	8%
Commercial Property	0%	0%	0%	0%	8%	50%	42%	0%	0%	0%	0%
Construction Risks	0%	0%	0%	0%	17%	49%	17%	0%	0%	0%	17%
D & O	0%	0%	0%	0%	8%	58%	17%	0%	0%	0%	17%
Flood Insurance	0%	0%	0%	0%	34%	8%	8%	0%	0%	0%	50%
Employment Practices	0%	0%	0%	0%	8%	59%	8%	8%	0%	0%	17%
General Liability	0%	0%	0%	0%	25%	67%	0%	0%	0%	0%	8%
Marine	0%	0%	0%	0%	33%	42%	0%	0%	0%	0%	25%
Medical Malpractice	0%	0%	0%	0%	25%	25%	0%	0%	0%	0%	50%
Surety Bonds	0%	0%	0%	0%	59%	8%	0%	0%	0%	0%	33%
Terrorism	0%	0%	0%	0%	42%	8%	0%	0%	0%	0%	50%
Umbrella	0%	0%	0%	0%	25%	67%	0%	0%	0%	0%	8%
Workers' Compensation	0%	0%	0%	0%	0%	59%	8%	25%	0%	0%	8%
Broker E&O	0%	0%	0%	0%	8%	50%	0%	0%	0%	0%	42%

Commercial Property – Casualty Market Survey 4th Quarter 2012 Released: February 2013

Below are the survey results for: **PACIFIC NW**
(No. CA, AK, CO, HI, ID, MT, NV, OR, UT, WA, WY)

1. On average, how have premium rates changed over the last three months (October 1, 2012-December 31, 2012) for the following accounts? Please check N/A if you don't know or don't handle the type of account.

	1 Down 30-40%	2 Down 20-30%	3 Down 10-20%	4 Down 1-10%	5 No Change	6 Up 1-10%	7 Up 10-20%	8 Up 20-30%	9 Up 30-50%	10 Up 50- 100%	N/A
Small (<\$25K Comm. & Fees)	0%	0%	0%	0%	20%	80%	0%	0%	0%	0%	0%
Medium (\$25K – \$100K)	0%	0%	0%	0%	20%	80%	0%	0%	0%	0%	0%
Large (>\$100K)	0%	0%	0%	0%	20%	80%	0%	0%	0%	0%	0%

2. How much have premium rates changed over the last three months (October 1, 2012-December 31, 2012) for the following lines? Please check N/A if you don't know or don't handle the line.

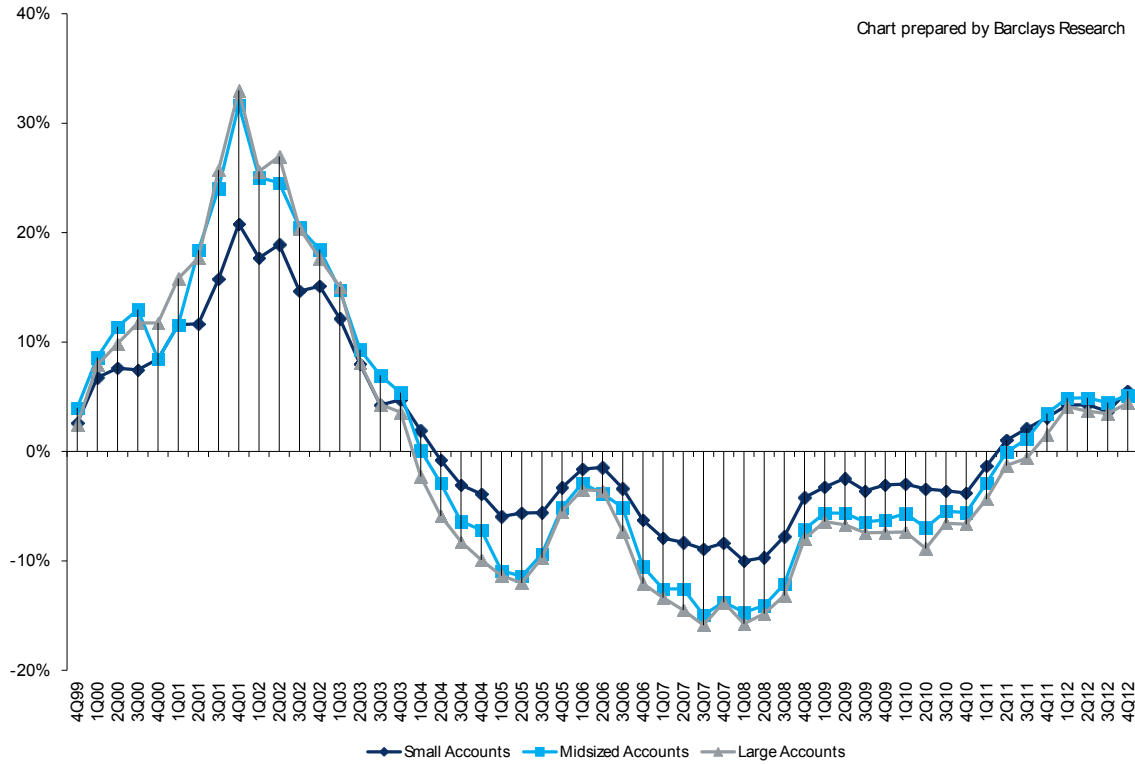
	1 Down 30-40%	2 Down 20-30%	3 Down 10-20%	4 Down 1-10%	5 No Change	6 Up 1-10%	7 Up 10- 20%	8 Up 20- 30%	9 Up 30- 50%	10 Up 50- 100%	N/A
Business Interruption	0%	0%	0%	0%	20%	60%	20%	0%	0%	0%	0%
Commercial Auto	0%	0%	0%	0%	10%	90%	0%	0%	0%	0%	0%
Commercial Property	0%	0%	0%	0%	10%	80%	10%	0%	0%	0%	0%
Construction Risks	0%	0%	0%	0%	10%	80%	0%	10%	0%	0%	0%
D & O	0%	0%	0%	0%	20%	40%	40%	0%	0%	0%	0%
Flood Insurance	0%	0%	0%	0%	30%	20%	20%	0%	0%	0%	30%
Employment Practices	0%	0%	0%	0%	20%	50%	0%	30%	0%	0%	0%
General Liability	0%	0%	0%	0%	10%	90%	0%	0%	0%	0%	0%
Marine	0%	0%	0%	10%	20%	40%	0%	0%	0%	0%	30%
Medical Malpractice	0%	0%	0%	10%	10%	40%	0%	0%	0%	0%	40%
Surety Bonds	0%	0%	0%	0%	50%	30%	0%	0%	0%	0%	20%
Terrorism	0%	0%	0%	0%	60%	20%	0%	0%	0%	0%	20%
Umbrella	0%	0%	0%	0%	20%	70%	10%	0%	0%	0%	0%
Workers' Compensation	0%	0%	0%	0%	20%	20%	40%	10%	0%	0%	10%
Broker E&O	0%	0%	0%	0%	0%	60%	20%	0%	0%	0%	20%

Average Fourth Quarter 2012 Commercial Rate Increases Accelerate

	Small Accounts	Medium Accounts	Large Accounts	Avg
Fourth Quarter 2012	5.5%	5.1%	4.4%	5.0%
Third Quarter 2012	3.7%	4.5%	3.5%	3.9%
Second Quarter 2012	4.3%	4.9%	3.7%	4.3%
First Quarter 2012	4.2%	4.9%	4.1%	4.4%
Fourth Quarter 2011	3.1%	3.5%	1.6%	2.7%
High (4Q01)	20.8%	31.7%	33.0%	28.5%
Low (3Q07)	-10.0% (1Q08)	-15.0%	-15.9%	-13.3%

Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.

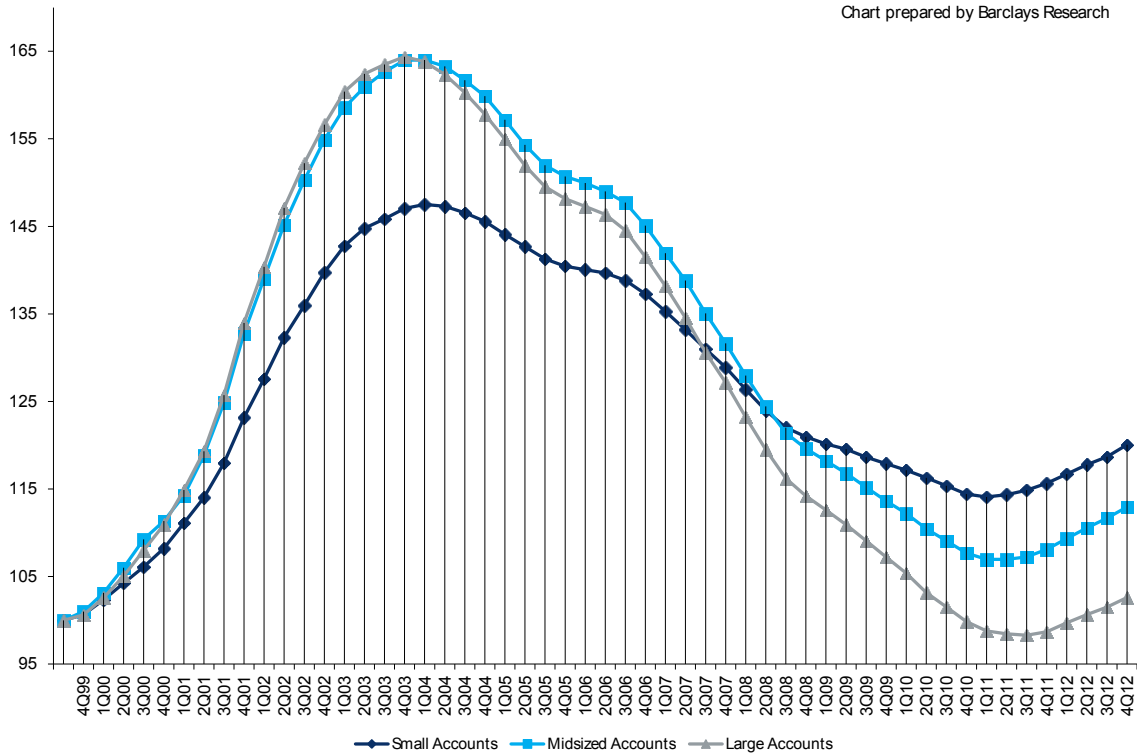
Average Commercial Premium Rate Changes by Account Size



Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.

Cumulative Quarterly Rate Increases by Account Size

Chart prepared by Barclays Research



Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.

By-Line Fourth Quarter 2012 Rate Changes Ranged From +3.3% to +9.0%

	Comm'l Auto	Workers' Comp	Comm'l Property	Gen'l Liability	Umbrella	Average
Fourth Quarter 2012	3.4%	9.0%	5.7%	3.3%	3.5%	5.0%
Third Quarter 2012	3.3%	8.1%	5.6%	4.0%	3.1%	4.8%
Second Quarter 2012	3.0%	8.3%	7.2%	4.1%	3.8%	5.3%
First Quarter 2012	3.1%	7.4%	6.5%	3.1%	3.3%	4.7%
Fourth Quarter 2011	2.0%	7.5%	5.7%	2.2%	2.3%	3.9%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-11.6%	-12.3%	-15.0%	-13.6%	-13.5%	-13.2%

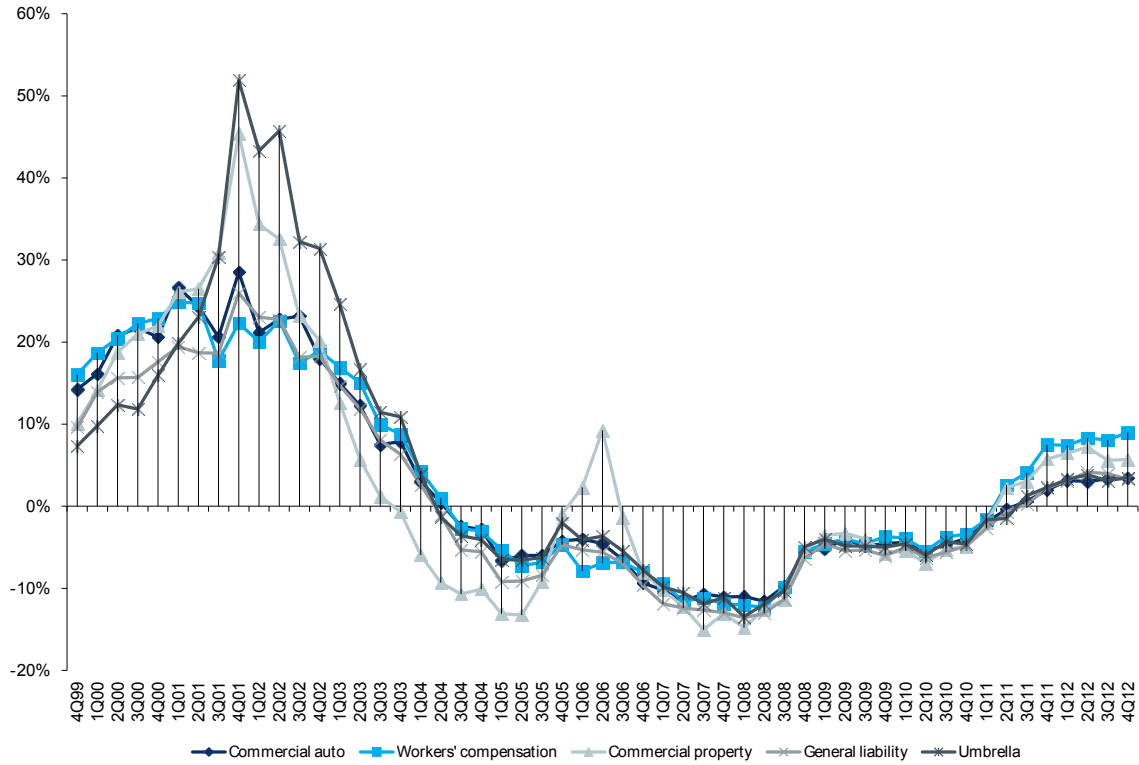
Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.

Rate Changes in Other Lines

Fourth Quarter 2012 Rate Changes in Other Lines	4Q12	High	Low
Business interruption	3.2%	28.8%	-10.2%
Construction	4.4%	38.7%	-10.7%
D&O liability	4.9%	32.4%	-8.7%
Employment practices	4.4%	21.9%	-8.1%
Surety bonds	1.3%	11.2%	-2.3%

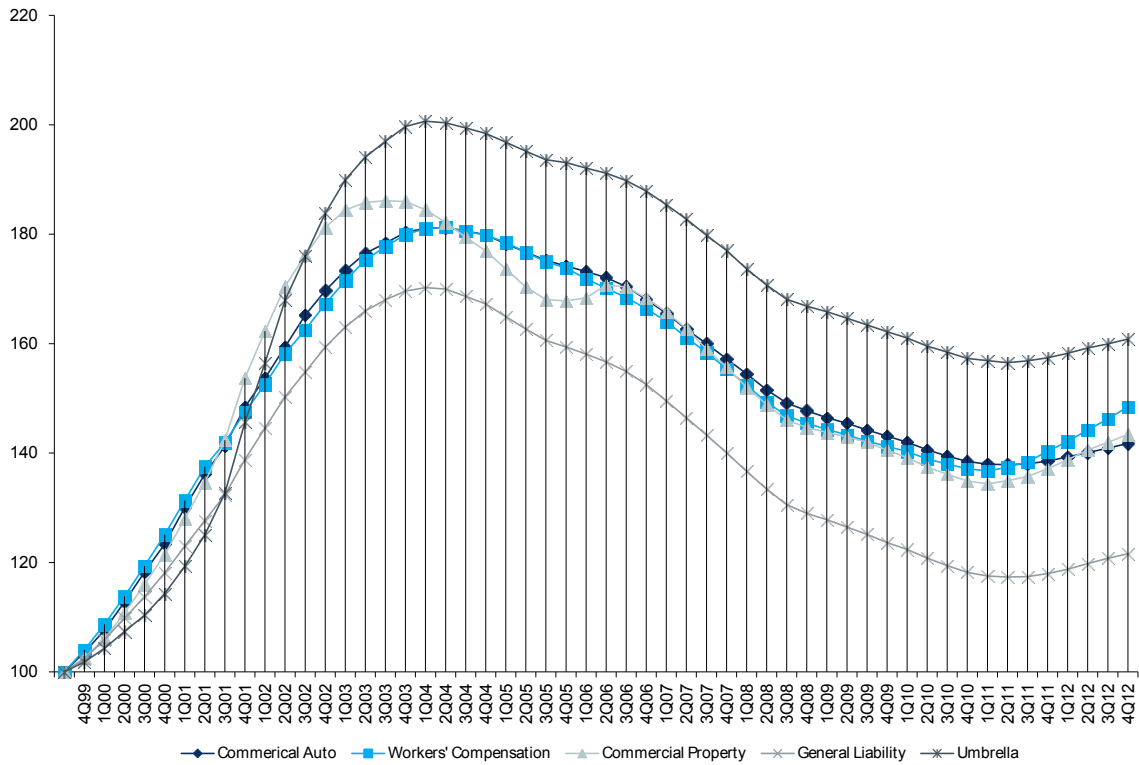
Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.

Average Commercial Rate Increases by Line

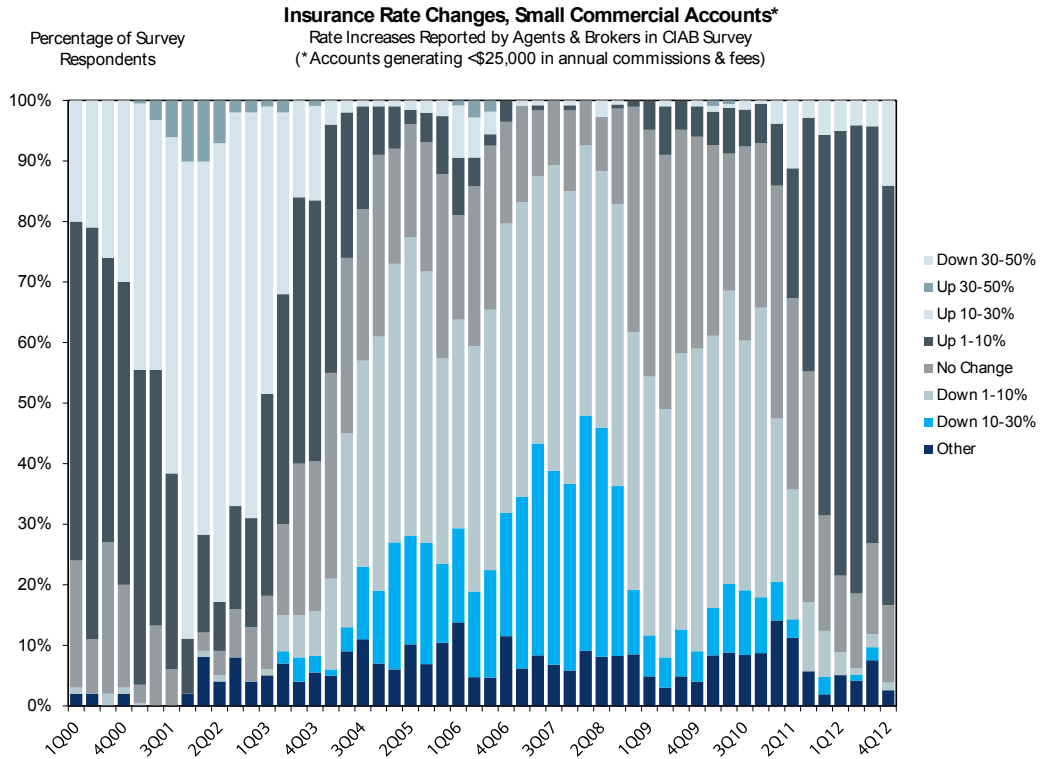


Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.

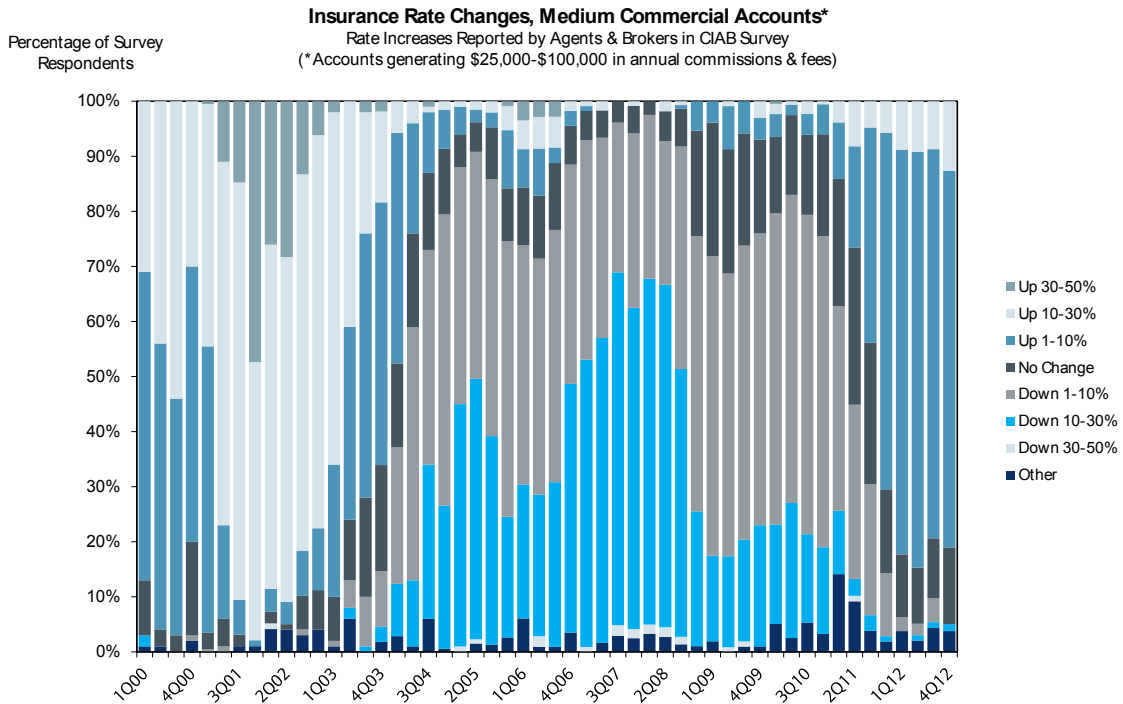
Cumulative Quarterly Rate Increases by Line



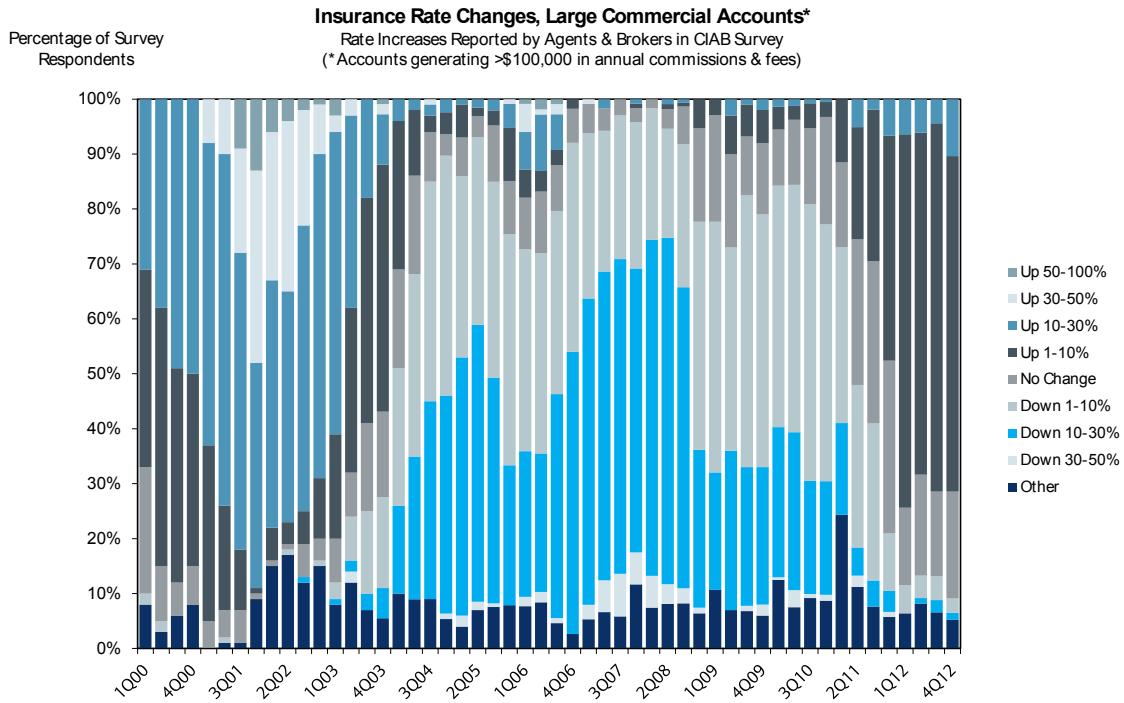
Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.



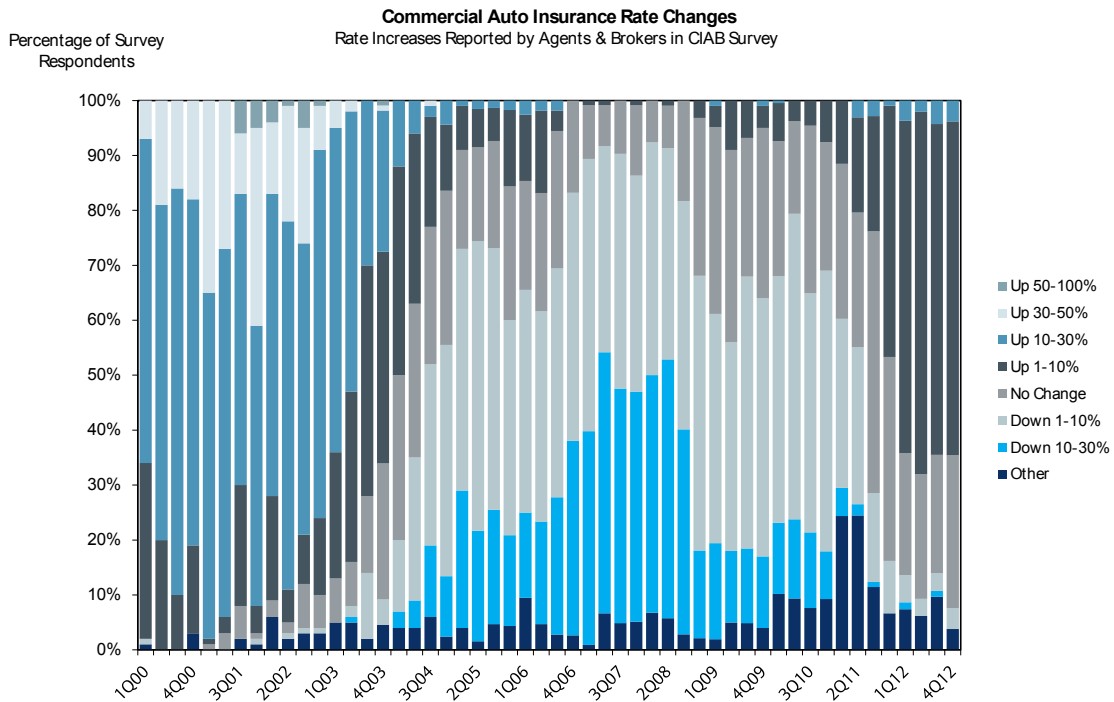
Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.



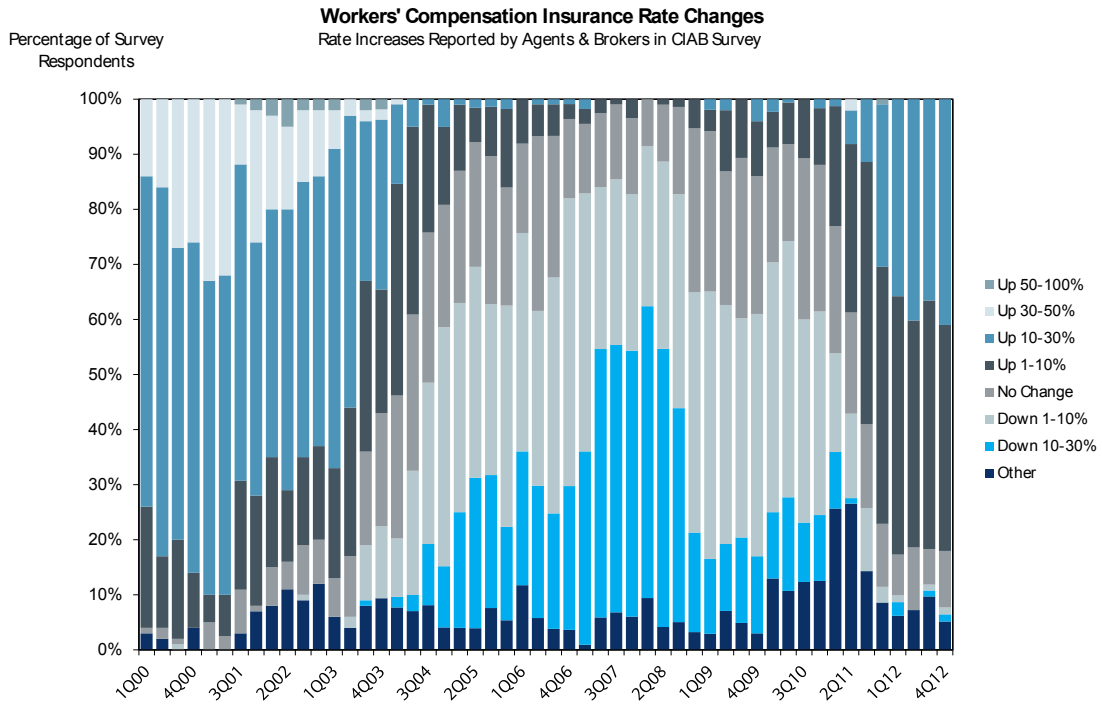
Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.



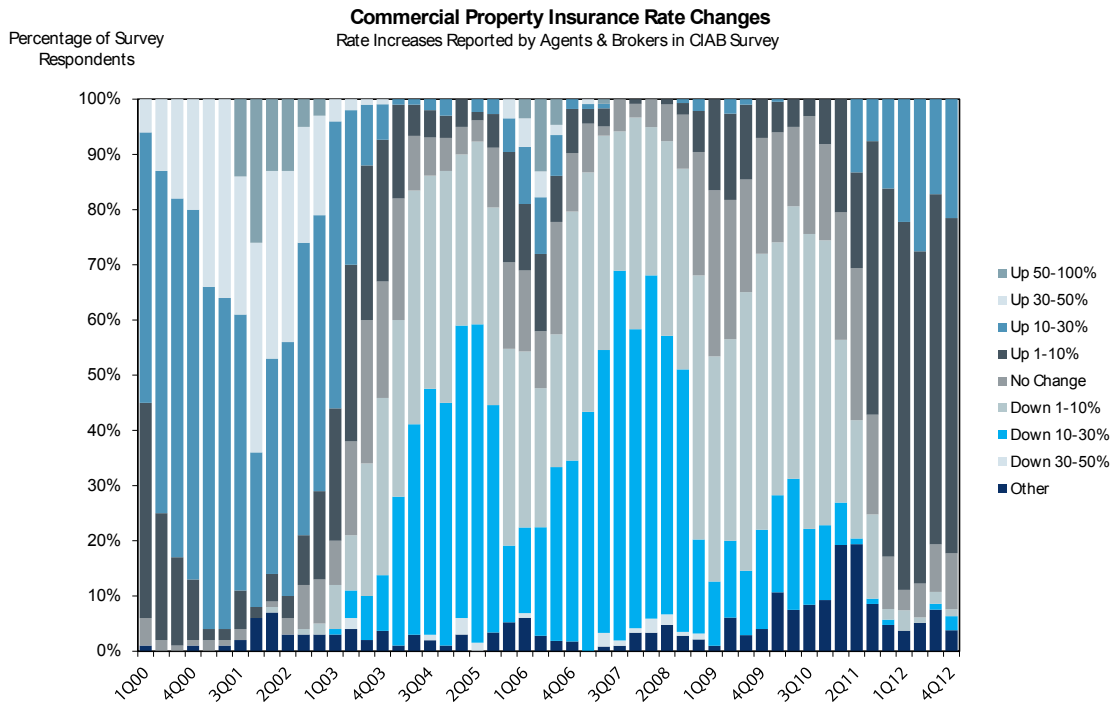
Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.



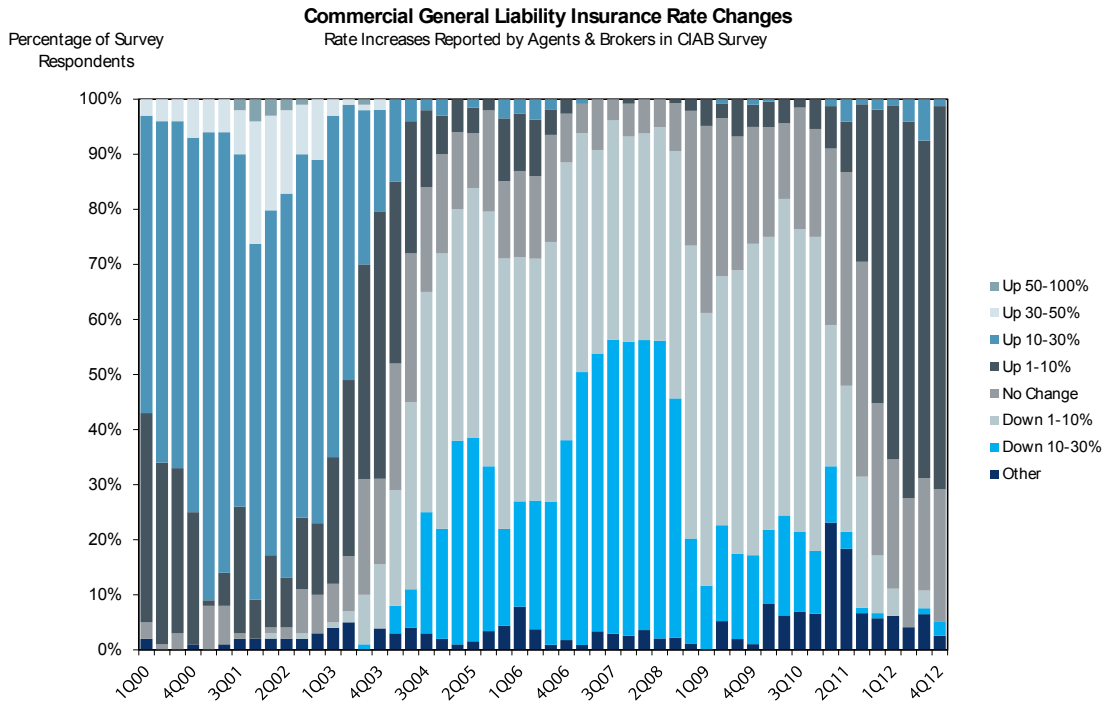
Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.



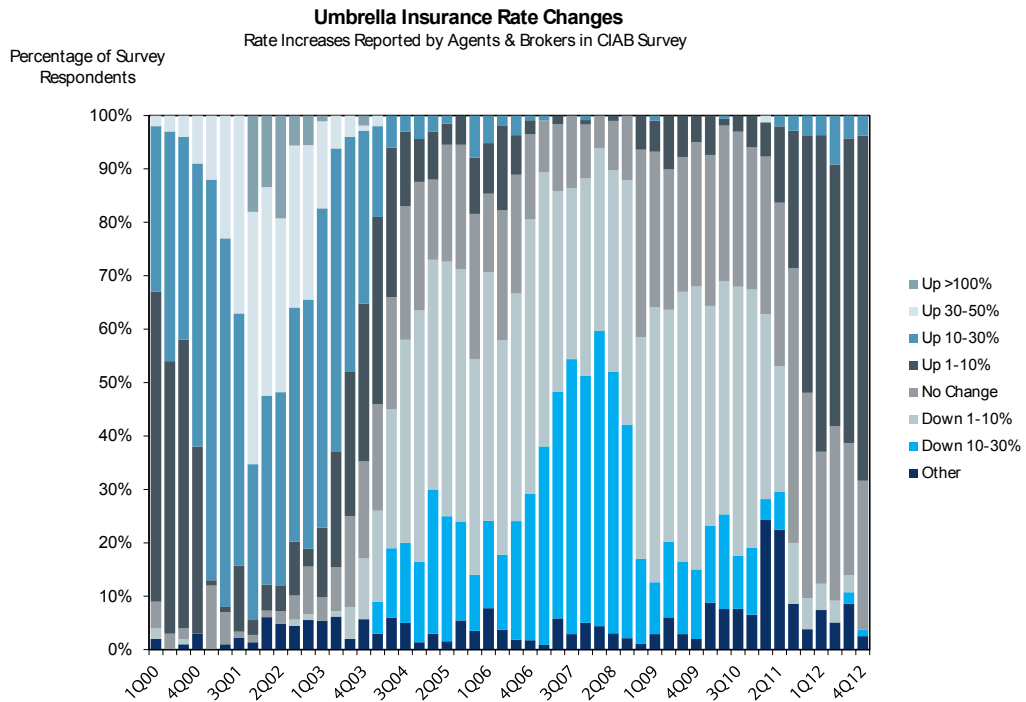
Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.



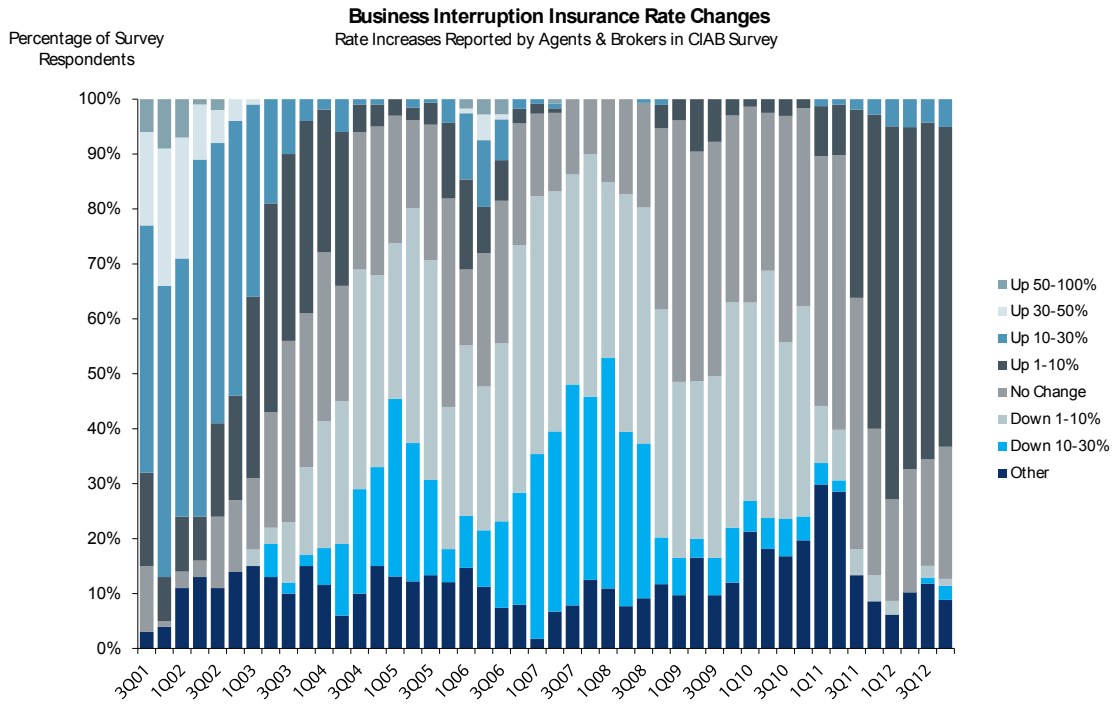
Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.



Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.



Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.



Source: The Council of Insurance Agents & Brokers. Chart prepared by Barclays Research.

RECOMMENDATION FOR APPROVAL OF THE FY 2013/2014 OPERATING BUDGET

ISSUE: CSURMA's next fiscal year begins on July 1, 2013. The FY 2013/14 operating budget is to be approved by the Board of Directors at its May 10, 2013 meeting. The Chancellor's Office and the Program Administrators worked together to develop a draft FY 2013/14 budget for the Executive Committee to review at today's meeting.

AORMA separately develops a budget for its coverage programs. The AORMA Committee will meet on March 21, 2013 to finalize its proposed budget for FY 2013/14 and will make a recommendation to the Executive Committee to include its budget in the CSURMA operating budget for adoption by the Board of Directors. AORMA Committee members will be present today to discuss any changes to its draft budget for FY 2013/14.

Major features of the proposed **Campus Programs** budget include:

- Projected decrease in Total contributions from \$73,981,577 to \$69,735,358.
- Projected decrease in Liability contributions from \$14,573,913 to \$13,670,600 due to actuarial projected claim trend.
- Projected decrease in Workers' Compensation contributions from \$29,652,429 to \$29,448,933 due to actuarial projected claim trend.
- Projected decrease in IDL/NDL/UI contributions from \$15,216,515 (inclusive of UI assessment) to \$13,500,000.
- Projected decrease in Property contributions from \$10,900,000 to \$9,500,000 due to change in Property rates. Premiums are subject to adjustment based on final reported total insured values (TIV).
- Projected decrease in AIME contributions from \$2,955,384 to \$2,932,489 due to actuarial projected claim trend.
- Projected no change in Auto Liability. Premiums are subject to final approved allocation by DGS Office of Risk & Insurance Management.

Major features of the proposed **AORMA Programs** budget include:

- Projected increase in Total contributions from \$12,962,681 to \$14,293,685.
- Projected increase in Liability contributions from \$3,546,798 to \$3,665,132 due to actuarial projected claim trend and projected reinsurance premiums.
- Projected increase in Workers' Compensation contributions from \$4,179,283 to \$4,444,743 due to actuarial projected claim trend and projected excess insurance premium.

- Projected increase in Property contributions from \$3,028,727 to \$3,539,254 due to change in total insured values and expected insurance premiums. Premiums are subject to adjustment based on final reported total insured values (TIV) and final negotiated rates.
- Projected increase in Crime from \$290,404 to \$351,104 due to claims experience.
- Projected increase in Unemployment Insurance contributions from \$1,917,469 to \$2,293,452 due to claims experience.

Additionally, CSURMA added a new fund in August 2012 for Club Sports Insurance Program for the University's inter-mural, intra-mural & recreational sports.

Staff will be present at today's meeting to review the proposed budget.

RECOMMENDATION: The Executive Committee is asked to review the draft budget for FY 2013/14 and make a recommendation to the Board of Directors for adoption with changes as appropriate.

FISCAL IMPACT: The proposed operating budget would develop Total Contributions of \$91,413,064; Total Operating Expenses of \$85,062,147; and Total Non-Operating Revenues of \$5,000,000; generating excess revenue to expenses of \$10,360,917 in projected additions to reserves. *The preceding does not include projected Dividend Distributions during FY 2013/14, which, if any, will increase expenditures and decrease fund reserves.*

BACKGROUND: The proposed budget is detailed by program in the draft document included with the agenda packet.

PUBLICATION: None.

ATTACHMENT(S):

- a. Draft FY 2013/14 CSURMA Budget of Revenues and Expenses

CSURMA

Cash Flow Budget of Revenues and Expenses Fiscal Year July 1, 2013 to June 30, 2014

Draft 10

**Executive Committee
March 21, 2013**

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

TOTAL: ALL FUNDS

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	90,030,846	91,413,064	1,382,218
Reinsurance Premiums	-3,004,509	-990,000	2,014,509
Total Operating Revenues	<u>87,026,337</u>	<u>90,423,064</u>	<u>3,396,727</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	59,249,626	64,738,427	5,488,801
Deductible Recoveries	-4,050,000	-4,050,000	0
Claims Administrators	4,639,795	4,661,895	22,100
Claims Management Information System	100,000	100,000	0
Program Administrators	2,449,686	2,449,686	0
Brokerage Commissions & Fees	1,258,407	1,258,407	0
Insurance Premiums (net of brokerage)	19,305,370	19,315,224	9,854
Taxes, Assessments & Fees	235,000	235,000	0
Actuarial Services	26,000	26,000	0
Claims Audit	22,000	22,000	0
Coverage Counsel	16,000	16,000	0
Program Legal	12,500	2,500	-10,000
Miscellaneous Program Services	11,905	11,755	-150
Workshop/Training Expenses	35,000	88,000	53,000
Loss Control Expenses	558,125	658,125	100,000
Appraisals	0	0	0
Reinsurance Recovery	-11,830,493	-8,453,500	3,376,993
Program Committee	30,688	30,688	0
Dividend Distributions	9,723,907	2,219,190	-7,504,717
Total Direct Program Expenses	<u>81,793,516</u>	<u>83,329,397</u>	<u>1,535,881</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

TOTAL: ALL FUNDS

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget <u>Change</u>
General & Administrative Expenses			
Financial Audit	55,000	55,000	0
Executive Committee & Board Expenses	34,000	34,000	0
JPA Insurance	27,500	27,500	0
Memberships, Associations & Dues	5,250	5,250	0
Chancellor's Office Accounting Services	325,000	325,000	0
Chancellor's Office Risk Management Service	1,116,000	1,266,000	150,000
JPA Accreditation	0	0	0
JPA Legal	5,000	5,000	0
Miscellaneous Expenses	15,000	15,000	0
Total General & Administrative Expenses	<u>1,582,750</u>	<u>1,732,750</u>	<u>150,000</u>
Total Operating Expenses	<u>83,376,266</u>	<u>85,062,147</u>	<u>1,685,881</u>
Non-Operating Revenues			
Investment Income	5,000,000	5,000,000	0
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>5,000,000</u>	<u>5,000,000</u>	<u>0</u>
Net Surplus (Deficit)	<u>8,650,071</u>	<u>10,360,917</u>	
Beginning Retained Earnings	58,358,534	67,008,604	
Ending Retained Earnings	67,008,604	77,369,521	

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

GENERAL FUND

**To allocate General Expenses
to Program Funds**

<i>Amended</i>	<i>Proposed</i>	
FY 12/13	FY 13/14	Budget
<u>Budget</u>	<u>Budget</u>	<u>Change</u>

Operating Revenues

Contributions	0	0	0
Reinsurance Premiums	0	0	0
Total Operating Revenues	<u>0</u>	<u>0</u>	<u>0</u>

Operating Expenses

Direct Program Expenses

Claims Payments & Legal Expenses	0	0	0
Deductible Recoveries	0	0	0
Claims Administrators	0	0	0
Claims Management Information System	0	0	0
Program Administrators	0	0	0
Brokerage Commissions & Fees	0	0	0
Insurance Premiums (net of brokerage)	0	0	0
Taxes, Assessments & Fees	0	0	0
Actuarial Services	0	0	0
Claims Audit	0	0	0
Coverage Counsel	0	0	0
Program Legal	0	0	0
Miscellaneous Program Services	0	0	0
Workshop/Training Expenses	0	0	0
Loss Control Expenses	0	0	0
Appraisals	0	0	0
Reinsurance Recovery	0	0	0
Program Committee	0	0	0
Dividend Distributions	0	0	0
Total Direct Program Expenses	<u>0</u>	<u>0</u>	<u>0</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

GENERAL FUND

To allocate General Expenses
to Program Funds

Amended *Proposed*
FY 12/13 FY 13/14 Budget
Budget Budget Change

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	
General & Administrative Expenses			
Financial Audit	55,000	55,000	0
Executive Committee & Board Expenses	34,000	34,000	0
JPA Insurance	27,500	27,500	0
Memberships, Associations & Dues	5,250	5,250	0
Chancellor's Office Accounting Services	325,000	325,000	0
Chancellor's Office Risk Management Service	1,116,000	1,116,000	0
JPA Accreditation	0	0	0
JPA Legal	5,000	5,000	0
Miscellaneous Expenses	15,000	15,000	0
Total General & Administrative Expenses	<u>1,582,750</u>	<u>1,582,750</u>	<u>0</u>
Total Operating Expenses	<u>1,582,750</u>	<u>1,582,750</u>	<u>0</u>
Non-Operating Revenues			
Investment Income	5,000,000	5,000,000	0
Interest Income - Loans (separate fund)	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>5,000,000</u>	<u>5,000,000</u>	<u>0</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

TOTAL: CAMPUS PROGRAMS

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	73,981,577	69,735,358	-4,246,219
Reinsurance Premiums	-2,179,509	-165,000	2,014,509
Total Operating Revenues	<u>71,802,068</u>	<u>69,570,358</u>	<u>-2,231,710</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	53,777,398	59,019,141	5,241,743
Deductible Recoveries	-4,000,000	-4,000,000	0
Claims Administrators	4,394,795	4,404,795	10,000
Claims Management Information System	100,000	100,000	0
Program Administrators	964,190	964,190	0
Brokerage Commissions & Fees	920,500	920,500	0
Insurance Premiums (net of brokerage)	13,636,503	13,646,357	9,854
Taxes, Assessments & Fees	200,000	200,000	0
Actuarial Services	15,000	15,000	0
Claims Audit	12,000	12,000	0
Coverage Counsel	10,000	10,000	0
Program Legal	0	0	0
Miscellaneous Program Services	11,650	11,500	-150
Workshop/Training Expenses	20,000	61,112	41,112
Loss Control Expenses	300,000	384,169	84,169
Appraisals	0	0	0
Reinsurance Recovery	-11,830,493	-8,453,500	3,376,993
Program Committee	2,000	2,000	0
Dividend Distributions	7,504,717	0	-7,504,717
Total Direct Program Expenses	<u>66,038,260</u>	<u>67,297,265</u>	<u>1,259,005</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

TOTAL: CAMPUS PROGRAMS

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget <u>Change</u>
General & Administrative Expenses			
Financial Audit	41,053	41,998	945
Executive Committee & Board Expenses	25,378	25,962	584
JPA Insurance	20,526	20,999	473
Memberships, Associations & Dues	3,919	4,009	90
Chancellor's Office Accounting Services	242,584	248,170	5,586
Chancellor's Office Risk Management Service	832,995	1,002,176	169,181
JPA Accreditation	0	0	0
JPA Legal	3,732	3,818	86
Miscellaneous Expenses	11,196	11,454	258
Total General & Administrative Expenses	<u>1,181,382</u>	<u>1,358,586</u>	<u>177,203</u>
Total Operating Expenses	<u>67,219,643</u>	<u>68,655,851</u>	<u>1,436,208</u>
Non-Operating Revenues			
Investment Income	4,307,524	4,539,333	231,809
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>4,307,524</u>	<u>4,539,333</u>	<u>231,809</u>
Net Surplus (Deficit)	<u>8,889,949</u>	<u>5,453,840</u>	
Beginning Retained Earnings	46,504,544	55,394,493	
Ending Retained Earnings	55,394,493	60,848,334	

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS LIABILITY PROGRAM

(Fund 10)

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	14,573,913	13,670,600	-903,313
Reinsurance Premiums	-165,000	-165,000	0
Total Operating Revenues	<u>14,408,913</u>	<u>13,505,600</u>	<u>-903,313</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	9,431,586	19,451,425	10,019,839
Deductible Recoveries	-4,000,000	-4,000,000	0
Claims Administrators	81,909	81,909	0
Claims Management Information System	100,000	100,000	0
Program Administrators	194,334	182,633	-11,701
Brokerage Commissions & Fees	316,000	316,000	0
Insurance Premiums (net of brokerage)	3,542,173	3,552,027	9,854
Taxes, Assessments & Fees	200,000	200,000	0
Actuarial Services	6,000	6,000	0
Claims Audit	10,000	10,000	0
Coverage Counsel	10,000	10,000	0
Program Legal	0	0	0
Miscellaneous Program Services	1,000	1,000	0
Workshop/Training Expenses	0	8,500	8,500
Loss Control Expenses	300,000	326,685	26,685
Appraisals	0	0	0
Reinsurance Recovery	0	0	0
Program Committee	0	0	0
Dividend Distributions	0	0	0
Total Direct Program Expenses	<u>10,193,002</u>	<u>20,246,179</u>	<u>10,053,177</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS LIABILITY PROGRAM

(Fund 10)

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget <u>Change</u>
General & Administrative Expenses			
Financial Audit	8,482	8,315	-167
Executive Committee & Board Expenses	5,243	5,140	-103
JPA Insurance	4,241	4,157	-84
Memberships, Associations & Dues	810	794	-16
Chancellor's Office Accounting Services	50,119	49,131	-987
Chancellor's Office Risk Management Service	172,099	198,406	26,307
JPA Accreditation	0	0	0
JPA Legal	771	756	-15
Miscellaneous Expenses	2,313	2,268	-46
Total General & Administrative Expenses	<u>244,077</u>	<u>268,967</u>	<u>24,889</u>
Total Operating Expenses	<u>10,437,080</u>	<u>20,515,146</u>	<u>10,078,066</u>
Non-Operating Revenues			
Investment Income	1,380,048	1,182,265	-197,783
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>1,380,048</u>	<u>1,182,265</u>	<u>-197,783</u>
Net Surplus (Deficit)	<u>5,351,881</u>	<u>-5,827,281</u>	
Beginning Retained Earnings	19,801,080	25,152,961	
Ending Retained Earnings	25,152,961	19,325,680	

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS WORKERS' COMPENSATION PROGRAM

(Fund 11)

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	29,652,429	29,448,933	-203,496
Reinsurance Premiums	-2,014,509	0	2,014,509
Total Operating Revenues	<u>27,637,920</u>	<u>29,448,933</u>	<u>1,811,013</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	22,404,634	21,671,122	-733,512
Deductible Recoveries	0	0	0
Claims Administrators	4,132,886	4,132,886	0
Claims Management Information System	0	0	0
Program Administrators	395,396	393,424	-1,972
Brokerage Commissions & Fees	160,000	160,000	0
Insurance Premiums (net of brokerage)	1,629,995	1,629,995	0
Taxes, Assessments & Fees	0	0	0
Actuarial Services	6,000	6,000	0
Claims Audit	2,000	2,000	0
Coverage Counsel	0	0	0
Program Legal	0	0	0
Miscellaneous Program Services	8,500	8,500	0
Workshop/Training Expenses	0	18,311	18,311
Loss Control Expenses	0	57,484	57,484
Appraisals	0	0	0
Reinsurance Recovery	-11,830,493	-8,453,500	3,376,993
Program Committee	0	0	0
Dividend Distributions	7,504,717	0	-7,504,717

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS WORKERS' COMPENSATION PROGRAM

(Fund 11)

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget <u>Change</u>
Total Direct Program Expenses	<u>24,413,635</u>	<u>19,626,222</u>	<u>-4,787,413</u>
General & Administrative Expenses			
Financial Audit	17,257	17,911	654
Executive Committee & Board Expenses	10,668	11,072	404
JPA Insurance	8,628	8,956	327
Memberships, Associations & Dues	1,647	1,710	62
Chancellor's Office Accounting Services	101,972	105,838	3,866
Chancellor's Office Risk Management Service	350,157	427,403	77,245
JPA Accreditation	0	0	0
JPA Legal	1,569	1,628	59
Miscellaneous Expenses	4,706	4,885	178
Total General & Administrative Expenses	<u>496,605</u>	<u>579,402</u>	<u>82,797</u>
Total Operating Expenses	<u>24,910,240</u>	<u>20,205,624</u>	<u>-4,704,616</u>
Non-Operating Revenues			
Investment Income	2,538,380	2,588,728	50,348
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>2,538,380</u>	<u>2,588,728</u>	<u>50,348</u>
Net Surplus (Deficit)	<u>5,266,060</u>	<u>11,832,037</u>	
Beginning Retained Earnings	18,370,519	23,636,579	
Ending Retained Earnings	23,636,579	35,468,615	

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS WORKERS' COMPENSATION PROGRAM

(Fund 11)

Amended
FY 12/13
Budget

Proposed
FY 13/14
Budget

Budget
Change

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS IDL NDL UI PROGRAM *

(Fund 12)

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	15,216,515	13,500,000	-1,716,515
Reinsurance Premiums	0	0	0
Total Operating Revenues	<u>15,216,515</u>	<u>13,500,000</u>	<u>-1,716,515</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	16,000,000	12,000,000	-4,000,000
Deductible Recoveries	0	0	0
Claims Administrators	60,000	60,000	0
Claims Management Information System	0	0	0
Program Administrators	166,680	180,354	13,674
Brokerage Commissions & Fees	0	0	0
Insurance Premiums (net of brokerage)	0	0	0
Taxes, Assessments & Fees	0	0	0
Actuarial Services	0	0	0
Claims Audit	0	0	0
Coverage Counsel	0	0	0
Program Legal	0	0	0
Miscellaneous Program Services	1,000	1,000	0
Workshop/Training Expenses	0	8,394	8,394
Loss Control Expenses	0	0	0
Appraisals	0	0	0
Reinsurance Recovery	0	0	0
Program Committee	0	0	0
Dividend Distributions	0	0	0
Total Direct Program Expenses	<u>16,227,680</u>	<u>12,249,748</u>	<u>-3,977,932</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS IDL NDL UI PROGRAM *

(Fund 12)

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget Change
General & Administrative Expenses			
Financial Audit	7,275	8,211	936
Executive Committee & Board Expenses	4,497	5,076	579
JPA Insurance	3,637	4,105	468
Memberships, Associations & Dues	694	784	89
Chancellor's Office Accounting Services	42,987	48,518	5,532
Chancellor's Office Risk Management Service	147,609	195,930	48,321
JPA Accreditation	0	0	0
JPA Legal	661	746	85
Miscellaneous Expenses	1,984	2,239	255
 Total General & Administrative Expenses	 <u>209,344</u>	 <u>265,610</u>	 <u>56,266</u>
 Total Operating Expenses	 <u>16,437,024</u>	 <u>12,515,358</u>	 <u>-3,921,667</u>
Non-Operating Revenues			
Investment Income	100,627	484,565	383,939
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
 Total Non-Operating Revenues	 <u>100,627</u>	 <u>484,565</u>	 <u>383,939</u>
 Net Surplus (Deficit)	 <u>-1,119,883</u>	 <u>1,469,207</u>	
 Beginning Retained Earnings	 510,717	 -609,165	
Ending Retained Earnings	-609,165	860,042	

* Industrial Disability, Non-industrial Disability, Unemployment Insurance

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS PROPERTY PROGRAM

(Fund 13)

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	10,900,000	9,500,000	-1,400,000
Reinsurance Premiums	0	0	0
Total Operating Revenues	<u>10,900,000</u>	<u>9,500,000</u>	<u>-1,400,000</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	3,363,266	3,363,266	0
Deductible Recoveries	0	0	0
Claims Administrators	0	0	0
Claims Management Information System	0	0	0
Program Administrators	198,145	198,145	0
Brokerage Commissions & Fees	442,500	442,500	0
Insurance Premiums (net of brokerage)	7,761,199	7,761,199	0
Taxes, Assessments & Fees	0	0	0
Actuarial Services	0	0	0
Claims Audit	0	0	0
Coverage Counsel	0	0	0
Program Legal	0	0	0
Miscellaneous Program Services	1,000	1,000	0
Workshop/Training Expenses	0	5,907	5,907
Loss Control Expenses	0	0	0
Appraisals	0	0	0
Reinsurance Recovery	0	0	0
Program Committee	0	0	0
Dividend Distributions	0	0	0

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS PROPERTY PROGRAM

(Fund 13)

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget <u>Change</u>
Total Direct Program Expenses	<u>11,766,110</u>	<u>11,772,017</u>	<u>5,907</u>
General & Administrative Expenses			
Financial Audit	6,343	5,778	-566
Executive Committee & Board Expenses	3,921	3,572	-350
JPA Insurance	3,172	2,889	-283
Memberships, Associations & Dues	606	552	-54
Chancellor's Office Accounting Services	37,484	34,143	-3,342
Chancellor's Office Risk Management Service	128,715	137,877	9,162
JPA Accreditation	0	0	0
JPA Legal	577	525	-51
Miscellaneous Expenses	1,730	1,576	-154
Total General & Administrative Expenses	<u>182,548</u>	<u>186,911</u>	<u>4,363</u>
Total Operating Expenses	<u>11,948,658</u>	<u>11,958,928</u>	<u>10,270</u>
Non-Operating Revenues			
Investment Income	163,736	119,676	-44,060
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>163,736</u>	<u>119,676</u>	<u>-44,060</u>
Net Surplus (Deficit)	<u>-884,922</u>	<u>-2,339,251</u>	
Beginning Retained Earnings	6,960,281	6,075,359	
Ending Retained Earnings	6,075,359	3,736,107	

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS PROPERTY PROGRAM

(Fund 13)

<i>Amended</i>	<i>Proposed</i>	
FY 12/13	FY 13/14	Budget
<u>Budget</u>	<u>Budget</u>	<u>Change</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS ATHLETIC INJURY MEDICAL EXPENSE

(Fund 14)

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget <u>Change</u>
Operating Revenues			
Contributions	2,955,384	2,932,489	-22,895
Reinsurance Premiums	0	0	0
Total Operating Revenues	<u>2,955,384</u>	<u>2,932,489</u>	<u>-22,895</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	2,577,912	2,533,328	-44,584
Deductible Recoveries	0	0	0
Claims Administrators	120,000	130,000	10,000
Claims Management Information System	0	0	0
Program Administrators	9,635	9,635	0
Brokerage Commissions & Fees	2,000	2,000	0
Insurance Premiums (net of brokerage)	19,800	19,800	0
Taxes, Assessments & Fees	0	0	0
Actuarial Services	3,000	3,000	0
Claims Audit	0	0	0
Coverage Counsel	0	0	0
Program Legal	0	0	0
Miscellaneous Program Services	150	0	-150
Workshop/Training Expenses	20,000	20,000	0
Loss Control Expenses	0	0	0
Appraisals	0	0	0
Reinsurance Recovery	0	0	0
Program Committee	2,000	2,000	0
Dividend Distributions	0	0	0
Total Direct Program Expenses	<u>2,754,497</u>	<u>2,719,763</u>	<u>-34,734</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS ATHLETIC INJURY MEDICAL EXPENSE

(Fund 14)

<i>Amended</i>	<i>Proposed</i>	
FY 12/13	FY 13/14	Budget
<u>Budget</u>	<u>Budget</u>	<u>Change</u>

General & Administrative Expenses

Financial Audit	1,696	1,784	88
Executive Committee & Board Expenses	1,048	1,103	54
JPA Insurance	848	892	44
Memberships, Associations & Dues	162	170	8
Chancellor's Office Accounting Services	10,022	10,539	517
Chancellor's Office Risk Management Services	34,414	42,560	8,146
JPA Accreditation	0	0	0
JPA Legal	154	162	8
Miscellaneous Expenses	463	486	24
Total General & Administrative Expenses	<u>48,807</u>	<u>57,696</u>	<u>8,889</u>
Total Operating Expenses	<u>2,803,304</u>	<u>2,777,459</u>	<u>-25,845</u>

Non-Operating Revenues

Investment Income	124,733	164,099	39,366
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>124,733</u>	<u>164,099</u>	<u>39,366</u>

Net Surplus (Deficit) **276,813** **319,128**

Beginning Retained Earnings **861,948** 1,138,760
Ending Retained Earnings 1,138,760 1,457,889

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS AUTO LIABILITY PROGRAM *

(Fund 15)

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget Change
Operating Revenues			
Contributions	683,336	683,336	0
Reinsurance Premiums	0	0	0
Total Operating Revenues	<u>683,336</u>	<u>683,336</u>	<u>0</u>
Operating Expenses			
<i>Direct Program Expenses</i>			
Claims Payments & Legal Expenses	0	0	0
Deductible Recoveries	0	0	0
Claims Administrators	0	0	0
Claims Management Information System	0	0	0
Program Administrators	0	0	0
Brokerage Commissions & Fees	0	0	0
Insurance Premiums (net of brokerage)	683,336	683,336	0
Taxes, Assessments & Fees	0	0	0
Actuarial Services	0	0	0
Claims Audit	0	0	0
Coverage Counsel	0	0	0
Program Legal	0	0	0
Miscellaneous Program Services	0	0	0
Workshop/Training Expenses	0	0	0
Loss Control Expenses	0	0	0
Appraisals	0	0	0
Reinsurance Recovery	0	0	0
Program Committee	0	0	0
Dividend Distributions	0	0	0
Total Direct Program Expenses	<u>683,336</u>	<u>683,336</u>	<u>0</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS AUTO LIABILITY PROGRAM *

(Fund 15)

	<i>Amended</i> FY 12/13 <u>Budget</u>	<i>Proposed</i> FY 13/14 <u>Budget</u>	Budget Change
General & Administrative Expenses			
Financial Audit	0	0	0
Executive Committee & Board Expenses	0	0	0
JPA Insurance	0	0	0
Memberships, Associations & Dues	0	0	0
Chancellor's Office Accounting Services	0	0	0
Chancellor's Office Risk Management Service	0	0	0
JPA Accreditation	0	0	0
JPA Legal	0	0	0
Miscellaneous Expenses	0	0	0
Total General & Administrative Expenses	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	<u>683,336</u>	<u>683,336</u>	<u>0</u>
Non-Operating Revenues			
Investment Income	0	0	0
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>0</u>	<u>0</u>	<u>0</u>
Net Surplus (Deficit)	<u>0</u>	<u>0</u>	
Beginning Retained Earnings	0	0	
Ending Retained Earnings	0	0	

* Vehicle Liability Self-Insurance Program
 State Motor Vehicle Self-Insurance Account

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS STUDENT HEALTH INSURANCE PROGRAM *

(Fund __)

<i>Amended</i>	<i>Proposed</i>	
FY 12/13	FY 13/14	Budget
<u>Budget</u>	<u>Budget</u>	<u>Change</u>

Operating Revenues

Contributions	0	0	0
Reinsurance Premiums	0	0	0
Total Operating Revenues	<u>0</u>	<u>0</u>	<u>0</u>

Operating Expenses

Direct Program Expenses

Claims Payments & Legal Expenses	0	0	0
Deductible Recoveries	0	0	0
Claims Administrators	0	0	0
Claims Management Information System	0	0	0
Program Administrators	0	0	0
Brokerage Commissions & Fees	0	0	0
Insurance Premiums (net of brokerage)	0	0	0
Taxes, Assessments & Fees	0	0	0
Actuarial Services	0	0	0
Claims Audit	0	0	0
Coverage Counsel	0	0	0
Program Legal	0	0	0
Miscellaneous Program Services	0	0	0
Workshop/Training Expenses	0	0	0
Loss Control Expenses	0	0	0
Appraisals	0	0	0
Reinsurance Recovery	0	0	0
Program Committee	0	0	0
Dividend Distributions	0	0	0
Total Direct Program Expenses	<u>0</u>	<u>0</u>	<u>0</u>

CSURMA
Cash Flow Budget of Revenues and Expenses
Fiscal Year July 1, 2013 to June 30, 2014

DRAFT

CAMPUS STUDENT HEALTH INSURANCE PROGRAM *

(Fund __)

<i>Amended</i>	<i>Proposed</i>	
FY 12/13	FY 13/14	Budget
<u>Budget</u>	<u>Budget</u>	<u>Change</u>

General & Administrative Expenses

Financial Audit	0	0	0
Executive Committee & Board Expenses	0	0	0
JPA Insurance	0	0	0
Memberships, Associations & Dues	0	0	0
Chancellor's Office Accounting Services	0	0	0
Chancellor's Office Risk Management Service	0	0	0
JPA Accreditation	0	0	0
JPA Legal	0	0	0
Miscellaneous Expenses	0	0	0
Total General & Administrative Expenses	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>

Non-Operating Revenues

Investment Income	0	0	0
Interest Income - Loans	0	0	0
Miscellaneous Fee Revenue	0	0	0
Total Non-Operating Revenues	<u>0</u>	<u>0</u>	<u>0</u>

Net Surplus (Deficit) 0 0

Beginning Retained Earnings 0 0
Ending Retained Earnings 0 0

* Launched __

**APPOINTMENT OF NOMINATIONS COMMITTEE FOR EXECUTIVE
COMMITTEE ELECTIONS**

ISSUE: The Chair of the Executive Committee will discuss the appointment of the three seats up for re-election for the term beginning July 1, 2013. The CSURMA Board of Directors will elect a new CSU member to the Executive Committee at tomorrow's meeting. The Nominating Committee will present the Board with their recommendations at tomorrow's meeting.

Auxiliary Organizations elect their two Executive Committee representatives at their December meeting for the term beginning July 1.

RECOMMENDATION: It is recommended that the Executive Committee recommend to the Board of Directors approval of the proposed nomination slate as presented at tomorrow's meeting.

FISCAL IMPACT: None

BACKGROUND: The CSURMA Joint Exercise of Powers Agreement and Bylaws provide that the Executive Committee, consisting of nine members, shall be elected so that approximately half of the members come up for election each year. Executive Committee members serve two-year terms. The goal of staggering the seat elections is to maintain continuity, so that CSURMA benefits from the expertise Committee members develop during their terms. Auxiliary Organizations elect their representative at their May meeting for the term beginning July 1.

BACKGROUND: None.

ATTACHMENT(S):

- a. CSURMA Executive Committee Terms of Office Table FY 2013/2014

CSURMA

EXECUTIVE COMMITTEE TERMS OF OFFICE FY 2013/2014

Position	July 1, 2003 to June 30, 2004	July 1, 2004 to June 30, 2005	July 1, 2005 to June 30, 2006	July 1, 2006 to June 30, 2007	July 1, 2007 to June 30, 2008	July 1, 2008 to June 30, 2009	July 1, 2009 to June 30, 2010	July 1, 2010 to June 30, 2011	July 1, 2011 to June 30, 2012	July 1, 2012 to June 30, 2013	July 1, 2013 to June 30, 2014
Chair - even year	Qayoumi	Qayoumi	Qayoumi	Morishita	Morishita	Morishita	Morishita	Matson	Matson	Matson	Matson
Vice-Chair - even year	Roush	Morishita	Morishita	Graham	Graham	Matson	Matson	Rodriguez	Rodriguez	Rodriguez	Rodriguez
CSU Seat #1 - odd year	Morishita	Graham	Graham	Matson	Matson	Rodriguez	Rodriguez	Morishita	Hawk	Hawk	Hawk
CSU Seat #2 - odd year	Risser	Risser	Risser	Risser	Risser/Thorpe	Thorpe	Thorpe	Thorpe	Thorpe	Thorpe	Thorpe
CSU Seat #3 - even year	D. West	D. West	D. West	D. West	D. West	Wight	Wight	Wight	VACANT	Gentles	Gentles
CSU Seat #4 - even year	Garcia	Garcia	Garcia	Garcia	Garcia	Garcia	Garcia	McCarron	McCarron	McCarron	<i>TBD</i>
AORMA Seat #5 - Chair	Heiser	Clark	Mumford	Jackson	Prenovost	Mimnaugh	Brown	Brown	Worley	Borsting	<i>TBD</i>
AORMA Seat #6 - V Chair	Nordstrom	Heiser	Clark	Mumford	Jackson	Prenovost	Mimnaugh	Worley	Borsting	Brumett	<i>TBD</i>
CSU Seat #1/Treasurer - Appointed by EVC/CFO	Hordyk	Hordyk	Hordyk	Hordyk	Hordyk/Nickles	Nickles	Ashkar	Ashkar	Ashkar	Ashkar	Ashkar
Secretary/Auditor - Appointed	Minnick	Minnick	Minnick	Minnick	Minnick	Minnick	Minnick	Minnick	Minnick	Minnick	Minnick

Note: N/A indicates the two seats that were added by the reorganization and Joint Powers Agreement change.
 The Treasurer is appointed by the CSU Executive Vice Chancellor/CFO and holds a seat on the CSURMA Executive Committee.
 The Secretary-Auditor is appointed by the CSURMA Executive Committee and does not hold a voting seat on the Executive Committee.
TBD in BOLD & ITALICS indicates seat up for election at May 2013 Board of Directors meeting.

CAJPA ACCREDITATION

ISSUE: CSURMA has not sought California Association of Joint Powers Authorities (CAJPA) accreditation for over a decade at the direction of the CSURMA Executive Committee. In 2011, the Executive Committee directed staff to engage CAJPA's independent accreditation auditor, James Marta, to perform a review of the JPA's practices relative to CAJPA's accreditation standards. The University Trustee's Audit raised the issue of whether the CSURMA Board or Executive Committee had formally approved the decision not to pursue accreditation.

RECOMMENDATION: It is recommended that the Executive Committee consider whether to pursue CAJPA accreditation and take action as appropriate.

FISCAL IMPACT: The cost of CAJPA accreditation for an organization of CSURMA's size is currently \$10,000 every three years. The cost of the independent evaluation without formal accreditation is approximately \$5,000.

BACKGROUND: CSURMA was accredited by CAJPA in the 1990's. When the workers' compensation crisis damaged California JPA balance sheets at the turn of the century, CAJPA began requiring elevated funding levels to reduce deficits. The CSURMA Executive Committee was advised that CAJPA would withhold accreditation if the CSURMA did not adopt mandatory funding requirements for the University and also establish a mandatory minimum funded reserve. At that time, the Executive Committee and University were not prepared to commit to funding requirements set by an external entity, and CSURMA withdrew from CAJPA accreditation. CSURMA is now fully funded in compliance with CAJPA accreditation requirements; however the question remains whether the University would want to be bound by externally imposed funding requirements. CAJPA's funding requirements are established to reduce the risk of funding deficit assessments for JPA members. The CSURMA Campus Risk Pool program is unique among JPA's in that it has only one legal entity member – the CSU, and as a result there is not a risk of the University suffering a default from another member.

PUBLICATION: None.

ATTACHMENT(S): None.

MOU BETWEEN CSURMA AND CHANCELLOR'S OFFICE

ISSUE: The CSU University Auditor has drafted a finding that CSURMA's documentation for reimbursement of certain Chancellor's Office Expenses is not sufficient. While CSURMA has appropriately reimbursed the Chancellor's Office for services, it is recommended that CSURMA establish a Memorandum of Understanding (MOU) that describes the services and cost for the following:

- Services of the Office of Systemwide Risk Management and Public Safety;
- Services of the Office of General Counsel for designated litigators; and,
- Services of the Office of Financial Services.

RECOMMENDATION: It is recommended that the Executive Committee delegate authority to the CSURMA Chair and Vice Chair to develop and execute a Memorandum of Understanding between CSURMA and the Chancellor's Office describing the scope of services to be provided to CSURMA and cost.

FISCAL IMPACT: No direct fiscal impact is expected from action at today's meeting. The cost of the current level of service is included within the CSURMA budget.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S): None.

SPECIFIED SUBJECT MATTERS IN SERVICE AGREEMENTS

ISSUE: The Trustees' Auditors recently completed a review of CSURMA operations and identified a need for a policy relating to the inclusion, review and/or approval of standard terms and conditions within CSURMA's contracts with third-party service providers. The Auditors noted that certain agreements with CSURMA service providers did not expressly address some subject matters such as the disclosure of conflicts of interest. Staff reviewed the audit findings and recommendations with the Office of General Counsel, who concluded that it is impractical to draft standard, "one size fits all" wording that would be applicable for all service agreements; instead, staff and General Counsel should be assigned the responsibility to consider each agreement, and where necessary and appropriate to require service agreements to contain provisions and terms addressing specified subject matters. CSURMA's General Counsel drafted Resolution No. 03-13 (EC) for the Executive Committee's consideration regarding a process for staff including the General Counsel to require specified subject matters in its service agreements as appropriate.

RECOMMENDATION: It is recommended the Executive Committee adopt Resolution No. 03-13 (EC).

FISCAL IMPACT: None.

BACKGROUND: The Trustees Auditors identified the need for a policy relating to the inclusion, review and/or approval of standard terms and conditions within CSURMA's contracts with third-party service providers, including the disclosure of any conflicts of interest. The conflict disclosure is also a standard requirement for CAJPA accreditation with respect to service agreements with third-party claim administrators, program administrators and brokers.

PUBLICATION: None.

ATTACHMENT(S):

- a. Draft Resolution No. 03-13 (EC)

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

**EXECUTIVE COMMITTEE
RESOLUTION NO. 03-13 (EC)**

Resolution for Specified Subject Matters in Service Agreements

IT IS RESOLVED by the Executive Committee of the California State University Risk Management Authority (“CSURMA”) as follows:

1. CSURMA has entered, and may in the future enter, into written contracts with firms or individuals that provide program administration services, insurance brokerage services and/or claims administration services, or who have access to CSURMA funds. To the extent reasonably and practicably obtainable, those written contracts shall include provisions that address each of the following subject matters:
 - (a) The scope of the services provided by the firm or individual;
 - (b) The firm or individual’s indemnification and insurance obligations and requirements;
 - (c) The firm or individual’s compensation;
 - (d) The term of the contract;
 - (e) The circumstances under which the contract may be cancelled or terminated;
 - (f) The ownership of records and work-product;
 - (g) The duty of the firm or individual to disclose all conflicts of interest, including but not limited to any financial interest that would potentially or actually interfere with its ability to act in the best interests of CSURMA;
 - (h) With respect to workers’ compensation claims only, how and by whom fines and penalties are to be paid;
 - (i) Alternative Dispute Resolution;
 - (j) The use and confidentiality of data;
 - (k) Data and information security; and,
 - (l) Privacy of personal information.

2. In addition to the written contracts described above, CSURMA has entered, and may in the future enter, into written contracts with firms or individuals for other types of services or goods. Those written contracts may, to the extent necessary and reasonably and practicably obtainable, include provisions that address the following subject matters. The need for inclusion of any provision will be determined on a case-by-case basis taking into account the nature of the services or goods being provided:
 - (a) The scope of the services provided by the firm or individual;
 - (b) The firm or individual’s indemnification and insurance obligations and requirements;
 - (c) The firm or individual’s compensation;
 - (d) The term of the contract;
 - (e) The circumstances under which the contract may be cancelled or terminated;
 - (f) The ownership of records and work-product;
 - (g) The duty of the firm or individual to disclose all conflicts of interest, including but not limited to any financial interest that would potentially or actually interfere with its ability to act in the best interests of CSURMA;

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

- (h) With respect to workers' compensation claims only, how and by whom fines and penalties are to be paid;
- (i) Alternative Dispute Resolution;
- (j) The use and confidentiality of data;
- (k) Data and information security; and,
- (l) Privacy of personal information.

In consideration of the foregoing findings and determinations,

IT IS RESOLVED by the Executive Committee of the California State University Risk Management Authority as follows:

The California State University Risk Management Authority does hereby adopt Resolution No. 03-13 (EC) as the process for requiring specified subject matters in service agreements.

* * * * *

I hereby certify that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted and passed at a meeting of the Executive Committee of the California State University Risk Management Authority held on March 21, 2013 which was approved by the following votes:

AYES, and in favor thereof, members:

NOES, members: None.

ABSTAIN, members:

ABSENT, members:

ATTEST: _____
Cynthia Teniente-Matson, Chair

Charlene M. Minnick, Secretary-Auditor

CLAIM AUDIT REQUISITIONS

ISSUE: At its December 7, 2012 meeting, the Executive Committee delegated authority to the Secretary-Auditor to enter an engagement agreement with independent professional consultants to review and audit the performance and practices of the key third-party claim administrators for CSURMA's Liability and Athletic Injury Medical Expense (AIME), at a cost not to exceed \$20,000. A Task Group was assigned to draft the scope of work, review the proposals and select the auditor(s). The Executive Committee appointed Maryann Rodriguez, Michael Thorpe, Kurt Borsting, and Dwayne Brummett to the task group.

Proposals were submitted by Bickmore Risk Services and Farley Consulting Services to audit the Chancellor's Office Risk Management for the self-administered Campus Liability Program and Carl Warren Co. for the AORMA Liability Program. Additionally, a proposal was received from Strategic Claims Direction to audit A-G Administrators for the AIME Program. The target date for completion of the claim audits is April 30, 2012 for Campus Liability and AIME programs, and June 30, 2013 for AORMA Liability.

RECOMMENDATION: None. This item is to inform the Executive Committee on the selection of auditor(s), scope of services and expected costs.

FISCAL IMPACT: The costs for each of the claim audits are within the Executive Committee's authority to approve the expenditures in FY 2012/13. \$12,000 has been budgeted for Campus programs claim audits, and \$10,000 for AORMA programs claim audits.

BACKGROUND: The CSU Trustee's Internal Audit identified that CSURMA had not recently secured a claims audit of the Campus Liability claims administration. In addition, the Program Director recommends that a claims audit be performed for the AORMA Liability and the AIME programs. Because the three programs have different administrative protocols, and the AIME involves a distinct specialty, it is expected that more than one independent auditor will be engaged.

PUBLICATION: None.

ATTACHMENT(S):

- a. Bickmore Risk Services: Claims Auditing Proposal for Campus Liability
- b. Bickmore Risk Services: Claims Auditing Proposal for AORMA Liability
- c. Farley Consulting Services: Claims Auditing Proposal for Campus Liability
- d. Farley Consulting Services: Claims Auditing Proposal for AORMA Liability
- e. Strategic Claims Direction: Claims Auditing Proposal for AIME



Bickmore



February 26, 2013

Mr. Robert Leong
Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111-5101
Via email: rleong@alliant.com

RE: Proposal for General and Errors & Omissions Liability Claims Audit and Process Review

Dear Mr. Leong,

Thank you for inviting Bickmore to present our approach to provide the California State University Risk Management Authority (CSURMA) with auditing services to ensure general liability and errors & omissions claims handling is in compliance with industry best practices, state law and CSURMA's procedures.

Bickmore's contact for this project is:

Mr. Dennis Mitchell, CPCU, SCLA, ARM
Senior Claims Consultant
714.426.8507
demitchell@bickmore.net
1100 Town & Country Road, Suite 1550
Orange, CA 92868

This proposal will remain valid for 180 days from March 1, 2013.

Thank you for the opportunity to be considered to work with you, CSURMA, and the Chancellor's Office on this important project.

Respectfully submitted,

A handwritten signature in blue ink that reads "Gregory L. Trout".

Gregory L. Trout, MPA, ARM
Chief Executive Officer

Table of Contents

- I. Qualifications and Related Experience..... 1
 - A. Background Information..... 1
 - B. Experience and Qualifications 2
 - C. Clients and References 3
- II. Work Plan and Technical Approach..... 5
 - A. Data Request 5
 - B. Work Plan 5
- III. Cost Proposal 12

Appendices

- A. Resumes
- B. Data Request



Bickmore Snapshot

- Established in 1984
- Headquartered in Sacramento, California
- Largest independent risk management consulting firm in Western U. S.

111 employees with over 60% holding advanced degrees and professional designations such as:

- Associate in Risk Management
- Juris Doctor
- Master of Business Administration
- Certified Public Accountant
- Fellow, Casualty Actuarial Society
- Certified Safety Professional
- Workers' Compensation Claims Specialist
- Chartered Property Casualty Underwriter

I. Qualifications and Related Experience

A. Background Information

Bickmore is a leading independent risk management, insurance, and actuarial consulting firm with clients in 33 states. Formed in 1984, Bickmore is a C Corporation headquartered in California and has a staff of 111 employees.

Offices are maintained in California, Oregon, and Rhode Island with hours of business Monday through Friday, from 8:00 a.m. to 5:00 p.m. A list of offices can be found on the following page.

Our professionals collaborate to provide clients with traditional risk management services such as coverage reviews, self-insured retention analysis, and claims consulting; and non-traditional services such as data collection, self-insured group administration, program structure evaluation, and underwriting. Bickmore's clients are primarily public sector entities and include institutions of higher learning and school districts.

Our Independence

Bickmore does not sell insurance, nor are we affiliated with any such organization. This independence allows us to perform consulting activities free from actual or perceived conflicts of interest.

Risk Consulting Solutions

Claims Auditing and Consulting
Enterprise Risk Management
Risk Cost Management
Risk Finance Program Design
Expert Witness
Risk Management Information Systems

Actuarial and Risk Finance

Owner Controlled Insurance Programs
Safety and Risk Control
Employment Practices Risk Management
Insurance Coverage Adequacy
Carve-outs

Risk Retention Capacity Study
Self-Insurance Reserve Setting
Risk Finance Alternatives Comparison
Risk Cost Allocation System Design
GASB 45 Studies

Bickmore Offices

Sacramento (Headquarters)

1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833
Phone: (916) 244-1100
Fax: (916) 244-1199

Orange

1100 Town & Country Road, Suite 1550
Orange, CA 92868
Phone: (714) 426-8525

Portland

5200 SW Macadam Ave, Suite 310
Portland, OR 97239
Phone: (503) 419-0450
Fax: (503) 419-0451

Ashland

1000 Benson Way, Suite 204
Ashland, Oregon 97520
Phone: (541) 488-0331
Fax: (541) 488-7759

El Dorado Hills

3907 Park Drive, Suite 220
El Dorado Hills, CA 95762

Dana Point

24632 San Juan Avenue, Suite 101
Dana Point, CA 92629
Phone: (888) 883-8086

Oakland

1814 Franklin Street, Suite 504
Oakland, CA 94612
Phone: (510) 832-1246
Fax: (510) 735-8666

Providence

68 Village Park Drive
Riverside, RI 02915

B. Experience and Qualifications

Formed in 1984, Bickmore is headquartered in California and employs 111 professional and support staff. Over 60% of our staff holds advanced degrees and professional designations in risk management, law, workers' compensation, accounting, and loss and risk control.

Individuals who will work on this project are located in our Orange office and will receive peer review and support from personnel in our Sacramento office. Our [project team](#) includes:

- **Mr. Dennis Mitchell, CPCU, SCLA, ARM.** Dennis will lead the claims auditing activities on-site. Dennis has performed scores of claims audit and process review projects. He has over 30 years of experience in multi-line/multi-jurisdiction claims handling and management as a claims manager for the Hartford Financial Services Group.
- **Ms. Jo Ann Wood, CPCU, AIC, RPLU, ARM.** Jo Ann, Manager, Claims Consulting Services, will oversee claims audit activities providing peer review. She has over 30 years of experience in claims handling and management in multiple jurisdictions, including California.
- **Ms. Sandra Spiess, ARM.** Sandra is a Project Coordinator at Bickmore. She will track audit assignments to ensure timely service delivery. Sandra has served as project coordinator for large projects for the CSAC-EIA and states of California, Arizona, Colorado, New York, and Rhode Island.

Resumes for project team members are included in Appendix A.

C. Clients and References

Bickmore has a wealth of experience working with California joint powers authorities and serves as administrator for the pools listed below. A part of the services we provide under our administrative contract include performing claims oversight services, and in many instances, performing the claims audit or facilitating a request for proposal (RFP) for claims audits on behalf of our clients. These clients include:

- Bay Area Schools Insurance Cooperative (BASIC) since 2007
- Bay Cities Joint Powers Insurance Authority (BCJPIA) since 2003
- California Affiliated Risk Management Authorities (CARMA) since 2002
- California Housing Workers' Compensation Agency (CHWCA) since 2003
- California Housing Authority Risk Management Agency (CHARMA) since 1998
- California Private Schools Workers' Compensation SIG (CAPS-SIG) since 2004
- California Transit Insurance Pool (CalTIP) since 2008
- Central San Joaquin Valley Risk Management Authority (CSJVRMA) since 2002
- Employment Risk Management Authority (ERMA) since 2005
- Fire Association Self-Insurance System (FASIS) since 2005
- Independent Cities Risk Management Authority (ICRMA) since 1999
- Local Agency Workers' Compensation Excess JPA (LAWCX) since 2005
- Marin Schools Insurance Authority (MSIA) since 2005
- Vector Control Joint Powers Agency (VCJPA) since 2001

Bickmore provides claims auditing services to numerous clients across the country. Table I-1 on page 4 lists information for references we encourage CSURMA to contact regarding the quality of our team's claims consulting work.

**Table I-1
References**

Client Name and Address	Contact Information	Project Description
Alliance of Schools for Cooperative Insurance Programs (ASCIP) 16550 Bloomfield Avenue Cerritos, CA 90703	Ms. Coni G. Hernandez Director of Workers' Compensation 562.404.8029 hernandez@ascip.org	Liability and workers' compensation claims audits in 2011.
Central Region School Insurance Group 4101 Tully Road, Suite 501 Modesto, CA 95356	Ms. Becky Slaughter Executive Director 209.579.7535 becky@crsig.com	Liability, property, and workers' compensation claims audit services 2008 - 2012
City and County Insurance Services 1212 Court St., NE Salem, Oregon 97301	Mr. Scott Moss Property and Casualty Trust Manager 503.763.3840 smoss@cisoregon.org	Liability, property, and workers' compensation claims audit services 2008 - continuing
State of Utah 5120 State Office Building Salt Lake City, UT 84114	Ms. Tani Pack Downing Director of Risk Management 801.538.9598 t Downing@utah.gov	Liability claims audit services 2005 - 2013
Texas Association of School Boards, Inc. P.O. Box 400 Austin, TX 78767	Ms. Dubrovka Romano Director of Risk Management 800.482.7276 Dubravka.Romano@tasb.org	Liability and workers' compensation claims audits 2007 - 2011

Additional references can be provided upon request.

II. Work Plan and Technical Approach

The California State University Risk Management Authority (CSURMA) is a Joint Powers Authority established in 1997 to perform pooled group insurance and risk management-related activities for the California State University (the University) system and its 23 campuses. Claims and risk management functions are centralized in the Chancellor's Office in Long Beach, California.

CSURMA currently provides \$5 million coverage with each campus responsible for a deductible of \$35,000 to \$900,000. Campus risk managers handle claims within the campus deductible subject to oversight by the Chancellor's Office. A member of the Office of General Counsel (OGC) is assigned to each campus to assist with determination of liability and evaluation of damages.

The Chancellor's Office provides support to the campuses and handles claims exceeding the deductible.

CSURMA seeks an audit to:

- Ensure that its claim services are being performed effectively.
- Ensure that sound and accurate procedures are in place.
- Verify compliance with applicable industry best practices, tort laws, and internal policies and procedures.

A. Data Request

To accomplish CSURMA's objectives, we request the data outlined in Appendix B.

B. Work Plan

To meet CSURMA's goals, we propose the following scope of work and activities.

1. We will develop familiarity with CSURMA's program by:

- Interviewing the Chancellor and selected University campus staff to gain an understanding of workflows and procedures guiding the reporting, setup and administration of claims.
- Interviewing selected OGC staff to determine the level of interaction between OGC and Risk Management.
- Reviewing existing claims procedure manuals.

2. We will examine claims data and select a sample for review:

To meet CSURMA’s objectives, we recommend the selection of claims shown in Table II-1. The sample will include a random selection across incurred levels and ensure diverse campus representation. Litigated claims will represent 30% of the sample. This will allow us to:

- Evaluate the application of the workflows and procedures we identify during the interview process; and
- Identify any systemic claims handling issues and propose recommendations for consideration.

**Table II-1
Claim Sample Size**

Status	Claim Type				Total
	BI	PI	PD	Other	
Open	10	10	5	5	30
Closed	6	6	2	1	15
Total	16	16	7	6	45

3. We will evaluate claims handling practices and workflows.

For each claim selected, we will review the following components:

a. Intake Process

- ✓ Claim reporting
- ✓ Claim setup

b. Investigation

- ✓ Contacts with parties
- ✓ Obtaining and preserving evidence
- ✓ Developing mitigating factors

c. Plan of Action and Documentation

- ✓ Timeliness of initial plan of action
- ✓ Frequency of updates to plan
- ✓ Quality of documentation

d. Reserve Management

- ✓ Procedures for establishing, maintaining and recording reserves
- ✓ Procedures for evaluating reserves
- ✓ Accuracy of current reserves

e. Statutory Compliance

- ✓ Administration of the California Government Code
- ✓ MMSEA compliance

f. Communication

- ✓ Communication between campus Risk Management and Chancellor's Office
- ✓ Communication between OGC and Risk Management on litigated claims

g. Claim Information System

- ✓ Adequacy of system to record data
- ✓ Promptness and accuracy of updating data
- ✓ Availability and usefulness of reports to analyze loss experience

h. Claim Disposition

- ✓ Claim evaluation process
- ✓ Settlement procedures and authority levels
- ✓ Payment procedures

i. Litigation and Recovery Management

- ✓ Assignment procedures
- ✓ Analysis and strategy
- ✓ Budgeting procedures

To assess whether claims are handled in a timely and efficient manner we will determine an **overall claims administration grade** by averaging the grades for the components listed above and illustrated in Exhibit II-1.

Our sample claims review will compare claims handling practices to requirements of industry best practices, tort law, and CSURMA's Claim Procedure Manual. Our analysis will assign a grade to each claim component, for each claim, and determine grades for each component. The grading system will assign:

- **Yes**, when performance requirements are met.
- **No**, where deficiencies may contribute to increased claim costs.

- **Not Applicable**, where performance requirements are not applicable for claim circumstances presented.

C. Deliverables

We will complete a claims review form for each claim to provide the grading rationale.

We will make claims review details available to the claims administration staff for response to criticisms, if any. We realize the importance of validating findings and making sure recommendations are a good fit for CSURMA. Therefore, we will:

- Provide a summary of findings verbally at the end of the on-site visit.
- Work closely with CSURMA personnel to review and amend the draft report prior to finalization.

A summary of findings will be included in our report in a format similar to Exhibit II-2 along with narrative discussion. A listing of claims reviewed will be appended to the report.

Summary of findings will be included in our report in tabular and narrative format. A listing of claims audited will be an addendum to the report. We will include recommended reserve changes in an exhibit, as shown in Table II-2.

Table II-2
Reserve Analysis

Claimant	Injury Date	Claim No.	Current Outstanding Reserve	Recommended Outstanding Reserve	Comments
Totals:					
Total Recommended Reserve Change:					+ Or (-)

Our reports include an executive summary to provide key findings and recommendations. Detailed findings and recommendations for each component are provided in a separate chapter.

Our reports are practical working documents. Our clients use them over a period of several years to implement changes and to monitor progress. They are written to be readily understood by those without an insurance background but contain all supporting data. We will present the report in person at the CSURMA's option.

D. Proposed Timing

While our work steps will depend on the final scope of work selected by the CSURMA, we anticipate the activities and timing shown in Table II-3 will ensure successful completion of this project based on CSURMA’s desire to have a written report by May 10, 2013. We are flexible and can adjust timing to meet the requirements of the CSURMA.

**Table II-3
Activities Timetable**

Activity	Timing
1. Discuss this proposal with CSURMA and complete proposal revisions, as needed for award of contract.	March 22, 2013
2. Conduct an initial telephone discussion with CSURMA to review data requirements (see Appendix B, Data Request), meeting schedules, individuals to be interviewed, and related topics.	March 25, 2013
3. Receive and analyze information listed in Appendix B, “Data Request” of this proposal.	March 27, 2013
4. Select a sample of files to be reviewed. Listing of claims sample selected will be submitted to CSURMA contact for review and concurrence.	March 29, 2013
5. Interview appropriate parties as identified by CSURMA contact to determine effectiveness of procedures in place, workflow, caseloads, reserving practices, and present issues.	April 1 – 5, 2013
6. Examine the sample of CSURMA claim files. We anticipate the claims file examination will require two to three auditing days onsite.	April 8 – 10, 2013
7. Conduct a detailed analysis of all information received to date. We will identify any missing data and develop a plan to obtaining it.	April 12, 2013
8. Organize, tabulate, and analyze all information received and develop conclusions and recommendations.	April 16, 2013
9. Prepare a draft report presenting our findings and conclusions.	April 25, 2013
10. Discuss draft report with CSURMA and conduct any necessary follow-up activities to complete final report.	April 29, 2013
11. Provide CSURMA with a final report based on information obtained in the preceding step and any additional research.	May 1, 2013
12. Present findings at a regularly scheduled CSURMA meeting.	May 10, 2013

Exhibit II-4

Claims Service Grading Summary

Claims Components and Criteria*	# Claims Graded	Findings			Actual (Yes)	Possible (Yes + No)	Percentile (Actual/Possible)
		Yes	No	N/A			
a. Intake Process							
b. Investigation							
c. Plan of Action/Documentation							
d. Reserve Management							
e. Statutory Compliance							
f. Communication							
g. Claim Information System							
h. Claim Disposition							
i. Litigation/Recovery Management							
Overall Claims Administration							

III. Cost Proposal

Bickmore proposes to perform the scope of service for fixed fees 'not to be exceeded' of \$4,500. Fifty percent of the fee payment will be invoiced at submission of the claims audit list, with the balance invoiced upon delivery of our draft report. Invoice payments are due within 15 days.

Our proposed fee for the audit includes all travel expense and presentation of the report.

Why Bickmore?

Value is the best reason to choose Bickmore.

We believe our project team offers the best possible value for CSURMA and are confident our process, expertise, and final work product will successfully meet your needs.

- Bickmore's broad risk management practice lends a professional viewpoint from a wider perspective than just claims handling.
- Our team members are recognized experts and can respond quickly to meeting requests.
- All consultants have senior-level experience and significant industry credibility.
- We staff our team with enough professionals to meet deadlines and provide backup and peer review.
- Team members have worked together on many similar projects.

Appendix A

Resumes

Dennis Mitchell, CPCU, SCLA, ARM

Senior Claims Consultant

Dennis Mitchell provides claim auditing and consulting services to public and private sector clients. He provides multi-state clients with a thorough analysis of their claims administration program. Dennis audits claims, analyzes results, and makes recommendations to help clients improve quality, provide better service, and realize savings.

EXPERIENCE

Dennis Mitchell has over 30 years of experience in the claims industry, primarily managing full-service, multi-line claim operations for national insurance carriers. His service expertise encompasses claim audits; procedure and workflow analysis; litigation management; and auto, general liability, workers' compensation, and property claims handling. In addition to providing a thorough analysis of client claim administration programs, Dennis evaluates compliance with state laws, claim administration contracts, and industry best practices.

Prior to joining Bickmore, Dennis was a Senior Claims Consultant at ARM Tech/Aon Global Risk Consulting. He was responsible for leading and assisting with claim audits for a variety of public and private sector clients, working with them and their claim administrators to improve the quality of claim outcomes.

Dennis began his career at The Hartford, advancing to increasingly responsible positions. Ultimately, he managed workers' compensation, commercial liability, and property claims for the company's Southern California Division until his retirement in 2000. Following the Hartford, he served for three years managing multi-line claims for a small, commercial national carrier.

EDUCATION

Bachelor of Arts, History – Saint Francis College, New York

Associate in Risk Management – Insurance Institute of America (ARM)

PROFESSIONAL AFFILIATIONS

California Self Insurance Plans Certification

Associate in Risk Management (ARM) Designation – Insurance Institute of America

Insurance Educational Association – Instructor; Advanced Workers' Compensation Classes

Society of Chartered Property and Casualty Underwriters (CPCU)

Senior Claim Law Associate (SCLA)

Jo Ann Wood, CPCU, AIC, RPLU, ARM
Manager, Claims Consulting Solutions

Jo Ann Wood is a consultant to various public agencies and corporations on claims management subjects. She specializes in the areas of claims intake and investigation, coverage review, injury and damages evaluation for reserve adequacy, and disposition strategies with emphasis on claims solutions.

EXPERIENCE

Jo Ann has over 32 years of claims industry experience, including eight years as a consultant to private entities, public entities, and risk pools nationwide. Prior to joining the firm, Jo Ann was the Claims Consulting Practice Leader for ARM Tech / Aon Global Risk Consulting, and served clients by performing claim audits, preparing procedure manuals, assisting with claim administration selections, and evaluating claim processes, staffing, and organization. Her focus is to ensure compliance with tort or workers' compensation laws, claims administration and peripheral service contract terms, and industry best practices. Her expertise encompasses auto liability, general liability, workers' compensation, professional liability, and property claims handling in multiple jurisdictions.

Jo Ann's career began with field claims handling and examining positions for major insurance carriers, progressing to Home Office Specialist with management responsibilities for multi-line claims in multiple jurisdictions. She later served as the Claims Manager for insured and self-insured clients of a multi-line third party administrator in Arizona and California. This responsibility included managing claims for safety employees.

Jo Ann teaches the Advanced Workers' Compensation course for the Workers' Compensation Claims Professional Designation, the Workers' Compensation and Medical Aspects of Claims course for the Associate in Claims Designation, and coursework for the Registered Professional Liability Underwriter designation on behalf of the Insurance Educational Association.

EDUCATION

Bachelor of Science, Business – Arizona State University
American Institute for Property and Liability Underwriters, Inc.
Chartered Property Casualty Underwriter (CPCU) Designation
Continuing Professional Development Certificate
Associate in Claims (AIC) Designation – Insurance Institute of America
Registered Professional Liability Underwriter (RPLU) Designation – Professional Liability Underwriting Society
Associate in Risk Management (ARM) Designation – Insurance Institute of America

PROFESSIONAL AFFILIATIONS

Society of Chartered Property Casualty Underwriters – Member
Professional Liability Underwriting Society – Member
California Self Insurance Plans Certification
Multi-Line Adjustor License – Wyoming and Arizona
Workers' Compensation Adjustor License – Texas

Sandra Spiess, MBA, ARM
Project Coordinator

Sandra Spiess is a Project Coordinator in the Risk Consulting Solutions and Regulatory and Alternative Risk Consulting practices. She is responsible for coordinating all aspects of communication and project management from project inception to quality control and timely delivery of project deliverables.

EXPERIENCE

In her career at Bickmore, Sandra served as Analyst/Project Coordinator for the Auto Dealers Compensation of California, Inc. (AD-COMP), a private self-insurance group consisting of over 270 automobile dealers across the state. She provided oversight of day-to-day activities, including member management, state reporting, and new member underwriting, and served as liaison between the State Office of Self-Insurance Plans and the Group. Sandra also supported workers' compensation and risk control activities.

Sandra has also served as Analyst/Project Coordinator for the California Affiliated Risk Management Authorities (CARMA) Joint Powers Authority, and the California Private Schools Self-Insurance Group (CAP-SIG). In that role, she provided oversight of day-to-day activities, including member management and state reporting.

Sandra's experience as Project Coordinator includes a multitude of projects, including large assignments for the State of New York Workers' Compensation Board, the State of Colorado Office of the State Auditor, the State of Rhode Island Department of Labor and Training, the Arizona Department of Transportation, the State of Montana, and the California Department of Corrections and Rehabilitation.

EDUCATION

Master of Business Administration – Golden Gate University

Bachelor of Science, Business Administration and Marketing – California State University, Sacramento

Associate in Risk Management (ARM) – Insurance Institute of America

Appendix B

Data Request

Claims Data Requirements

To complete this project, we should receive:

1. Liability claims administration procedures manual.
2. CSURMA claims reporting requirements for members.
3. Contracts and/or agreements between CSURMA and vendors regarding services contracted for claims administration.
4. Personnel listing, curriculum vitae, and job descriptions and organization chart for the in-house claims administration.
5. Update of claims data previously provided by Alliant Insurance Services, Inc. to reflect current financial data.
6. We request access to iVOS be provided to the auditor. For claims selected for audit, we require only a printed single page claims summary. This is usually available as the "iVOS Face Sheet."

We prefer to receive all data electronically, if possible. Additional data may be requested during the course of this project. We will keep all such requests to a minimum, consistent with the need to conduct a thorough analysis.



Bickmore



March 7, 2013

Mr. Robert Leong
Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111-5101
Via email: rleong@alliant.com

RE: Proposal for General Liability and Errors & Omissions Claims Audit and Process Review

Dear Mr. Leong,

Thank you for inviting Bickmore to present our approach to provide the California State University's Auxiliary Organizations Risk Management Alliance (AORMA) with auditing services to ensure general liability and errors & omissions claims handling is in compliance with industry best practices, state law and AORMA's procedures.

Bickmore's contact for this project is:

Mr. Dennis Mitchell, CPCU, SCLA, ARM
Senior Claims Consultant
714.426.8507
demitchell@bickmore.net
1100 Town & Country Road, Suite 1550
Orange, CA 92868

This proposal will remain valid for 180 days from March 10, 2013.

Thank you for the opportunity to be considered to work with you, AORMA, and the Chancellor's Office on this important project.

Respectfully submitted,

A handwritten signature in blue ink that reads "Gregory L. Trout".

Gregory L. Trout, MPA, ARM
Chief Executive Officer

Table of Contents

- I. Qualifications and Related Experience..... 1
 - A. Background Information..... 1
 - B. Experience and Qualifications..... 2
 - C. Clients and References..... 3
- II. Work Plan and Technical Approach 5
 - A. Data Request 5
 - B. Work Plan 5
 - C. Deliverables 8
 - D. Proposed Timing..... 10
- III. Cost Proposal 12

Appendices

- A. Resumes
- B. Data Request



Bickmore Snapshot

- Established in 1984
- Headquartered in Sacramento, California
- Largest independent risk management consulting firm in Western U. S.

113 employees with over 60% holding advanced degrees and professional designations such as:

- Associate in Risk Management
- Juris Doctor
- Master of Business Administration
- Certified Public Accountant
- Fellow, Casualty Actuarial Society
- Certified Safety Professional
- Workers' Compensation Claims Specialist
- Chartered Property Casualty Underwriter

I. Qualifications and Related Experience

A. Background Information

Bickmore is a leading independent risk management, insurance, and actuarial consulting firm with clients in 33 states. Formed in 1984, Bickmore is a C Corporation headquartered in California and has a staff of over 110 employees.

Offices are maintained in California, Oregon, and Rhode Island with hours of business Monday through Friday, from 8:00 a.m. to 5:00 p.m. A list of offices can be found on the following page.

Our professionals collaborate to provide clients with traditional risk management services such as coverage reviews, self-insured retention analysis, and claims consulting; and non-traditional services such as data collection, self-insured group administration, program structure evaluation, and underwriting. Bickmore's clients are primarily public sector entities and include institutions of higher learning and school districts.

Our Independence

Bickmore does not sell insurance, nor are we affiliated with any such organization. This independence allows us to perform consulting activities free from actual or perceived conflicts of interest.

Risk Consulting Solutions

Claims Auditing and Consulting
Enterprise Risk Management
Risk Cost Management
Risk Finance Program Design
Expert Witness
Risk Management Information Systems

Actuarial and Risk Finance

Risk Retention Capacity Study
Self-Insurance Reserve Setting
Risk Finance Alternatives Comparison
Risk Cost Allocation System Design
GASB 45 Studies

Bickmore Offices

Sacramento (Headquarters)

1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833
Phone: (916) 244-1100
Fax: (916) 244-1199

Orange

1100 Town & Country Road, Suite 1550
Orange, CA 92868
Phone: (714) 426-8525

Portland

5200 SW Macadam Ave, Suite 310
Portland, OR 97239
Phone: (503) 419-0450
Fax: (503) 419-0451

Ashland

1000 Benson Way, Suite 204
Ashland, Oregon 97520
Phone: (541) 488-0331
Fax: (541) 488-7759

El Dorado Hills

3907 Park Drive, Suite 220
El Dorado Hills, CA 95762

Dana Point

24632 San Juan Avenue, Suite 101
Dana Point, CA 92629
Phone: (888) 883-8086

Oakland

1814 Franklin Street, Suite 504
Oakland, CA 94612
Phone: (510) 832-1246
Fax: (510) 735-8666

Providence

68 Village Park Drive
Riverside, RI 02915

B. Experience and Qualifications

Formed in 1984, Bickmore is headquartered in California. Over 60% of our staff holds advanced degrees and professional designations in risk management, law, workers' compensation, accounting, and loss and risk control.

Individuals who will work on this project are located in our Orange office and will receive peer review and support from personnel in our Sacramento office. Our **project team** includes:

- **Mr. Dennis Mitchell, CPCU, SCLA, ARM.** Dennis, Senior Claims Consultant, will perform the claims auditing activities on-site. Dennis has completed scores of claims audit and process review projects. He has over 35 years of experience in multi-line/multi-jurisdiction claims handling and management as a claims manager for the Hartford Financial Services Group. This experience ensures his ability to recognize any claims handling issues and recommend cost effective solutions to those issues.
- **Ms. Jo Ann Wood, CPCU, AIC, RPLU, ARM.** Jo Ann, Manager, Claims Consulting Services, will oversee claims audit activities and provide peer review. She has over 35 years of experience in multi-line claims handling and management in multiple jurisdictions, including liability and property in California.
- **Ms. Sandra Spiess, ARM.** Sandra is a Project Coordinator at Bickmore. She will track audit assignments to ensure timely service delivery. Sandra has served as project coordinator for large projects for the CSAC-EIA and states of California, Arizona, Colorado, New York, and Rhode Island.

Resumes for project team members are included in Appendix A.

C. Clients and References

Bickmore has a wealth of experience working with California Joint Powers Authorities and serves as administrator for the pools listed below. A part of the services we provide under our administrative contract include performing claims oversight services, and in many instances, performing the claims audit or facilitating a request for proposal (RFP) for claims audits on behalf of our clients. These clients include:

- Bay Area Schools Insurance Cooperative (BASIC) since 2007
- Bay Cities Joint Powers Insurance Authority (BCJPIA) since 2003
- California Affiliated Risk Management Authorities (CARMA) since 2002
- California Housing Workers' Compensation Agency (CHWCA) since 2003
- California Housing Authority Risk Management Agency (CHARMA) since 1998
- California Private Schools Workers' Compensation SIG (CAPS-SIG) since 2004
- California Transit Insurance Pool (CalTIP) since 2008
- Central San Joaquin Valley Risk Management Authority (CSJVRMA) since 2002
- Employment Risk Management Authority (ERMA) since 2005
- Fire Association Self-Insurance System (FASIS) since 2005
- Independent Cities Risk Management Authority (ICRMA) since 1999
- Local Agency Workers' Compensation Excess JPA (LAWCX) since 2005
- Marin Schools Insurance Authority (MSIA) since 2005
- Vector Control Joint Powers Agency (VCJPA) since 2001

Bickmore provides claims auditing services to numerous clients across the country. Table I-1 on page 4 lists information for references we encourage AORMA to contact regarding the quality of our team's claims consulting work.

**Table I-1
 References**

Client Name and Address	Contact Information	Project Description
Alliance of Schools for Cooperative Insurance Programs (ASCIP) 16550 Bloomfield Avenue Cerritos, CA 90703	Ms. Coni G. Hernandez Director of Workers' Compensation 562.404.8029 hernandez@ascip.org	Liability and workers' compensation claims audits in 2011.
Central Region School Insurance Group 4101 Tully Road, Suite 501 Modesto, CA 95356	Ms. Becky Slaughter Executive Director 209.579.7535 becky@crsig.com	Liability, property, and workers' compensation claims audit services 2008 - 2012
Southern California Schools Risk Management, JPA 1950 South Sunwest Lane, Suite 100 San Bernardino, CA 92408-3264	Ms. Karla M. Rhay Chief Administrative Officer 909.763.4900 krhay@scsjpa.org	Liability and property claims audit 2006 – 2013.
State of Utah 5120 State Office Building Salt Lake City, UT 84114	Ms. Tani Pack Downing Director of Risk Management 801.538.9598 tdowning@utah.gov	Liability claims audit services 2005 - 2013
Texas Association of School Boards, Inc. P.O. Box 400 Austin, TX 78767	Ms. Dubrovka Romano Director of Risk Management 800.482.7276 Dubravka.Romano@tasb.org	Liability and workers' compensation claims audits 2007 - 2011

Additional references can be provided upon request.

II. Work Plan and Technical Approach

The California State University Auxiliary Organizations Risk Management Alliance (AORMA) represents a group of programs under the California State University Risk Management Authority (CSURMA). CSURMA is a Joint Powers Authority established in 1997 to perform pooled group insurance and risk management-related activities for the California State University (the University) system and its 23 campuses.

AORMA is comprised on 90 independent non-profit organizations serving the needs of the University. These separate legal entities include student unions, research foundations, student housing, bookstores, etc.

CSURMA provides \$350,000 liability coverage to AORMA with member deductibles of \$25,000 to \$100,000 applying only to employment practices liability. Reinsurance above the \$350,000 primary layer is provided by General Re up to \$5,000,000, above which excess insurance is provided.

AORMA's liability claims are administered by Carl Warren and Company (CW), a third party administrator (TPA), located in Ventura, California.

AORMA seeks an audit to:

- Ensure CW is providing effective and efficient claim services that comply with applicable industry best practices, tort laws, AORMA and University policies and procedures.
- Evaluate adjuster experience, competence and staffing level.
- Ensure CW is in compliance with the claims administration contract.
- Identify areas for improvement.

A. Data Request

To accomplish AORMA's objectives, we request the data outlined in Appendix B.

B. Work Plan

To meet AORMA's goals, we propose the following scope of work and activities.

1. **We will develop familiarity with AORMA's program by:**

- Interviewing AORMA committee members and CW staff to gain an understanding of workflows and procedures guiding the reporting, setup and administration of claims.
- Reviewing the claims administration contract.
- Reviewing existing claims procedure manuals.

2. We will examine claims data and select a sample for review:

To meet AORMA’s objectives, we recommend the selection of claims shown in Table II-1. The sample will include a random selection across incurred levels and ensure diverse campus representation. Litigated claims will represent 30% of the sample. This will allow us to:

- Evaluate the application of the workflows and procedures we identify during the interview process; and
- Identify any systemic claims handling issues and propose recommendations for consideration.

**Table II-1
 Claim Sample Size**

Status	Claim Type			Total
	BI	PI	PD	
Open	15	15	10	40
Closed	2	2	1	5
Total	17	17	11	45

3. We will evaluate claims handling practices and workflows.

We will examine the sample of claims at CW’s Ventura office. For each claim selected, we will review the following components:

a. Intake Process

- ✓ Claim reporting
- ✓ Claim setup

b. Investigation

- ✓ Contacts with parties
- ✓ Obtaining and preserving evidence
- ✓ Developing mitigating factors

c. Plan of Action and Documentation

- ✓ Timeliness of initial plan of action
- ✓ Frequency of updates to plan
- ✓ Quality of documentation

d. Reserve Management

- ✓ Procedures for establishing, maintaining and recording reserves
- ✓ Procedures for evaluating reserves
- ✓ Accuracy of current reserves

e. Statutory Compliance

- ✓ Administration of the California Government Code
- ✓ MMSEA compliance

f. Communication

- ✓ Communication between TPA and AORMA Committee
- ✓ Communication between TPA and other parties to the claim process

g. Claim Information System

- ✓ Adequacy of system to record data
- ✓ Promptness and accuracy of updating data
- ✓ Availability and usefulness of reports to analyze loss experience

h. Claim Disposition

- ✓ Claim evaluation process
- ✓ Settlement procedures and authority levels
- ✓ Payment procedures

i. Litigation and Recovery Management

- ✓ Assignment procedures
- ✓ Analysis and strategy
- ✓ Budgeting procedures

To assess whether claims are handled in a timely and efficient manner we will determine an **overall claims administration grade** by averaging the grades for the components listed above and illustrated in Exhibit 1 on page 11.

Our sample claims review will compare claims handling practices to requirements of industry best practices, tort law, and AORMA's Claim Procedure Manual. Our analysis will assign a grade

to each claim component, for each claim, and determine grades for each component. The grading system will assign:

- **Yes**, when performance requirements are met.
- **No**, where deficiencies may contribute to increased claim costs.
- **Not Applicable**, where performance requirements are not applicable for claim circumstances presented.

C. Deliverables

We will complete a claims review form for each claim to provide the grading rationale.

We will make claims review details available to CW staff for response to criticisms, if any. We realize the importance of validating findings and making sure recommendations are a good fit for AORMA. Therefore, we will:

- Provide a summary of findings verbally at the end of the on-site visit.
- Work closely with AORMA personnel to review and amend the draft report prior to finalization.

A summary of findings will be included in our report in a format similar to Exhibit 1 along with narrative discussion. A listing of claims reviewed will be appended to the report.

Summary of findings will be included in our report in tabular and narrative format. A listing of claims audited will be an addendum to the report. We will include recommended reserve changes in an exhibit, as shown in Table II-2.

Table II-2
Reserve Analysis

Claimant	Injury Date	Claim No.	Current Outstanding Reserve	Recommended Outstanding Reserve	Comments
Totals:					
Total Recommended Reserve Change:					+ Or (-)

Our reports include an executive summary to provide key findings and recommendations. Detailed findings and recommendations for each component are provided in a separate chapter.

Our reports are practical working documents. Our clients use them over a period of several years to implement changes and to monitor progress. They are written to be readily understood by those without an insurance background but contain all supporting data. We will present the report in person at the AORMA's option.

D. Proposed Timing

While our work steps will depend on the final scope of work selected by AORMA, we anticipate the activities and timing shown in Table II-3 will ensure successful completion of this project based on AORMA's desire to have a written report by the end of June, 2013. We are flexible and can adjust timing to meet the requirements of the AORMA.

**Table II-3
 Activities Timetable**

Activity	Timing
1. Discuss this proposal with AORMA and complete proposal revisions, as needed for award of contract.	March 22, 2013
2. Conduct an initial telephone discussion with AORMA to review data requirements (see Appendix B, Data Request), meeting schedules, individuals to be interviewed, and related topics.	March 25, 2013
3. Receive and analyze information listed in Appendix B, "Data Request" of this proposal.	March 29, 2013
4. Select a sample of files to be reviewed. Listing of claims sample selected will be submitted to AORMA contact for review and concurrence.	April 3, 2013
5. Interview appropriate parties as identified by AORMA contact to determine effectiveness of procedures in place, workflow, caseloads, reserving practices, and present issues.	April 11 -12, 2013
6. Examine the sample of AORMA claim files. We anticipate the claims file examination will require three auditing days onsite.	April 22 – 24, 2013
7. Conduct a detailed analysis of all information received to date. We will identify any missing data and develop a plan to obtaining it.	April 30, 2013
8. Organize, tabulate, and analyze all information received and develop conclusions and recommendations.	May 13, 2013
9. Prepare a draft report presenting our findings and conclusions.	May 28, 2013
10. Discuss draft report with AORMA and conduct any necessary follow-up activities to complete final report.	June 4, 2013
11. Provide AORMA with a final report based on information obtained in the preceding step and any additional research.	June 10, 2013
12. Present findings at a regularly scheduled AORMA meeting.	To be determined

Exhibit 1

Claims Service Grading Summary

Claims Components and Criteria*	# Claims Graded	Findings			Actual (Yes)	Possible (Yes + No)	Percentile (Actual/Possible)
		Yes	No	N/A			
a. Intake Process							
b. Investigation							
c. Plan of Action/Documentation							
d. Reserve Management							
e. Statutory Compliance							
f. Communication							
g. Claim Information System							
h. Claim Disposition							
i. Litigation/Recovery Management							
Overall Claims Administration							

III. Cost Proposal

Bickmore proposes to perform the scope of service for fixed fees 'not to be exceeded' of \$5,000. Fifty percent of the fee payment will be invoiced at submission of the claims audit list, with the balance invoiced upon delivery of our draft report. Invoice payments are due within 15 days.

Our proposed fee for the audit includes all travel expense and presentation of the report.

Why Bickmore?

Value is the best reason to choose Bickmore.

We believe our project team offers the best possible value for AORMA and are confident our process, expertise, and final work product will successfully meet your needs.

- Bickmore's broad risk management practice lends a professional viewpoint from a wider perspective than just claims handling.
- Our team members are recognized experts and can respond quickly to meeting requests.
- All consultants have senior-level experience and significant industry credibility.
- We staff our team with enough professionals to meet deadlines and provide backup and peer review.
- Team members have worked together on many similar projects.

Appendix A

Resumes

Dennis Mitchell, CPCU, SCLA, ARM

Senior Claims Consultant

Dennis Mitchell provides claim auditing and consulting services to public and private sector clients. He provides multi-state clients with a thorough analysis of their claims administration program. Dennis audits claims, analyzes results, and makes recommendations to help clients improve quality, provide better service, and realize savings.

EXPERIENCE

Dennis Mitchell has over 35 years of experience in the claims industry, primarily managing full-service, multi-line claim operations for national insurance carriers. His service expertise encompasses claim audits; procedure and workflow analysis; litigation management; and auto, general liability, workers' compensation, and property claims handling. In addition to providing a thorough analysis of client claim administration programs, Dennis evaluates compliance with state laws, claim administration contracts, and industry best practices.

Prior to joining Bickmore, Dennis was a Senior Claims Consultant at ARM Tech/Aon Global Risk Consulting. He was responsible for leading and assisting with claim audits for a variety of public and private sector clients, working with them and their claim administrators to improve the quality of claim outcomes.

Dennis began his career at The Hartford, advancing to increasingly responsible positions. Ultimately, he managed workers' compensation, commercial liability, and property claims for the company's Southern California Division until his retirement in 2000. Following the Hartford, he served for three years managing multi-line claims for a small, commercial national carrier.

EDUCATION

Bachelor of Arts, History – Saint Francis College, New York

Associate in Risk Management – Insurance Institute of America (ARM)

PROFESSIONAL AFFILIATIONS

California Self Insurance Plans Certification

Associate in Risk Management (ARM) Designation – Insurance Institute of America

Insurance Educational Association – Instructor; Advanced Workers' Compensation Classes

Society of Chartered Property and Casualty Underwriters (CPCU)

Senior Claim Law Associate (SCLA)

Jo Ann Wood, CPCU, AIC, RPLU, ARM
Manager, Claims Consulting Solutions

Jo Ann Wood is a consultant to various public agencies and corporations on claims management subjects. She specializes in the areas of claims intake and investigation, coverage review, injury and damages evaluation for reserve adequacy, and disposition strategies with emphasis on claims solutions.

EXPERIENCE

Jo Ann has over 32 years of claims industry experience, including eight years as a consultant to private entities, public entities, and risk pools nationwide. Prior to joining the firm, Jo Ann was the Claims Consulting Practice Leader for ARM Tech / Aon Global Risk Consulting, and served clients by performing claim audits, preparing procedure manuals, assisting with claim administration selections, and evaluating claim processes, staffing, and organization. Her focus is to ensure compliance with tort or workers' compensation laws, claims administration and peripheral service contract terms, and industry best practices. Her expertise encompasses auto liability, general liability, workers' compensation, professional liability, and property claims handling in multiple jurisdictions.

Jo Ann's career began with field claims handling and examining positions for major insurance carriers, progressing to Home Office Specialist with management responsibilities for multi-line claims in multiple jurisdictions. She later served as the Claims Manager for insured and self-insured clients of a multi-line third party administrator in Arizona and California. This responsibility included managing claims for safety employees.

Jo Ann teaches the Advanced Workers' Compensation course for the Workers' Compensation Claims Professional Designation, the Workers' Compensation and Medical Aspects of Claims course for the Associate in Claims Designation, and coursework for the Registered Professional Liability Underwriter designation on behalf of the Insurance Educational Association.

EDUCATION

Bachelor of Science, Business – Arizona State University
American Institute for Property and Liability Underwriters, Inc.
Chartered Property Casualty Underwriter (CPCU) Designation
Continuing Professional Development Certificate
Associate in Claims (AIC) Designation – Insurance Institute of America
Registered Professional Liability Underwriter (RPLU) Designation – Professional Liability Underwriting Society
Associate in Risk Management (ARM) Designation – Insurance Institute of America

PROFESSIONAL AFFILIATIONS

Society of Chartered Property Casualty Underwriters – Member
Professional Liability Underwriting Society – Member
California Self Insurance Plans Certification
Multi-Line Adjustor License – Wyoming and Arizona
Workers' Compensation Adjustor License – Texas

Sandra Spiess, MBA, ARM
Project Coordinator

Sandra Spiess is a Project Coordinator in the Risk Consulting Solutions and Regulatory and Alternative Risk Consulting practices. She is responsible for coordinating all aspects of communication and project management from project inception to quality control and timely delivery of project deliverables.

EXPERIENCE

In her career at Bickmore, Sandra served as Analyst/Project Coordinator for the Auto Dealers Compensation of California, Inc. (AD-COMP), a private self-insurance group consisting of over 270 automobile dealers across the state. She provided oversight of day-to-day activities, including member management, state reporting, and new member underwriting, and served as liaison between the State Office of Self-Insurance Plans and the Group. Sandra also supported workers' compensation and risk control activities.

Sandra has also served as Analyst/Project Coordinator for the California Affiliated Risk Management Authorities (CARMA) Joint Powers Authority, and the California Private Schools Self-Insurance Group (CAP-SIG). In that role, she provided oversight of day-to-day activities, including member management and state reporting.

Sandra's experience as Project Coordinator includes a multitude of projects, including large assignments for the State of New York Workers' Compensation Board, the State of Colorado Office of the State Auditor, the State of Rhode Island Department of Labor and Training, the Arizona Department of Transportation, the State of Montana, and the California Department of Corrections and Rehabilitation.

EDUCATION

Master of Business Administration – Golden Gate University

Bachelor of Science, Business Administration and Marketing – California State University, Sacramento

Associate in Risk Management (ARM) – Insurance Institute of America

Appendix B

Data Request

Claims Data Requirements

To complete this project, we should receive:

1. Copy of the claims administration contract with CW.
2. Written procedures pertaining to handling of claims and settlement authority provided to CW.
3. CW claims procedure manual.
4. AORMA claims reporting requirements for members.
5. Personnel listing, curriculum vitae, and job descriptions and organization chart for CW staff involved in the administration of AORMA claims.
6. Roster of AORMA Committee members.
7. Liability claims data by line of coverage from AORMA or CW via e-mail or on disk. This data is preferred in an Excel format. These reports should include:
 - ***All open claims***
 - ***All closed claims with report date subsequent to January 1, 2008***
 - ***All claims closed in the prior 12 months, regardless of report date***
 - Claimant name
 - Claim number
 - Claimant's date of birth
 - Claimant's gender
 - Assigned examiner
 - Member name
 - Date of loss
 - Date of report
 - Date of knowledge
 - Date of claim set up
 - Loss description
 - Injury/damage description
 - Date of denial, if any
 - Date of delay, if any
 - Litigation status
 - Subrogation status
 - Settlement status

- Incurred reserves to date, separately for indemnity, legal expense, and other allocated expense, clearly indicating current outstanding reserve, amounts paid to date, and recoveries
- For sample selection only, printout of:
 - Diary and claim notes
 - Reserve calculations and history
 - Payment records.

We prefer to receive all data electronically, if possible. Additional data may be requested during the course of this project. We will keep all such requests to a minimum, consistent with the need to conduct a thorough analysis.



**Proposal for
Liability/Errors and Omissions
Claims Audit**

for

**California State University Risk
Management Authority
(CSURMA)**

March 1, 2013

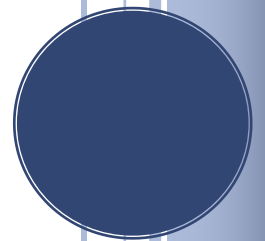
Farley Consulting Services

P.O. Box 5928 ~ Oceanside, CA 92052

Phone: 760.435.9272 ~ Fax: 760.722.1760

farleyconsulting@cox.net

An Independent Claims Management Consulting Firm





March 1, 2013

Mr. Rob Leong
Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111-5101

by e-mail: rleong@alliant.com

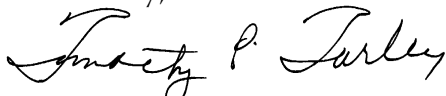
**Proposal for
Liability/Errors and Omissions Claims Audit
California State University Risk Management Authority (CSURMA)**

FCS presents the following proposal to provide claims audit services for the California State University Risk Management Authority (CSURMA).

FCS is a limited liability company (LLC).

FCS appreciates the opportunity to submit its qualifications.

Sincerely,


Timothy P. Farley, CPCU

Contents

I.	Background	1
II.	Audit Scope	2
III.	Consultant Corporate Data.....	3
	A. Project Team.....	3
	B. References	3
IV.	Work Plan	4
V.	Cost Data.....	5

Appendix

Resume

I. Background

CSURMA is a JPA serving the California State Universities (CSU). CSU is comprised of 23 campuses and the Chancellor's Office. Claims are self-administered at the Chancellor's office under the direction of system-wide risk management and the Office of General Counsel.

As of 6/30/12 there were 146 open claims with dates of occurrence subsequent to 7/1/07. Fifty-four of these claims have generated incurred costs of more than \$100,000.

CSURMA seeks assurance that it is efficiently administering its claims according to California tort and legislative guidelines.

II. Audit Scope

FCS proposes to audit 40 open claims. Twenty-five of these will be claims that have generated incurred costs of more than \$100,000.

Points of evaluation will include:

- Staffing adequacy
- Case reserve accuracy
- Investigation thoroughness
- Diary maintenance
- Litigation management
- Payment/settlement procedures
- File documentation clarity
- Information system clarity
- Supervisory involvement
- Excess reporting timeliness

FCS welcomes CSURMA's requirement of other points of evaluation.

III. Consultant Corporate Data

A. Project Team

FCS is an *independent* claims management consulting firm headquartered in Oceanside, California. FCS accepts no assignments from agents, brokers, or claims administration firms.

Timothy P. Farley, CPCU, will perform all elements of this project. Mr. Farley has more than 30 years of claims administration experience, the past 22 as an independent consultant for entities such as CSURMA.

Mr. Farley has completed more than 750 similar audits.

B. References

FCS has provided similar services to the following entities and encourages CSURMA to contact the listed individual to discuss FCS's work product:

- **Ventura County Schools Self-Funding Authority (VCSSFA)**

FCS completed a comprehensive audit for this large school district in Orange County, California in 2011.

Contact: Ms. Elizabeth Atilano (805) 383-1969

- **New Mexico Public Schools Insurance Authority**

FCS completes an annual audit for this large pool of schools in New Mexico

Contact: Mr. David Poms (818) 425-0365

IV. Work Plan

The review of 40 claims will require two days on-site at CSURMA. FCS proposes to perform the audit March 14-15, 2013. A draft report of audit findings will be submitted within two weeks of the audit. The final report will be submitted immediately upon CSURMA's approval of the draft report.

FCS will request a current open inventory of claims from CSURMA from which a list of claims to be reviewed will be selected. FCS will provide that list roughly one week prior to the audit.

V. Cost Data

FCS proposes to complete all requirements of this project for a flat fee of **\$4,700**. This includes all expenses. There will be no additional charges.

An invoice will be issued after submission of the draft report, and payment is due within 30 days of CSURMA's receipt of the invoice.

Resume

Timothy P. Farley, CPCU President

EXPERIENCE

- FARLEY CONSULTING SERVICES** – 2000 to present
President and primary consultant of national, independent claims management consulting firm.
- ADVANCED RISK MANAGEMENT TECHNIQUES, INC.** – 1991 to 2000
Senior Claims Consultant. Consultant to various corporations and public agencies on risk management subjects, with an emphasis on claims audits, claims administrator selection and evaluation, and other claims management issues.
- ALEXANDER & ALEXANDER** – 1989 to 1991
Marketing Manager. Responsible for market placement of all new and renewal retail business.
- TRANSCO INSURANCE SERVICES** – 1988 to 1989
Home Office Claims Supervisor. Supervision of independent claims adjusting firms handling litigated liability claims, including products liability and construction defect claims. Duties also included reports to various members of reinsurance treaties.
- INSURANCE CO. OF THE WEST** – 1986 to 1988
Claims Supervisor. Supervision of claims unit handling liability, automobile, and workers' compensation claims.
- USF&G INSURANCE CO.** – 1983 to 1986
Claims Adjustor. Responsible for full handling of property, liability and workers' compensation claims from first report to final resolution.

ACADEMIC BACKGROUND

- University of Wisconsin – Madison, Wisconsin
Graduate level courses on risk management
- Western State University College of Law
Graduate level courses in contracts, torts, civil procedures, property and criminal law
- University of Wisconsin – La Crosse, Wisconsin
Bachelor of Science degree in Business Administration
Academic All-American
- American Institute for Property and Liability Underwriters, Inc.
Chartered Property Casualty Underwriter (CPCU) designation
Instructor CPCU 1 and 6

PROFESSIONAL SOCIETIES

- Society of Chartered Property Casualty Underwriters



**Proposal for
Liability/Errors and Omissions
Claims Audit**

for

**California State University
Auxiliary Organizations Risk
Management Alliance (AORMA)**

March 4, 2013

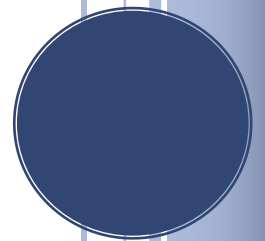
Farley Consulting Services

P.O. Box 5928 ~ Oceanside, CA 92052

Phone: 760.435.9272 ~ Fax: 760.722.1760

farleyconsulting@cox.net

An Independent Claims Management Consulting Firm





March 4, 2013

Mr. Rob Leong
Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111-5101

by e-mail: rleong@alliant.com

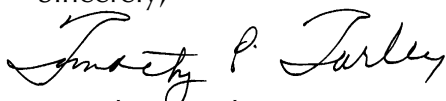
**Proposal for
Liability/Errors and Omissions Claims Audit
California State University Auxiliary Organizations Risk
Management Alliance (AORMA)**

FCS presents the following proposal to provide claims audit services for the California State University Auxiliary Organizations Risk Management Alliance (AORMA).

FCS is a limited liability company (LLC).

FCS appreciates the opportunity to submit its qualifications.

Sincerely,


Timothy P. Farley, CPCU

Contents

I.	Background	1
II.	Audit Scope	2
III.	Consultant Corporate Data.....	3
	A. Project Team.....	3
	B. References	3
IV.	Work Plan	4
V.	Cost Data.....	5

Appendix

Resume

I. Background

AORMA is a JPA providing errors & omission and general liability insurance for CSU's 90 auxiliary organizations for claims up to \$350,000.

As of 6/30/12 there were 250 open claims. Nineteen of these claims have generated incurred costs of more than \$100,000.

AORMA seeks assurance that it is efficiently administering its claims according to California tort and legislative guidelines.

II. Audit Scope

FCS proposes to audit 40 open claims. All 19 of the claims that have generated incurred costs of more than \$100,000 will be part of the sample.

Points of evaluation will include:

- Staffing adequacy
- Case reserve accuracy
- Investigation thoroughness
- Diary maintenance
- Litigation management
- Payment/settlement procedures
- File documentation clarity
- Information system clarity
- Supervisory involvement
- Excess reporting timeliness

FCS welcomes AORMA's requirement of other points of evaluation.

III. Consultant Corporate Data

A. Project Team

FCS is an *independent* claims management consulting firm headquartered in Oceanside, California. FCS accepts no assignments from agents, brokers, or claims administration firms.

Timothy P. Farley, CPCU, will perform all elements of this project. Mr. Farley has more than 30 years of claims administration experience, the past 22 as an independent consultant for entities such as AORMA.

Mr. Farley has completed more than 750 similar audits.

B. References

FCS has provided similar services to the following entities and encourages AORMA to contact the listed individual to discuss FCS's work product:

- **Ventura County Schools Self-Funding Authority (VCSSFA)**
FCS completed a comprehensive audit for this large school district in Orange County, California in 2011.
Contact: Ms. Elizabeth Atilano (805) 383-1969
- **New Mexico Public Schools Insurance Authority**
FCS completes an annual audit for this large pool of schools in New Mexico
Contact: Mr. David Poms (818) 425-0365

IV. Work Plan

The review of 40 claims will require two days on-site at Carl Warren & Company (Carl Warren), AORMA's claims administrator in Ventura. FCS proposes to perform the audit during the week of 4/15/13. A draft report of audit findings will be submitted within two weeks of the audit. The final report will be submitted immediately upon AORMA's approval of the draft report.

FCS will request a current open inventory of claims from Carl Warren from which a list of claims to be reviewed will be selected. FCS will provide that list roughly one week prior to the audit.

V. Cost Data

FCS proposes to complete all requirements of this project for a flat fee of **\$4,800**. This includes all expenses. There will be no additional charges.

An invoice will be issued after submission of the draft report, and payment is due within 30 days of AORMA's receipt of the invoice.

Resume

Timothy P. Farley, CPCU President

EXPERIENCE

- FARLEY CONSULTING SERVICES** – 2000 to present
President and primary consultant of national, independent claims management consulting firm.
- ADVANCED RISK MANAGEMENT TECHNIQUES, INC.** – 1991 to 2000
Senior Claims Consultant. Consultant to various corporations and public agencies on risk management subjects, with an emphasis on claims audits, claims administrator selection and evaluation, and other claims management issues.
- ALEXANDER & ALEXANDER** – 1989 to 1991
Marketing Manager. Responsible for market placement of all new and renewal retail business.
- TRANSCO INSURANCE SERVICES** – 1988 to 1989
Home Office Claims Supervisor. Supervision of independent claims adjusting firms handling litigated liability claims, including products liability and construction defect claims. Duties also included reports to various members of reinsurance treaties.
- INSURANCE CO. OF THE WEST** – 1986 to 1988
Claims Supervisor. Supervision of claims unit handling liability, automobile, and workers' compensation claims.
- USF&G INSURANCE CO.** – 1983 to 1986
Claims Adjustor. Responsible for full handling of property, liability and workers' compensation claims from first report to final resolution.

ACADEMIC BACKGROUND

- University of Wisconsin – Madison, Wisconsin
Graduate level courses on risk management
- Western State University College of Law
Graduate level courses in contracts, torts, civil procedures, property and criminal law
- University of Wisconsin – La Crosse, Wisconsin
Bachelor of Science degree in Business Administration
Academic All-American
- American Institute for Property and Liability Underwriters, Inc.
Chartered Property Casualty Underwriter (CPCU) designation
Instructor CPCU 1 and 6

PROFESSIONAL SOCIETIES

- Society of Chartered Property Casualty Underwriters

Strategic Claims Direction LLC
9985 Farmbrook Lane
Johns Creek, Georgia 30022-5507

March 7, 2013

Mr. Robert Leong
Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111-5101

Sent via email to rleong@alliant.com

Re: Proposal for Independent Claims Consulting Services

Dear Mr. Leong:

Thank you for speaking with me earlier this week regarding claims auditing services. *Strategic Claims Direction LLC* is pleased to present this proposal to provide the California State University Risk Management Authority (CSURMA) with an independent claims audit of A-G Administrators' (AG) management of the Athletic Injury Medical Expense (AIME) program. The proposal will remain in effect for 90 days from the proposal due date of March 10, 2013.

This cover letter and the attached proposal describe *Strategic Claims Direction's* qualifications and experience, as well as the work plan and estimated fees. Gary Jennings, Principal of *Strategic Claims Direction LLC*, who has extensive experience in the review, analysis, development, and implementation of claims programs, will perform this claims audit. He has provided claims consulting and claims auditing services for numerous corporate, public entity, insurance, and third party administration clients, which has included claims audits, and he has worked with clients to enhance their claims programs.

Gary will be Alliant's and CSURMA's contact person during review of this proposal and throughout the proposed engagement. His contact information is as follows:

Mailing Address: 9985 Farmbrook Lane, Johns Creek, GA 30022-5507
Telephone: 678.520.3739
E-mail Address: Gary.Jennings@StrategicClaimsDirection.com

Understanding of the CSURMA's Needs

The objective of the audit is to evaluate AG's claims handling of the AIME program, which covers participant injuries in inter-collegiate sports. This will include an on-site audit of AG's work product through review of a sample of claim files in AG's office in King of Prussia, PA, and identification of areas where improvements are needed. The audit will include interviews with key personnel, review of claims management documentation, and the review of a sample of claims managed by AG's claims staff.

We are pleased that *Strategic Claims Direction LLC* is being considered for this important assignment and anxiously await word from you as to how you wish to proceed. Please contact me at 678.520.3739 if you have any questions or comments. If Alliant and the CSURMA agree with the scope of work and fees as described in this proposal, please sign below where indicated and return a copy to me. Please also indicate the desired sample size after reviewing the proposal. I look forward to getting to know you and the CSURMA representatives as I work with you.

Sincerely,

/s/ Gary C. Jennings
Gary C. Jennings, CPCU, ARM, ALCM, AIC, Are, SCLA
Principal
Strategic Claims Direction LLC
Phone: 678.520.3739
Email: Gary.Jennings@StrategicClaimsDirection.com

For the California State University Risk Management Authority/Alliant

I acknowledge that I have read the foregoing proposal and agree to its terms and conditions.

Name and Title _____

Signature _____

California State University Risk Management Authority/Alliant

Date _____

Please initial next to the sample size selected after reviewing the proposal.

Initials	Option	Sample Size
	1	50 claims
	2	68 claims
	3	120 claims

PROPOSAL FOR CLAIMS AUDIT SERVICES

***Strategic Claims Direction LLC* submits this proposal to provide independent claims auditing services to the California State University Risk Management Authority (CSURMA).**

A. History and description of *Strategic Claims Direction LLC*

Strategic Claims Direction is a limited liability corporation (LLC) formed in Georgia. There are no financial or legal conditions that would affect the firm's ability to perform contractually. *Strategic Claims Direction LLC* is not a party to any litigation, and is not debarred, suspended, or otherwise declared ineligible to contract by any federal, state,

Gary Jennings, CPCU, ARM, ALCM, AIC, ARe, SCLA, is the Principal of *Strategic Claims Direction LLC*. His background and experience includes working with some of the premier actuarial, claims and risk management consulting firms, and he can offer a wide variety of professional services to a diverse client base. *Strategic Claims Direction LLC* also works closely with other insurance and risk management professionals and firms to augment our services. Gary is an experienced claims consultant with perspectives gained from experience in the insurer, corporate self-insured, consulting and TPA markets. He is a recognized specialist in technical aspects of claims management administration and in the management of claims operations and programs, with the management skills and proven ability to identify key issues and develop and implement effective business solutions.

Gary will perform this claim audit, and will be responsible for all aspects of the engagement. He has over 35 years of experience in the property and casualty claims arena, 18 of which have been as a claims consultant. His prior experience includes the following:

- Director, Technology & Process Management for Crawford & Company
- Manager, Insurance/Claims Consulting for KPMG LLP
- Director, Insurance Risk Management Solutions/Claims Consulting for PricewaterhouseCoopers LLP
- Supervisor, Workers' Compensation for International Paper Company
- Claims Supervisor for The Travelers Insurance Company

His resume is attached as **Exhibit I**.

B. Independence statement

As a fee for service consultant *Strategic Claims Direction LLC* does not accept commissions, contingent fees, or service fees in connection with its services or recommendations. We are not associated or affiliated with any insurance company or

other claims service provider. Our independence and objectivity provide assurance that our advice and counsel is based solely upon the needs and interests of our clients.

Our priority is to develop high-quality, innovative products and solutions that increase efficiency and productivity, while minimizing cost. *Strategic Claims Direction LLC* is dedicated to helping its clients meet their specialized needs.

Specifically, Gary Jennings and *Strategic Claims Direction LLC* are independent from the program being audited, its vendors, insurers, claims administrators, and members.

C. Experience with public entities/risk pools

Gary Jennings has significant experience working with public entities/risk pools. Some of his risk pool clients have included:

- Florida Community Colleges Risk Management Consortium (FCCRMC)
- Washington Counties Risk Pool (WCRP)
- United Schools Insurance Program (USIP)
- Schools Insurance Association of Washington (SIAW)
- Association of Washington Cities Risk Management Services Agency (AWC RMSA)
- Washington State Office of Financial Management (OFM)
- Washington Rural Counties Insurance Pool (WRCIP)
- Non Profit Insurance Program (NPIP)
- Cities Insurance Association of Washington (CIAW)
- Texas Water Conservation Association Risk Management Fund (TWCARMF)
- Texas Council Risk Management Fund (TCRMF)

Some of the public entities with which he has worked include:

- Los Angeles Unified School District
- Los Angeles Metropolitan Transit Authority
- King County/Department of Metropolitan Services, Seattle, Washington
- City of Tacoma, Washington
- Broward County Sheriff's Office, Florida
- City of Eugene, Oregon
- Georgia Department of Administrative Services
- Georgia Board of Workers' Compensation
- Kentucky Department of Workers' Claims
- Commonwealth of Massachusetts Human Resources Division
- New York Schools Construction Authority

Gary has also conducted studies for numerous corporate, insurer, and third party administration clients and can provide a representative list of those clients if the CSURMA desires.

D. Names and contact information of references

- Washington Counties Risk Pool (3-year contract 2010 - 2013)
Claims Manager: Susan Looker
2558 R. W. Johnson Road, SW, Suite 106
Tumwater, WA 98512-6103
Phone: 360.292.4481
Email: susan@wcrp.wa.gov
- Association of Washington Cities Risk Management Services Agency
Program Manager: Janice Howard
1076 Franklin Street SE
Olympia, WA 98501-1346
Phone: (360) 753-4137. Email address: janiceh@awcnet.org
- Lucent Technologies
Former Director, Disability Management: Larry Holt
(now Executive Director of the National Council of Self Insurers)
1253 Springfield Avenue
New Providence, NJ 07974-2931
Phone: 908.665.2152, Email address: natcouncil@aol.com
- State of Washington Office of Financial Management
Contract Manager: Shannon Stuber
P.O. Box 43113
Olympia, WA 98504-3113
Phone: (360) 902-7311, Email address: Shannon.Stuber@ofm.wa.gov
- Commonwealth of Massachusetts Human Resources Division
Director of Workers' Compensation: Deb Giacchino
John W. McCormack Building
One Ashburton Place, 3rd Floor
Boston, MA 02108-1518
Phone: (617) 727-3437, Email address: Deb.M.Giacchino@hrd.state.ma.us
- United Schools Insurance Program
- Schools Insurance Association of
- Washington Rural Counties Insurance Program
- Non Profit Insurance Program
- Cities Insurance Association of Washington
Vice President: Phil Riche
Canfield & Associates
451 Diamond Drive
Ephrata, WA 98823
Phone: (509) 754-2027
Email: priche@canfieldsolutions.com

E. Work Plan

- 1. Interview the Alliant and CSURMA program administrators, AG Claims Manager, and others they may designate to gain an understanding of the program.** We will perform these interviews by telephone prior to arrival for the on-site work to ensure that our field work can be performed as efficiently as possible. We will request additional interviews and discussions with these and other CSURMA or AG Administrators personnel while on-site as required to successfully perform the audit.

The initial interview will include, but will not be limited to topics such as:

- The overall claims program structure
- Identification of claims personnel and their functions/responsibilities
- Identification of the claims management systems/methods of data capture
- Identification of management reports used for claims management, loss control, and financial reporting purposes
- Documentation of claims procedures
- Issues/concerns/characteristics specific to the program and/or its members
- Claims filing procedure and forms
- Claims volume and adjuster workloads
- Adjuster and supervisory payment and reserve authority
- Participation of other departments/functions in claims management (e.g., loss control, training, medical review)
- Identification of claims vendors (e.g., medical bill review firms) and the manner in which they are selected and evaluated

- 2. Review the most current loss runs for the periods to be audited as provided by the CSURMA or AG and request and review additional loss runs** that might help to identify trends or issues that should be evaluated during the independent claims audit. We ask that the CSURMA and/or AG provide these in Excel format so that we can sort them as needed to facilitate the audit.
- 3. Review the Claims Manual, policies and procedures, and/or other procedural documentation** to gain an understanding of the claims management standards and practices that have been adopted and that should be documented in the claim files. We will assess the adequacy of these standards, and will assess compliance with these standards and practices during the claim file audits.
- 4. Select a random sample of claims to be audited.** We propose to review both open claims and closed claims, with the closed claims selected from a list of those claims closed within the most recent 6-month period, so they will reflect the activities of the current claims staff/organization. We will select claims from various cost strata and claim types that were handled by different adjusters as appropriate.

We provide three options with respect to sample size, and we would be willing to further discuss the sample size with the CSURMA based on its needs. The initial communication from Alliant regarding the claims audit suggested an approximate sample size of 50 claims. We are concerned that this may not be an adequate sample size, especially since this is the first claims audit of AG.

Information provided by Alliant indicated that the program has received 4,548 claims during the last five plan years, and the total payments, even after primary insurance, CSU, and AG discounts, totalled \$9,447,017. We understand that approximately 3,834 claims are open as of the information provided 3/7/13. Based on this open count as well as the number of claims over the last five-year period, we recommend a larger sample size, the basis for which are shown below.

Options	Sample Size	Basis for Sample Sizes	Estimated Days On Site
1	50 claims	As stated in the RFP	3
2	68 claims	Based on a 90% confidence level plus or minus 20%	4 - 5
3	120 claims	<u>Recommended</u> - Based on a 90% confidence level plus or minus 15%	8 - 9

- 5. Perform an on-site claim review.** We will audit the claims at the AG office in King of Prussia, PA, via access to its claims management system and/or to hardcopy materials. We will use our audit template, which allows us to capture objective measurements of numerous claims management functions and activities performed by the claims staff, measured in comparison with leading industry practices. Strategic Claims Direction will audit the selected claims with the presumption that activities that were not documented were not done.

The major claims management categories that we will review/audit include the following:

Categories
Staff Qualifications, Experience and Training
Adjuster Caseloads
Notification, Assignment, and Set-up
Coverage/Benefit Review and Analysis
Communication
Investigation
Confirmation of Underlying Benefits
Medical Cost Control
Potential Recoveries

Categories
Reserving Procedures and Adequacy
Reporting to NCAA CAT Program when applicable
File Documentation, Diaries, Supervision
Claims Payment Procedures, including Timely Payment
Claim Resolution / File Closure

6. **We will prepare a draft report** that will be issued to designated CSURMA and/or Alliant representatives within 30 days of the completion of field work. Our text will be in “plain English”. All items will be fully explained so as to be understood by all readers with minimal familiarity with insurance terminology.

This report will include an Executive Summary, key recommendations and supporting findings, gap analysis to leading industry practices, objectives and scope, background, and our findings and recommendations arising out of the audit. We will provide examples and charts to support and document our findings and recommendations.

The draft report will be issued electronically to the designated representatives. We will discuss our draft report of preliminary findings and conclusions with CSURMA and/or Alliant representatives. Based on the discussions, we will incorporate the feedback, revise the draft report, and reissue the report in draft or final format.

7. **We will provide one electronic copy of the final report** within ten working days of the final draft review with the CSURMA/Alliant representatives.

F. Estimated fees and expenses

Professional fees for the claims audits are based upon the actual time required to complete the project. Out-of-pocket expenses, such as travel/airfare, hotel accommodations, business meals, car rental, and related costs are billed at their actual incurred cost in addition to the professional fees. *Strategic Claims Direction* bills on a monthly basis and requests payment upon receipt of the invoice.

Strategic Claims Direction LLC recognizes that the current economic climate places significant financial stresses on governmental entities and the entities serving them, and will work with the CSURMA to limit the out-of-pocket expenses for this independent claims audits as much as possible. If the CSURMA or AG has special arrangements with hotels or other services that will allow us to reduce out-of-pocket expenses, we will be glad to use those services to reduce expenses. We will make every effort to obtain the lowest air fares possible, and will use non-refundable fares once we have agreed upon the specific audit dates.

Strategic Claims Direction's estimated fees and expenses for the initial independent claims audit of AG are shown below for Options 1, 2, and 3:

Option	Estimated On-Site Days	Estimated Professional Service Fee	Estimated Out-of-Pocket Expenses*	Estimated Total
1	3	\$5,500 - \$6,600	Actual, but estimate is approx \$1,400	\$6,900 - \$8,000
2	4 - 5	\$8,350 - \$11,000	Actual, but estimate is approx \$1,900	\$10,250 - \$12,900
3	8 - 9	\$12,800 - \$15,800	Actual, but estimate is approx \$3,600	\$16,400 - \$19,400

* Estimated expenses are based on an internet search conducted 3/6/13. Airline, hotel, and other out-of-pocket expenses are subject to change but we will be as cost-effective as possible.

We would be glad to discuss the proposed sample size and provide a revised estimate for a different sample size if another sample size would better meet the CSURMA's or Alliant's needs. If the CSURMA wishes *Strategic Claims Direction* to broaden its scope during the course of this review, we will agree upon the additional scope of services and will clarify the additional fees and expenses through the preparation of a Change Request that will be signed by both parties.

G. Insurance

Strategic Claims Direction carries professional liability insurance with Philadelphia Insurance Company. Please see **Exhibit II** as proof of insurance.

H. The Name, Title, Date, and Signature

Strategic Claims Direction looks forward to working with the California State University Risk Management Authority and Alliant in the performance of this independent claims audit. Gary Jennings, Principal, has the authority to bind *Strategic Claims Direction LLC* to the terms of this proposal.

/s/ Gary C. Jennings

Gary Jennings, CPCU, ARM ALCM, AIC, ARe, SCLA
 Principal

Strategic Claims Direction LLC

Date: March 7, 2013

Gary C. Jennings, CPCU, ARM, ALCM, AIC, ARE, SCLA
Principal, Strategic Claims Direction LLC
9985 Farmbrook Lane, Johns Creek, GA 30022-5507, Phone: 678.520.3739
E-mail: Gary.Jennings@StrategicClaimsDirection.com
Website: www.StrategicClaimsDirection.com

Function and Specialization

Gary specializes in worker's compensation, liability, and property claims management, including the analysis of claims programs and the design, development, and implementation of strategic claims management procedures, processes, and protocols.

Representative Clients

- Allstate Insurance Company
- Arch Insurance Company
- Arkansas Insurance Department
- AXIS Insurance Group
- Association of Washington Cities
- AT&T
- Avaya Communications
- Broward County Sheriff's Office
- Commonwealth of Massachusetts
- Companion Group
- Consolidated Edison of NY
- Delta Air Lines
- Florida Community Colleges Risk Management Consortium
- Johns Hopkins Medical Center
- Kentucky Farm Bureau
- Kmart
- The Kroger Company
- Los Angeles Unified School District
- Lucent Technologies
- New York State Workers' Compensation Board
- New York Schools Construction Authority
- Pepsi Bottling Group
- Regis Corp.
- Republic National Distributing Company, Inc.
- Rollins, Inc.
- Tennessee Valley Authority
- United States Postal Service
- Washington Counties Risk Pool
- Washington State Office of Financial Management
- We Energies
- Westinghouse
- World Trade Center Captive

Education, Licenses & Certifications

- Bachelor of Science, Business Administration, University of Tennessee
- Chartered Property and Casualty Underwriter(CPCU)
- Associate in Risk Management (ARM)
- Associate in Loss Control Management (ALCM)
- Associate in Claims (AIC)
- Associate in Reinsurance (ARE)
- Senior Claim Law Associate (SCLA)

Background

Gary Jennings has over 35 years of insurance, claims management, and risk management experience and heads an independent claims consulting firm. He specializes in workers' compensation, liability, and property claims management, including the analysis of claims programs and the design, development, and implementation of strategic claims management procedures, processes, and protocols that improve the efficiency and the effectiveness of the programs and result in claims cost savings. He designs claims management programs including the analysis of self-insured or insured programs. He has also worked with numerous self-administered clients to assist them in developing programs that are consistent with leading industry practices.

He has evaluated and provided recommendations for claims programs across many industry segments, including but not limited to:

- Automotive
- Energy/Utilities
- Financial Services/Insurance
- Healthcare
- Information Systems
- Manufacturing
- Personal Services
- Public Entities, including risk pools
- Retail
- Telecommunications
- Transportation/Warehousing

Gary can provide the following claims consulting services, as well as other services related to claims management:

- **Claims auditing / performance benchmarking**, which could include review of a number of claims management activities, including the full life cycle of claims or specific components. Some of the segments within the claims life cycle include:
 - File documentation and management, supervisory control and oversight
 - Intake, set-up, and assignment
 - Coverage review, analysis, and applicability
 - Initial and ongoing contact with policyholders, claimants, and other parties
 - Investigations, including selection and management of vendors and specialists, identification of potential recovery opportunities, and identification and investigation of potential fraud
 - Compensability, liability, or scope of damage
 - Medical and Disability Management (workers' compensation)
 - Medical Bill Review (workers' compensation)
 - Evaluation of damages, including property damage and bodily injury claims
 - Evaluation, preparation, and negotiation of settlements
 - Litigation management, including appropriate use of defense counsel
 - Potential recoveries, including identification and pursuit of subrogation, second injury funds (where applicable), salvage, and excess insurance
 - Reserving practices (timing, reasonableness)
 - Payment timeliness, documentation, and processing
 - File closure
- **Assistance in selecting TPAs and other claim vendors/specialists**, including RFP development and participation in evaluation, selection, and implementation.
- **Expert testimony** regarding the appropriateness, adequacy, and timeliness of claims management, reserving, reporting to excess insurers, and other critical components of claims handling
- **Reserve reviews** to assess the timing and reasonableness of reserving practices and case reserve adequacy

GARY C. JENNINGS

Principal, *Strategic Claims Direction LLC*

Published Articles (representative list)

- "Out of Site", *Risk & Insurance*, August 1994, p. 22
- "Plant Closing: Lock the Doors and Throw Away the Key", *Risk Management*, April 1996, pp. 83 – 89.
- "Insurance and Claims Cost Allocation", *The Journal of Workers' Compensation*, Fall 2002, pp. 30 – 42.
- "Reconsidering Self-Administration", *The Journal of Workers' Compensation*, Spring 2003, pp. 50 – 62.
- "The ABCs of TPAs: Selecting Your Company's Third Party Administrator", *The Journal of Workers' Compensation*, Summer 2004, pp. 61 – 70.
- "A Risk Manager's Guide to Claims Reserving", *The John Liner Review*, Summer 2004, pp. 62 – 73.
- "Setting Claim Program Priorities", *The Journal of Workers' Compensation*, Fall 2005.
- "Plan, Diversify, Execute, Monitor, and Adjust", *The Journal of Workers' Compensation*, Spring 2008, pp. 29 – 39.
- "Great Expectations: Successful System Implementations Require Clear Communication," *Claims*, December 2008, pp. 40 – 42.
- "Under Pressure: The Temptation to Reduce Reserves Can Increase in a Poor Economy", *Claims*, February 2010, pp. 32 – 35.
- "Abundant Claims Information: Boon or Bane?" *The John Liner Review*, Summer 2010, pp. 47 - 51.

Presentations at the following conferences (representative list)

- Risk & Insurance Management Society (7)
- National Council of Self-Insureds (4)
- National Workers' Compensation & Disability Conference (2)
- Virginia Self-Insurers Association (2)
- Atlanta RIMS – Meetings & Educational Conferences (3)
- National Conference of Insurance Guaranty Funds (1)
- Conference of Consulting Actuaries (2)
- California Joint Powers Authority conference (2)
- RIMS Chapters (3)
- Public Risk Management Association (1)

- **Creation of claims management procedures manuals**, including litigation management guidelines
- **Development of metrics and management reports** to assist corporations and public entities in measuring their claims programs, whether self-administered or managed by a third party administrator
- **Claims process analysis and redesign** for insurance companies, third party administrators (TPAs), and self-administered programs
- **Establishment of quality assurance programs**

Professional and Industry Experience

Prior to forming *Strategic Claims Direction LLC*, Gary worked for a global independent adjusting company as Director, Technology & Process Management. His experience includes working with two Big 4 consulting firms as a claims consultant, as a corporate claims manager, and with a national insurer/TPA. He has significant claims management experience across many industry segments, and has worked with corporations, public entities, insurers, third party administrators (TPAs), and risk pools.

Examples of prior engagements include the following:

- Performed a review and recommended enhancements to the self-administered workers' compensation program of a global telecommunications company
- Assisted a newly forming captive in developing comprehensive claims management standards and selecting its TPA
- Performed an evaluation of a workers' compensation insurer's program, assessed the efficiency of the business processes and recommended revisions, and developed a corporate claims procedures manual
- Performed internal audits of insurers and corporate claims programs to evaluate the claims programs' compliance with Sarbanes-Oxley
- Assisted several clients in developing Requests for Proposal to select TPAs for workers' compensation, liability, and/or property claims management. Responsibilities included developing claims management standards, RFP content, leadership of pre-proposal conferences, evaluation of submitted proposals, participation in site visits, final evaluation/selection, and implementation.
- Assisted a utilities client in assessment of its self-administered claims program, selection of a TPA, and transition to the selected TPA
- Reviewed and analyzed merger, acquisition and divestiture issues related to claims programs and self-insurance
- Developed and presented claims management training to corporate, nursing, and legal representatives, including training on claims reserving
- Developed and implemented return to work/stay at work programs
- Evaluated the claims programs of governmental risk pools to measure performance, including adherence to leading industry standards and practices
- Reviewed risk/claims management information systems and provided recommendations to enhance efficiency, to improve data capture and quality, and improve user access and input.
- Reviewed services of insurer claims programs, TPAs, and self-administered programs
- Performed a property claims audit for a state insurance department
- Performed a workers' compensation, liability, and property claims audit of a third party administrator for an insurer's program business
- Provided expert testimony relative to claims procedures, including case reserving and reporting to excess insurance carriers

AORMA PROGRAMS STATUS REPORT

ISSUE: The Auxiliary Organizations Risk Management Alliance (AORMA) continues to address the insurance and risk management needs of its members. All 90+ Auxiliary Organizations in Good Standing purchase insurance coverage through the AORMA.

Kurt Borsting, AORMA Chair, will report on the activities of the AORMA Committee.

RECOMMENDATION: No action is required on this item at today's meeting.

FISCAL IMPACT: None.

BACKGROUND: The AORMA was first marketed to CSU Auxiliary Organizations in 1998. Since that time, the program has grown from 12 members to 90+ members, and represents 100% participation.

PUBLICATION: None.

ATTACHMENT(S): None.

REPORT ON THE 2013 AOA ANNUAL CONFERENCE

ISSUE: The CSU Auxiliary Organizations Association (AoA) held its annual conference on January 16-19, 2013 in Pasadena, CA. CSURMA AORMA is one of three Premium Business Partners (highest level) for the conference. Kurt Borsting, AORMA Chair, will report on CSURMA's activities at the AoA Conference.

RECOMMENDATION: No action is required on this item at today's meeting.

FISCAL IMPACT: None.

BACKGROUND: AoA is the professional association of the 90 auxiliary enterprises that provide services to each of the 23 California State University campuses. The Annual Conference held every January is an opportunity for the leaders of these organizations to learn and collaborate on topics and issues that are crucial to both auxiliary operations and the CSU system.

PUBLICATION: None.

ATTACHMENT(S): None.

INVESTMENT TASK GROUP REPORT

ISSUE: The Executive Committee appointed a task group of its members to prepare an evaluation of CSURMA's investment program, and policies and procedures. The Task Group has directed staff in the development of the attached report. In addition, the Executive Committee asked for a review of CSURMA's Member Loan policy and procedure, and proposed revisions to that document are included in the task group report since member loans are a part of CSURMA's asset portfolio. The Task Group and staff will review the report at the meeting.

RECOMMENDATION: It is recommended that the Executive Committee evaluate the report and take action or provide direction as appropriate.

FISCAL IMPACT: No direct fiscal impact is expected from action at today's meeting.

BACKGROUND: Please refer to the attached report.

PUBLICATION: None.

ATTACHMENT(S):

- a. CSURMA Investment Task Group Report – Comment Draft

Comment DRAFT

CSU The California State University
WORKING FOR CALIFORNIA



**CSURMA EXECUTIVE COMMITTEE
INVESTMENT TASK GROUP
REPORT**



Table of Contents

TABLE OF CONTENTS

- 1. INTRODUCTION 3
- 2. EXECUTIVE SUMMARY..... 4
 - 2.1. OVERVIEW 4
 - 2.2. FINDINGS 4
 - 2.2.1. Findings – Need for an Investment Committee 4
 - 2.2.2. Findings – Investment Policy Expansion 4
 - 2.2.3. Findings – Expansion of Allowable Investments 4
 - 2.2.4. Findings – Evaluation of Cash Flow Needs and Duration of Investments..... 5
 - 2.3. RECOMMENDATIONS 5
 - 2.3.1. Investment Committee 5
 - 2.3.2. Investment Policy Expansion..... 5
 - 2.3.3. Expansion of Allowable Investments – 5
 - 2.3.4. Report on Cash Flow and Duration of Investments – 5
- 3. EXHIBITS 7
 - 3.1. CSURMA INVESTMENT FUNDS AND SERVICE PROVIDERS CHART 7
 - 3.2. CSURMA INVESTMENT POLICY..... 7
 - 3.3. DRAFT PROPOSED REVISED CSURMA INVESTMENT POLICY 7
 - 3.4. ESTIMATED CASH FLOW AND INVESTED FUND PROJECTION 7
 - 3.5. CSURMA INVESTMENT REPORT DATED 12/31/12 7

1. INTRODUCTION

The California State University Risk Management Authority (CSURMA) is a joint powers authority formed pursuant to California Government Code Section 6500 *et seq.* to provide insurance and self-insurance programs, and related risk management services to the CSU and its auxiliary organizations.

CSURMA is governed by its Board of Directors, Executive Committee and AORMA Committee. The Executive Committee serves as the legislative body for most financial decisions, though adoption of the annual budget is reserved to the Board of Directors. As provided in the CSURMA Joint Powers Agreement, CSURMA's officers include the Chair, Vice Chair, Treasurer and Secretary-Auditor.

Over the years, CSURMA's assets have grown to over \$100 million and these assets are invested to pay incurred liabilities that will mature in the future. CSURMA has historically adopted as its investment policy, the investment policy of the CSU, and has delegated investment activities to the Office of the Chancellor under the direction of the CSURMA Treasurer. CSURMA's investments have been placed in vehicles established by the CSU to serve the University and its auxiliary organizations.

In December 2012, the CSURMA Executive Committee appointed an Investment Task Group from its members to perform an evaluation of CSURMA's investment policy and practices to determine if they continue to meet the best interests of CSURMA and its members. The Task Group was asked to work with CSURMA staff to prepare this report for full Executive Committee review. The Investment Task Group included:

- George Ashkar, CSURMA Treasurer and EC member
- Linda Hawk, CSURMA EC Member
- Tom McCarron , CSURMA EC Member
- Mary Ann Rodriguez, CSURMA Vice Chair and EC Member

This report has been prepared by the Task Group with the assistance of CSURMA Accounting Services staff at the Chancellor's Office and Program Administration staff at Alliant.

2. EXECUTIVE SUMMARY

2.1. OVERVIEW

CSURMA holds substantial investments to pay in the future liabilities that have been incurred under the coverage programs administered by the Authority. At December 31, 2012, CSURMA's unaudited financial statements showed assets of \$184,033,473 invested in long and short term assets.

The Investment Task Group met with CSURMA accounting and administrative staff to review the current status of investments and policies and procedures governing them. This report was prepared to serve as a catalyst of discussion and decision making by the full CSURMA Executive Committee.

CSURMA's invested assets are held in a conservative portfolio shown in Exhibit 3.5. The funds are invested pursuant to the CSURMA Investment policy which is included as Exhibit 3.2. The Task Group asked staff to prepare Exhibit 3.1 which shows the funds utilized by CSURMA and identifies the key service providers.

2.2. FINDINGS

2.2.1. Findings – Need for an Investment Committee

The Task Group discussed whether CSURMA should establish a standing committee to review the investment policy and practice. The Task Group considered whether a CABO Group committee could perform that role and concluded that CSURMA's needs were distinct from the CABO role. The Task Group concluded that the CSURMA EC could fulfill the Authority's investment oversight needs through regular reports to the EC prepared twice annually by staff.

2.2.2. Findings – Investment Policy Expansion

The Task Group reviewed CSURMA's current investment policy and a more detailed document of instructions to investment manager's that was utilized by staff. The Task Group concluded that CSURMA's adopted investment policy should be expanded to incorporate, at least by reference much of the detailed instructions.

2.2.3. Findings – Expansion of Allowable Investments

The Task Group reviewed the current investment policy and found that it was restrictive as respect the very high minimum quality of allowable assets. CSURMA's minimum quality appears higher than the California Government Code requires and may prevent CSURMA from utilizing otherwise attractive investments. The Task Group concluded that the CUSRMA Investment Policy should be revised to allow more investment options, even if these options are not exercised, but with a limitation to a maximum invested percentage of assets to prevent adding excessive risk to the portfolio.

2.2.4. Findings – Evaluation of Cash Flow Needs and Duration of Investments

The Task Group reviewed CSURMA's investment position which currently is allocated approximately 75% to longer term investments and 25% to short term investments via SWIFT and cash on hand. In recent periods, the long term investments have yielded significantly higher returns. The Task Group concluded that the Executive Committee should review a periodic report of expected cash flow needs as compared to investment duration and expected return. Upon this review the Executive Committee could provide direction to staff as to the allocation of long vs. short term investments.

2.3. RECOMMENDATIONS

Listed below are recommendations by category:

- 2.3.1. Investment Committee** – The Task Group recommends that the CSURMA Executive Committee serve as the investment oversight review committee and receive semi-annual reports from staff at the spring and fall EC meetings. These reports will review allocation of funds, benchmarked performance and include staff and investment advisor recommendations for EC consideration and recommended action.
- 2.3.2. Investment Policy Expansion** – The Task Group Recommends that the EC adopt a more detailed investment policy specific to the CSURMA that includes delegated authority to the Treasurer or Treasurer's designee to implement a more detailed written instructions subject to the review and direction of the EC.
- 2.3.3. Expansion of Allowable Investments** – The Task Force recommends that the EC expand the allowable investment instruments within the limits prescribed by California Law provided that the Treasurer shall prepare recommended maximum investment levels as a percentage of CSURMA's portfolio for each type of asset class and grade. This expanded allowable investment holdings will be memorialized in the investment policy duly adopted by the EC and regular reports from staff shall show compliance with the policy.
- 2.3.4. Report on Cash Flow and Duration of Investments** – The Task Force recommends that the EC direct staff to develop a cash position and projection report as a part of semi-annual reports to the EC. These reports will then be utilized by the EC to direct investments to short or long term funds and instruments based on the recommendation of the Treasurer.

Executive Summary

Conclusion:

The Task Group believes that CSURMA has a solid investment portfolio in place. Action on the findings and recommendations in this report will place CSURMA in a better position to achieve the investment results desired on behalf of the membership.

EXHIBITS

3. EXHIBITS

- 3.1. ATTACHMENT A – CURRENT CSURMA INVESTMENT POLICY**
- 3.2. ATTACHMENT B – INVESTEMENT POLICY FOR THE CSU SYSTEMWIDE INVESTEMENT FUND TRUST (SWIFT)**
- 3.3. Attachment C – DRAFT INVESTEMENT POLICY FOR THE CSURMA FIXED INCOME PORTFOLIO**
- 3.4. ATTACHMENT D – DRAFT CSURMA MEMBER LOAN POLICY 7 PROCEDURE**
- 3.5. ATTACHMENT E – CSURMA PROJECTED ASSET POSITION**
- 3.6. CSURMA INVESTMENT REPORT DATED 12/31/12**
- 3.7. CSURMA INVESTMENT SERVICE PROVIDERS**

The California State University Investment Policy

The following investment guidelines have been developed for CSU campuses to use when investing funds.

Investment Policy Statement

The objective of the investment policy of the California State University (CSU) is to obtain the best possible return commensurate with the degree of risk that the CSU is willing to assume in obtaining such return. The Board of Trustees desires to provide to each campus president the greatest possible flexibility to maximize investment opportunities. However, as agents of the trustees, campus presidents must recognize the fiduciary responsibility of the trustees to conserve and protect the assets of the portfolios, and by prudent management prevent exposure to undue and unnecessary risk.

When investing campus funds, the primary objective of the campus shall be to safeguard the principal. The secondary objective shall be to meet the liquidity needs of the campus. The third objective shall be to return an acceptable yield.

Investment Authority

The California State University may invest monies held in local trust accounts under Education Code Sections 89721 and 89724 in any of the securities authorized by Government Code Sections 16330 and 16430 and Education Code Section 89724 listed in Section A, subject to limitations described in Section B.

A. State Treasury investment options include:

- Surplus Money Investment Fund (SMIF)
- Local Agency Investment Fund (LAIF)
- State Agency Investment Fund (SAIF)

Eligible securities for investment outside the State Treasury, as authorized by Government Code Section 16430 and Education Code Section 89724, include:

- Bonds, notes or obligations with principal and interest secured by the full faith and credit of the United States;
- Bonds, notes or obligations with principal and interest guaranteed by a federal agency of the United States;
- Bonds or warrants of any county, city, water district, utility district or school district;

- California State bonds, notes, or warrants, or bonds, notes, or warrants, with principal and interest guaranteed by the full faith and credit of the State of California;
 - Various debt instruments issued by: (1) federal land banks, (2) Central Bank for Cooperatives, (3) Federal Home Loan Bank Bd., (4) Federal National Mortgage Association, (5) Federal Home Loan Mortgage Corporation, and (6) Tennessee Valley Authority;
 - Commercial paper exhibiting the following qualities: (1) “prime” rated, (2) less than 180 days maturity, (3) issued by a U.S. corporation with assets exceeding \$500,000,000, (4) approved by the PMIB. Investments must not exceed 10 percent of corporation’s outstanding paper, and total investments in commercial paper cannot exceed 30 percent of an investment pool;
 - Bankers’ acceptances eligible for purchase by the Federal Reserve System;
 - Certificates of deposit (insured by FDIC, FSLIC or appropriately collateralized);
 - Investment certificates or withdrawal shares in federal or state credit unions that are doing business in California and that have their accounts insured by the National Credit Union Administration;
 - Loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration;
 - Student loan notes insured by the Guaranteed Student Loan Program;
 - Debt issued, assumed, or guaranteed by the Inter-American Development Bank, Asian Development Bank or Puerto Rican Development Bank;
 - Bonds, notes or debentures issued by U.S. corporations rated within the top three ratings of a nationally recognized rating service;
- B. In addition to the restrictions established in Government Code Section 16430, the CSU restricts the use of leverage in campus investment portfolios by limiting reverse repurchase agreements used to buy securities to no more than 20 percent of a portfolio.

Furthermore, the CSU:

- Prohibits securities purchased with the proceeds of a reverse repurchase from being used as collateral for another reverse repurchase while the original reverse repurchase is outstanding;
- Limits the maturity of each repurchase agreement to the maturity of any securities purchased with the proceeds of the repurchase (but in any event not more than one year) and;
- Limits reverse repurchase agreements to unencumbered securities already held in the portfolio.

Investment Reporting Requirements

- A. Annually, the Chancellor will provide to the Board of Trustees a written statement of investment policy in addition to a report containing a detailed description of the investment securities held by all CSU campuses and the Chancellor's Office, including market values.
- B. Each campus will provide no less than quarterly to the Chancellor a report containing a detailed description of the campus's investment securities, including market values. A written statement of investment policy will also be provided if it was modified since the prior submission. These quarterly reports are required:
 - to be submitted to the Chancellor within 30 days of the quarter's end
 - to contain a statement with respect to compliance with the written statement of investment policy; and
 - to be made available to taxpayers upon request for a nominal charge.

(Approved by the CSU Board of Trustees in January, 1997 and as amended in September, 2011)

**Investment Policy for California State University Systemwide Investment Fund Trust (SWIFT)
REVISED March 14, 2008**

The California State University Systemwide Investment Fund Trust (CSU SWIFT) has been created to facilitate the centralization of the investment management function on behalf of the California State University (CSU) System and its campuses, departments, auxiliaries, foundations, and other related entities. The following investment guidelines have been developed for management of the CSU SWIFT.

Statement of Investment Policy and Guidelines

When investing campus funds, the primary objective of the investment managers shall be to safeguard the principal. The secondary objective shall be to meet the liquidity need of the campus. The third objective shall be to return an acceptable yield.

The objective of the investment policy is to obtain the best possible return commensurate with the degree of risk that the CSU is willing to assume in obtaining such return.

Adherence to Policy Guidelines

CSU SWIFT assets are to be managed in accordance with the policy guidelines expressed herein, or expressed by separate written instructions when deviation is deemed prudent and desirable. Written instructions amending this policy document must be signed by the chair of the Investment Committee.

Discretionary Authority

The investment managers are expected to exercise complete investment discretion within the boundaries of the restrictions outlined in this Statement of Investment Policy and Guidelines. Such discretion includes decisions to buy, hold, or sell fixed income securities (including cash equivalents) in amounts and proportions reflective of the managers' current investment strategy.

Communication

The Committee encourages, and the investment managers are responsible for, frequent and open communication with the Committee on all significant matters pertaining to the investment of the assets for the SWIFT. These communications should generally be addressed to the Office of the Vice Chancellor, Business & Finance. In this manner, the Committee expects to be advised of any major changes in investment outlook, investment strategy, portfolio structure, or market value of the assets, and other substantive matters affecting the SWIFT. The Committee also expects to be informed of any significant

changes in the ownership, organizational structure, financial condition, or senior personnel staffing of the investment managers.

The Committee recognizes that the Statement of Investment Policy and Guidelines requires periodic examination and perhaps revision if it is to continue to serve as a working document to encourage effective investment management. Whenever the investment manager believes this Statement should be altered, it is the responsibility of the managers to initiate written communication to the Committee.

Benchmark

Returns of the portfolio will be measured against the Merrill Lynch 0-3 Year U.S. Treasury Index (G1QA).

Investment Authority

The CSU SWIFT may invest in any of the securities authorized by government Code Section 16430 listed in Section A and Code Section 53601.

Securities eligible for investment include;

- Bonds, notes or obligations with principal and interest secured by the full faith and credit of the United States; (no limitations)
- Bonds, notes or obligations with principal and interest guaranteed by a federal agency of the United States; (no limitations)
- Bonds or warrants of any county, city, water district, utility district or school district of the state of California; No issuer with a rating below A-/A3 is allowed; (no one issuer to exceed 5% of the portfolio)
- California State bonds or bonds with principal and interest guaranteed by the full faith and credit of the State of California; (no one issue to exceed 5%); (not to exceed 25% of portfolio)
- Obligations of the campus members authorized by California Education Code Section 89760(a).
- Various debt instruments issued by: (1) Federal Land Banks (FFCB), (2) Central Bank for Cooperatives, (3) Federal Home Loan Bank (FHLB), (4) Federal National Mortgage Association (FNMA), (5) Federal Home Loan Mtg. Corp. (FHLMC), and (6) Tennessee Valley Authority (TVA); (no one issuer to exceed 25% of the portfolio)
- Mortgage Pass-Through Securities issued by GNMA, FNMA and FHLMC; (not to exceed 20% of the portfolio)
- Collateralized Mortgage Obligations issued by GNMA, FNMA and FHLMC which at time of purchase pass the FFIEC test; (not to exceed 20% of the portfolio)

- Asset Backed Securities which are rated Aaa by Moody's, AAA by Standard and Poor's, or AAA by Fitch with no rating below the top investment rating. Issuer will be rated at least single A; (no one issuer to exceed 5% of the portfolio); (not to exceed 20% of the portfolio)
- Commercial paper exhibiting the following qualities: (1) "prime" rated, (2) less than 180 days maturity, (3) issued by a U.S. corporation with assets exceeding \$500,000,000. Investments must not exceed 10 percent of corporation's outstanding paper, and total investments in commercial paper cannot exceed 30% of an investment pool. Notwithstanding the above, no one issuer to exceed 5% of the portfolio. In addition, A-2/P-2/F-2 commercial paper will be limited to no more than 10% of the portfolio and limited in maturity to 14 days. No purchase will be made of paper rated below A-2/P-2/F-2; (not to exceed 30% of portfolio)
- Banker's acceptances eligible for purchases by the Federal Reserve System; Issuer's will be rated A-1/P-1 or F-1 with no rating below that level; (no one issuer to exceed 5% of the portfolio); (not to exceed 30% of the portfolio)
- Certificates of deposit (insured by FDIC, or appropriately collateralized); (not to exceed FDIC insurance limits)
- Investment certificates or withdrawal shares in federal or state credit unions that are doing business in California and that have their accounts insured by the National Credit Union Administration; (not to exceed NCUA insurance limits)
- Negotiable certificates of deposit and bank notes which are rated A-1/P-1 or F-1 if short-term or A- by S&P, A3 by Moody's or A- by Fitch in both cases with no rating below those levels; (no one issuer to exceed 5% of the portfolio); (not to exceed 30% of the portfolio)
- Loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration; (no limitations)
- Student Loan Notes insured by the Guaranteed Student Loan Program; (no limitations)
- Debt issued, assumed, or guaranteed by the Inter-American Development Bank or Puerto Rican Development Bank; (no limitations)
- Bonds, notes or debentures (including medium-term notes) issued by U.S. Corporations rated within the top three ratings of a nationally recognized rating service. No issuer with a rating below A3/A- is allowed; (no one issuer to exceed 5% of the portfolio); (not to exceed 30% of the portfolio)
- Repurchase Agreements. Repurchase agreements with banks and dealers with which the CSU System, or its agents on its behalf, has entered into a master repurchase contract which specifies terms and conditions or repurchase agreements, and are fully collateralized by delivery to an independent third party custodian for the CSU's System's account or to the CSU's custodian. In order to conform with provisions of the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, only those marketable securities eligible for investment by the

CSU System are permitted as collateral. Treasuries, Agencies and eligible money market instruments will be collateralized at 102%. Corporates and other eligible collateral will be collateralized at 105%. Repurchase Agreements will be conducted exclusively with primary dealers. Repurchase Agreements may not exceed 90 days.

- Reverse Repurchase Agreements. The CSU limits reverse repurchase agreements to unencumbered securities already held in the portfolio. The CSU prohibits securities purchased with the proceeds of a reverse repurchase agreement from being used as collateral for another reverse repurchase while the original reverse repurchase is outstanding. Securities subject to a reverse repurchase agreement must have been owned a minimum of 30 days before being delivered in a reverse repurchase agreement. The total of all securities sold on reverse repurchase agreements will not exceed 20% of the market value of the portfolio. Reverse repurchase agreement will not exceed 92 days.
- Money Market Mutual Funds. Money market mutual funds registered with the Securities and Exchange Commission and rated AAA/Aaa by no less than two NRSROs.
- 144A Securities. 144A securities are allowed to be purchased and held in the portfolio; (not to exceed 20% of the portfolio).

Duration Guidelines

The maximum maturity of any security will be 5 years.

The maximum average duration of the portfolio will be 2 years.

For issues that trade to a weighted-average-life (WAL), the WAL will be used as the effective maturity for duration measurement and for maximum maturity constraints.

For issuers with variable interest rates, the reset date will be used as the effective maturity for duration measurement purposes and the legal final maturity date will be used for maximum maturity constraints.

All maturity and duration constraints are measured from trade date.

Concentration/Diversification Guidelines

All concentration guidelines are measured at the time of purchase with the exception of commercial paper which must be less than 30% at all times.

Concentration Limitations:

<u>Security Type</u>	<u>Issuer</u>	<u>Sector</u>
Obligations backed by the full faith and credit of the U.S Government	100%	100%
Obligations guaranteed by a federal agency of the U.S. Government	100%	100%
California Municipal Obligations	5%	100%
Obligations of the State of California	5%	25%

<u>Security Type</u>	<u>Issuer</u>	<u>Sector</u>
Obligations of campus members authorized under Code Section 89760a	100%	100%
Government-Sponsored Entities (FFCB, FHLB, FNMA, FHLMC, TVA)	25%	100%
Mortgage Pass-Through Securities issued by GNMA, FNMA FHLMC*	20%	20%
Collateralized Mortgage Obligations issued by GNMA, FNMA, FHLMC*	20%	20%
Asset-Backed Securities*	5%	20%
Commercial Paper	5%	30%
Banker's Acceptances	5%	30%
Certificate's of Deposit (insured by FDIC or properly collateralized)	\$100k	100%
Investment Cert. in federal or state credit unions (insured by NCUA)	\$100k	100%
Negotiable Certificates of Deposit	5%	30%
Obligations of the SBA or FHA	100%	100%
Student Loan Notes insured by the Guaranteed Student Loan Program	100%	100%
Obligations guaranteed by the Inter-Amer. Dev. Bank or Puerto Rico Dev.	100%	100%
Corporate Obligations	5%	30%
Repurchase Agreements	5%	100%
Reverse Repurchase Agreements	5%	20%
Money Market Funds	10%	20%

* Mortgage Pass-Through Securities, Collateralized Mortgage Obligations and Asset-Backed Securites may not exceed 20% of the portfolio in aggregate.

For ABS issuers, securities issued by the same originator with different collateral types will not be aggregated at the issuer level for concentration measurement purposes.

Reporting

The Committee expects the Custody Bank to provide access to daily reports of the SWIFT via its online portal to CSU Office of the Chancellor staff, the respective investment managers, and other members of the Investment Committee as directed. Additionally, monthly reports will be provided by the Custody Bank highlighting the respective portfolios of each investment manager and the aggregate portfolio. These reports will include portfolio activity, market valuations, sector metrics, affirmation of compliance, and performance relative to agreed upon benchmarks. If a meeting is scheduled with the Committee, the reports should be received at least one week in advance of the meeting date.

Compliance with Prudence and Diversification Measures

As fiduciary, the investment managers are expected to diversify the portfolio to preserve the principal of the SWIFT assets. If diversification is deemed not to be prudent, the manager must communicate this decision to the Chair of the Investment Committee immediately. The manager is expected to invest the SWIFT assets with ease, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with such aims.

All restrictions, minimum ratings requirements and diversification limitations pertain to the account at the time of purchase. In the event of a downgrade of any security to a level where the new rating would not comply with the minimum rating for new purchases of a similar asset, or a limitation being breached due to a change in portfolio size, the Investment Manager shall notify CSU.

Evaluation and Review

The objective of the evaluation and review process is to monitor the progress of the SWIFT assets in achieving the overall investment objectives. Performance will be measured and reviewed periodically by the Investment Committee. Particular attention will be directed toward determining whether:

- * the funds are achieving their stated objectives,
- * the investment managers are adhering to the guidelines set forth herein,
- * the investment managers are adhering to its stated philosophy and style,
- * the overall policies and objectives continue to be appropriate, reasonable and achievable.

**Investment Policy for the California State University Risk Management Authority
Fixed Income Portfolio
March 7, 2013**

The Organization

The California State University Risk Management Authority (CSURMA) is an association of the California State University (CSU) and auxiliary organizations joined to protect member resources by providing broad coverage and quality risk management services that stabilize risk cost in a reliable, economical and beneficial manner.

History

The Chancellor's Office staff and representatives of auxiliary organizations within the CSU have developed a systematic approach to managing risk exposures across CSU campuses.

On January 1, 1997, the CSURMA was formed by the CSU and those qualified auxiliary organizations of the CSU that opted to join with intentions to participate in the risk management programs to be offered by the CSURMA.

Scope of This Investment Policy

The assets governed by this investment policy statement are funds held for investment in the CSURMA Fixed Income Portfolio (FIP). In meeting the investment needs of the FIP, the general principles of modern portfolio theory will be followed. In doing so, the FIP will be constructed in a way that maximizes expected return for a given level of risk.

Cash flow requirements are not expected of the FIP being managed under this policy statement. However, in the event cash flow is required, it will be met on a total return basis. The following investment guidelines have been developed for management of the FIP.

Statement of Investment Policy and Guidelines

When investing CSURMA funds, the primary objective of the investment manager(s) (IM) for the FIP shall be to safeguard the principal. The secondary objective shall be to meet the liquidity needs of the CSURMA. The third objective shall be to return an acceptable yield.

The objective of the investment policy is to obtain the best possible return commensurate with the degree of risk that the CSURMA is willing to assume in obtaining such return.

Delegation of Authority

The Executive Committee of CSURMA (EC) is a fiduciary, and is responsible for

directing and monitoring the investment management of FIP assets. As such, the EC is authorized to delegate certain responsibilities to officers and/or staff of CSURMA, as well as professional experts in various fields. These include, but are not limited to:

1. **Treasurer of the CSURMA.** The Treasurer of CSURMA (Treasurer) is responsible for the ongoing general management of the FIP. The Treasurer may delegate, as appropriate, authority contained in this policy statement to the Senior Director, Financing and Treasury of the CSU. Duties include, but are not limited to, the following:
 - Selection and retention of outside IM as the investment policy dictates. *The Treasurer acts with the EC's authority in all matters relating to IM selection.*
 - Review performance of the FIP to stated objectives. Review and monitor performance of the IM.
 - Determine if overall policies and objectives continue to be appropriate and reasonable and make recommendations to the EC as necessary.
2. **Investment Consultant.** The consultant acts as a discretionary advisor to the Treasurer and may assist the Treasurer in: establishing investment policy, objectives, and guidelines; selecting IMs; reviewing such IMs over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
3. **Investment Manager (IM).** The IM has discretion to purchase, sell, or hold the specific securities that will be used to meet the FIP's investment objectives.
4. **Custodian.** The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the FIP, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the FIP accounts.
5. **Additional specialists.** Additional specialists such as attorneys, auditors, actuaries, trust administrators, and others may be employed by the Treasurer to assist in meeting his/her responsibilities and obligations to administer FIP assets prudently.

The Treasurer will not reserve any control over the day-to-day investment decisions. The IM will be held responsible and accountable to achieve the objectives stated in this policy statement. While it is not believed that the limitations in this policy statement will hamper the IM, the IM should request modifications to this policy statement that they deem appropriate. All expenses for experts must be customary and reasonable, and will be paid out of FIP assets and deducted before returns are calculated to meet objectives. Goals and objectives must be accomplished net of all expenses necessary to operate and manage the FIP assets.

Adherence to Policy Guidelines

CSURMA assets are to be managed in accordance with the policy guidelines expressed herein, or expressed by separate written instructions when deviation is deemed prudent and desirable. Written instructions amending this policy document must be signed by the Treasurer or his/her delegate.

Discretionary Authority

The IM is expected to exercise complete investment discretion within the boundaries of the restrictions outlined in this statement of investment policy. Such discretion includes decisions to buy, hold, or sell fixed income securities (including cash equivalents) in amounts and proportions reflective of the IM's current investment strategy.

Communication

The Treasurer encourages, and the IM is responsible for, frequent and open communication with the Treasurer and/or his/her delegate on all significant matters pertaining to the investment of the assets for the FIP. These communications should generally be addressed to the Treasurer. In this manner, the Treasurer and/or his/her delegate expects to be advised of any major changes in investment outlook, investment strategy, portfolio structure, or market value of the assets, and other substantive matters affecting the FIP. The Treasurer and/or his/her delegate also expects to be informed of any significant changes in the ownership, organizational structure, financial condition, or senior personnel staffing of the IM and/or investment consultants.

The Treasurer recognizes that this statement of investment policy requires periodic examination and perhaps revision if it is to continue to serve as a working document to encourage effective investment management. Whenever the IM believes this statement of investment policy should be altered, it is the responsibility of the IM to initiate written communication to the Treasurer or his/her delegate.

Benchmark

The benchmark of the FIP shall be the Barclays Intermediate Government / Credit Bond Index.

Quality

1. The minimum quality should be A or better by one nationally recognized statistical rating organization (NRSRO), with the exception that the minimum quality of bonds, notes, or debentures (including medium term notes) of U.S. corporations may be BBB or better.
2. Highest rating shall apply in the case of split rating
3. The weighted average quality should be AA or better.

4. Money Market Funds selected shall contain securities whose credit rating at purchase would be rated investment grade by Standard and Poors, Moody's, and/or their equivalent.

Investment Authority

The FIP may invest in any of the securities authorized by government Code Section 16430 listed in Section A and Code Section 53601.

Securities eligible for investment include;

- Bonds, notes or obligations with principal and interest secured by the full faith and credit of the United States; (no limitations)
- Bonds, notes or obligations with principal and interest guaranteed by a federal agency of the United States; (no limitations)
- Bonds or warrants of any county, city, water district, utility district or school district of the state of California; No issuer with a rating below A-/A3 is allowed; (no one issuer to exceed 5% of the portfolio)
- California State bonds or bonds with principal and interest guaranteed by the full faith and credit of the State of California; (no one issue to exceed 5%); (not to exceed 25% of portfolio)
- Obligations of the CSURMA members authorized by California Education Code Section 89760(a).
- Various debt instruments issued by: (1) Federal Land Banks (FFCB), (2) Central Bank for Cooperatives, (3) Federal Home Loan Bank (FHLB), (4) Federal National Mortgage Association (FNMA), (5) Federal Home Loan Mtg. Corp. (FHLMC), and (6) Tennessee Valley Authority (TVA); (no one issuer to exceed 25% of the portfolio)
- Mortgage Pass-Through Securities issued by GNMA, FNMA and FHLMC; (not to exceed 20% of the portfolio)
- Collateralized Mortgage Obligations issued by GNMA, FNMA and FHLMC which at time of purchase pass the FFIEC test; (not to exceed 20% of the portfolio)
- Asset Backed Securities which are rated Aaa by Moody's, AAA by Standard and Poor's, or AAA by Fitch with no rating below the top investment rating. Issuer will be rated at least single A; (no one issuer to exceed 5% of the portfolio); (not to exceed 20% of the portfolio)
- Commercial paper exhibiting the following qualities: (1) "prime" rated, (2) less than 180 days maturity, (3) issued by a U.S. corporation with assets exceeding \$500,000,000. Investments must not exceed 10 percent of corporation's outstanding paper, and total investments in commercial paper cannot exceed 30% of an investment pool. Notwithstanding the above, no one issuer to exceed 5% of the portfolio. In addition, A-2/P-2/F-2 commercial paper will be limited to no more than 10% of the portfolio and limited in maturity to 14 days. No purchase will be made of paper rated below A-2/P-2/F-2; (not to exceed 30% of portfolio)

- Banker's acceptances eligible for purchases by the Federal Reserve System; Issuer's will be rated A-1/P-1 or F-1 with no rating below that level; (no one issuer to exceed 5% of the portfolio); (not to exceed 30% of the portfolio)
- Certificates of deposit (insured by FDIC, or appropriately collateralized); (not to exceed FDIC insurance limits)
- Investment certificates or withdrawal shares in federal or state credit unions that are doing business in California and that have their accounts insured by the National Credit Union Share Insurance Fund; (not to exceed NCUSIF insurance limits)
- Negotiable certificates of deposit and bank notes issued by FDIC insured banks which are rated A-1/P-1 or F-1 if short-term or A- by S&P, A3 by Moody's or A- by Fitch in both cases with no rating below those levels; (no one issuer to exceed 5% of the portfolio); (not to exceed 30% of the portfolio)
- Loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration; (no limitations)
- Student Loan Notes insured by the Guaranteed Student Loan Program; (no limitations)
- Debt issued, assumed, or guaranteed by the Inter-American Development Bank or Puerto Rican Development Bank; (no limitations)
- Bonds, notes or debentures (including medium-term notes) issued by U.S. Corporations rated within the top three ratings of a nationally recognized rating service. No issuer with a rating below BBB2/BBB is allowed; (no one issuer to exceed 5% of the portfolio); (not to exceed 30% of the portfolio; securities rated below A3/A- not to exceed 10% of the portfolio)
- Repurchase Agreements. Repurchase agreements with banks and dealers with which the CSU System, or its agents on its behalf, has entered into a master repurchase contract which specifies terms and conditions or repurchase agreements, and are fully collateralized by delivery to an independent third party custodian for the FIP's account or to the FIP's custodian. In order to conform with provisions of the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, only those marketable securities eligible for investment by the FIP are permitted as collateral. Treasuries, Agencies and eligible money market instruments will be collateralized at 102%. Corporates and other eligible collateral will be collateralized at 105%. Repurchase Agreements will be conducted exclusively with primary dealers. Repurchase Agreements may not exceed 90 days.
- Reverse Repurchase Agreements. The FIP limits reverse repurchase agreements to unencumbered securities already held in the portfolio. The FIP prohibits securities purchased with the proceeds of a reverse repurchase agreement from being used as collateral for another reverse repurchase while the original reverse repurchase is outstanding. Securities subject to a reverse repurchase agreement must have been owned a minimum of 30 days before being delivered in a reverse repurchase agreement. The total of all securities sold on reverse repurchase agreements will not exceed 20% of the market value of the portfolio. Reverse repurchase agreement will not exceed 92 days.

- Money Market Mutual Funds. Money market mutual funds registered with the Securities and Exchange Commission and rated AAA/Aaa by no less than two NRSROs.
- 144A Securities. 144A securities are allowed to be purchased and held in the portfolio; (not to exceed 20% of the portfolio).

Duration Guidelines

The duration of the portfolio will be targeted within -1 or +1 of the duration of the Lehman Brothers Intermediate Government / Credit Bond Index.

For issues that trade to a weighted-average-life (WAL), the WAL will be used as the effective maturity for duration measurement and for maximum maturity constraints.

For issuers with variable interest rates, the reset date will be used as the effective maturity for duration measurement purposes and the legal final maturity date will be used for maximum maturity constraints.

All maturity and duration constraints are measured from trade date.

Concentration/Diversification Guidelines

All concentration guidelines are measured at the time of purchase with the exception of commercial paper which must be less than 30% at all times.

Concentration Limitations:

<u>Security Type</u>	<u>Issuer</u>	<u>Sector</u>
Obligations backed by the full faith and credit of the U.S Government	100%	100%
Obligations guaranteed by a federal agency of the U.S. Government	100%	100%
California Municipal Obligations	5%	100%
Obligations of the State of California	5%	25%

<u>Security Type</u>	<u>Issuer</u>	<u>Sector</u>
Obligations of CSURMA members authorized under Code Section 89760a	100%	100%
Government-Sponsored Entities (FFCB, FHLB, FNMA, FHLMC, TVA)	25%	100%
Mortgage Pass-Through Securities issued by GNMA, FNMA, FHLMC*	20%	20%
Collateralized Mortgage Obligations issued by GNMA, FNMA, FHLMC*	20%	20%
Asset-Backed Securities*	5%	20%
Commercial Paper	5%	30%
Banker's Acceptances	5%	30%
Certificates of Deposit (insured by FDIC or properly collateralized)	\$250k	100%
Share Certificates in federal or state credit unions (insured by NCUSIF)	\$250k	100%

Negotiable Certificates of Deposit	5%	30%
Obligations of the SBA or FHA	100%	100%
Student Loan Notes insured by the Guaranteed Student Loan Program	100%	100%
Obligations guaranteed by the Inter-Amer. Dev. Bank or Puerto Rico Dev.	100%	100%
Corporate Obligations	5%	30%
Corporate Obligations rated below A3/A-	5%	10%
Repurchase Agreements	5%	100%
Reverse Repurchase Agreements	5%	20%
Money Market Funds	10%	20%

* Mortgage Pass-Through Securities, Collateralized Mortgage Obligations and Asset-Backed Securities may not exceed 20% of the portfolio in aggregate.

For ABS issuers, securities issued by the same originator with different collateral types will not be aggregated at the issuer level for concentration measurement purposes.

Reporting

The Treasurer expects the Custodian to provide access to daily reports of the FIP via its online portal to CSU Office of the Chancellor staff, the IM, and other members of the EC as directed. Additionally, monthly reports will be provided by the Custodian for the FIP. These reports will include portfolio activity, market valuations, sector metrics, affirmation of compliance, and performance relative to agreed upon benchmarks. If a meeting is scheduled with the Treasurer or his/her delegate, the reports should be received at least one week in advance of the meeting date.

The Investment Consultant shall furnish the Treasurer and/or his/her delegate with a quarterly account review detailing investment performance in addition to a listing of portfolio holdings within the FIP. The Investment Consultant shall also supply timely information concerning changes in the IM's investment philosophy, management strategy, or ownership and key personnel. In addition, the Investment Consultant must supply the Treasurer and/or his/her delegate with quarterly reports that provide information and analyses necessary for the EC to fulfill its fiduciary responsibility.

Compliance with Prudence and Diversification Measures

As fiduciary, the IM is expected to diversify the portfolio to preserve the principal of the FIP assets. If diversification is deemed not to be prudent, the IM must communicate this decision to the Treasurer or his/her delegate immediately. The IM is expected to invest the FIP assets with ease, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with such aims.

All restrictions, minimum ratings requirements and diversification limitations pertain to the account at the time of purchase. In the event of a downgrade of any security to a level where the new rating would not comply with the minimum rating for new purchases of a similar asset, or a limitation being breached due to a change in portfolio size, the IM shall notify the Treasurer, the Treasurer's delegate, and/or the Investment Consultant.

Evaluation and Review

The objective of the evaluation and review process is to monitor the progress of the FIP assets in achieving the overall investment objectives. Performance will be measured and reviewed periodically by the Treasurer and/or his/her delegate. Particular attention will be directed toward determining whether:

- * the FIP is achieving its stated objectives,
- * the IM is adhering to the guidelines set forth herein,
- * the IM is adhering to its stated philosophy and style,
- * the overall policies and objectives continue to be appropriate, reasonable and achievable.

CSURMA

POLICY AND PROCEDURE NO. 10

ADOPTED: ~~MAY~~ March 21~~13~~, 2011-2013 (AMENDED)
EFFECTIVE: JULY 1, 201~~3~~4
SUBJECT: MEMBER LOANS

Should there be any discrepancy between this document and either the JOINT POWERS AGREEMENT or BYLAWS, the JOINT POWERS AGREEMENT and BYLAWS will govern.

POLICY:

It is the policy of CSURMA that, upon recommendation of the Treasurer, the Executive Committee may approve a CSURMA Member Loan (“Loan”) to a Campus or AORMA Member (“Member”) pursuant to the procedures described herein. No new ~~Member~~ Loan shall be granted without a ~~finding determination by the Executive Committee~~ that CSURMA has sufficient funds such that the proposed ~~member loan~~ Loan would not impair CSURMA’s ongoing operations. ~~Member~~ Loans shall only be granted upon a finding by the Treasurer that the Member has exhausted alternative sources of funding and that a ~~Member~~ Loan is in the best interests of the University.

PROCEDURE:

The following procedures shall be followed in administration of the ~~CSURMA Member~~ Loan program:

- 1. Amount Available for ~~Member~~ Loans** – The amount available for ~~Member~~ Loans shall not exceed 15% of the overall average ~~fund cash and investment~~ balance for the preceding 12 months. ~~N and no~~ new ~~Member~~ Loan shall be initiated by the Treasurer without determining that the proposed ~~Member~~ Loan will fall within the 15% limit and that CSURMA will maintain adequate funds to cover its cash needs following the loan. In the interest of fairness, ~~Member~~ Loans to a single Member’s ~~c~~ Campus (inclusive of and its associated ~~Member Auxiliary Organizations~~ AORMA member) shall not exceed 5% of the overall average ~~fund cash and investment~~ balance for the preceding 12 months.
- 2. Payment Period and Rate:** All loans must be repaid within 5 (five) years but may be initially established for a shorter period. Extension, not to exceed the 5 year limit, previously approved by the EC may be delegated to the CSURMA Treasurer. All loans require amortization of principal and interest to be included in the loan repayment period. Upon maturity, members may reapply if continued financing is needed and at the approval of the Executive Committee.

Interest rate shall be at least equivalent to the investment income rate that CSURMA would have earned if the funds had instead been invested during the same calculation period.

CSURMA

POLICY AND PROCEDURE NO. 10

- 3. Member Loan Request** – A member seeking a ~~CSURMA Member~~ Loan shall submit to the Treasurer a written request describing the amount, purpose, proposed terms, ~~and~~ repayment schedule and source of repayment for the requested ~~Member~~ Loan. The request shall describe what steps the Member has taken to secure ~~the requested funds through~~ alternate financing and sources and why the Member is seeking ~~the proposed a~~ Loan from CSURMA. ~~The Member shall describe the collateral and source of repayment funds for the proposed Member Loan.~~ –If a general obligation pledge is proposed ~~by an Auxiliary Organization Member~~, then that Member must also show adequate cash flow from a specific funding source or adequate reserves to make the debt service payments during the term of the loan. The member must also state the financial and/or public safety risk that will be mitigated at a the result of the approval of this loan. Proposed Member Loans for the acquisition of real estate by an Auxiliary organization may not pledge the real estate as collateral for the loan.
- 4. Treasurer’s Review and Recommendation** - The Treasurer shall review the ~~Member~~ Loan request and seek additional information as necessary to make a determination. If a favorable determination is made, the Treasurer shall recommend to the Executive Committee the proposed ~~Member~~ Loan including the ~~Treasurer’s recommended~~ terms and conditions. ~~Recommended terms shall require that the frequency of interest payments shall be at least quarterly in arrears and at an interest rate at least equivalent to the investment income rate that CSURMA would have earned if the funds had instead been invested during the same calculation period.~~
- 5. Executive Committee Action** – At duly noticed meeting, the Executive Committee shall take action on the Treasurer’s recommendation. If the proposed ~~Member~~ Loan is to be approved, such approval shall be memorialized by ~~resolution~~ directing the Treasurer to prepared the loan note for ~~review and approval signature by CSURMA’s General Counsel~~ CSURMA Chair, Secretary, Treasurer and borrowing member.
- 6. Administration of Member Loans** – The Treasurer shall direct ~~the~~ CSURMA Accounting ~~ant~~ to transfer funds, calculate interest, collect repayment proceeds and prepare reports on the status of outstanding loans. Any failure to make timely payments or proposed change in terms or conditions shall be reported by the Treasurer to the Executive Committee for review and action.

CSURMA Projected Asset Position

As of: 12/31/12

Funds

Invested assets and cash at 12/31/12	\$ 184,033,473
Staff Estimated Loss Payments 12/31/12 - 6/30/13	\$ (27,095,120)
Subsequent Event - AORMA Pending Dividends (July 2013)	\$ (1,702,157)
Estimated Total Assets Available at 6/30/13	\$ 155,236,196

CSURMA Net Contributions at 8/1/13	\$ 73,000,000
Estimated Dividends Payable by 12/31/13 (Campus Risk Pool)	\$ (7,500,000)
Staff Estimated Loss Payments 6/30/13 - 12/31/13	\$ (30,000,000)
Estimated Future Period Adjustments as of 12/31/13	\$ 35,500,000

Staff Estimated Loss Payments 12/31/13 - 06/30/14	\$ (30,000,000)
Estimated Future Period Adjustments	\$ (30,000,000)

CSURMA Net Contributions at 8/1/14	\$ 75,000,000
Estimated Dividends Payable by 12/31/14	\$ (7,500,000)
Staff Estimated Loss Payments 06/30/14 - 12/31/14	\$ (32,000,000)
Estimated Total Assets Available at 12/31/14	\$ 196,236,196

Information Item:

Long Term Investments at 12/31/12	\$ 138,008,816
Short Term Investments at 12/31/12	\$ 46,024,657
Total Investments	\$ 184,033,473

Percent of Total Investments

75%
25%

Current Report Portfolio Allocation

As of: 09/30/12

Information Item:

Long Term Investments at 09/30/12	\$ -
Short Term Investments at 09/30/12	\$ -
Total Investments	\$ -

Percent of Total Investments

#DIV/0!
#DIV/0!

CSURMA Quarterly Investment Report

October 1, 2012 – December 31, 2012

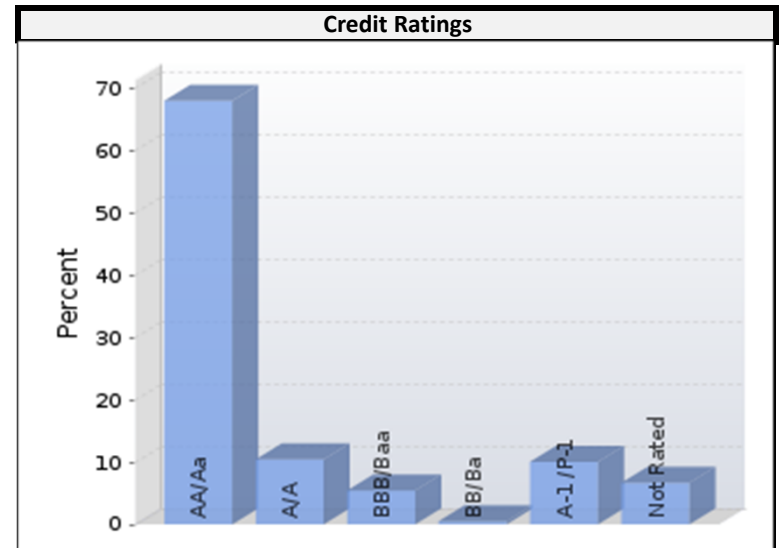
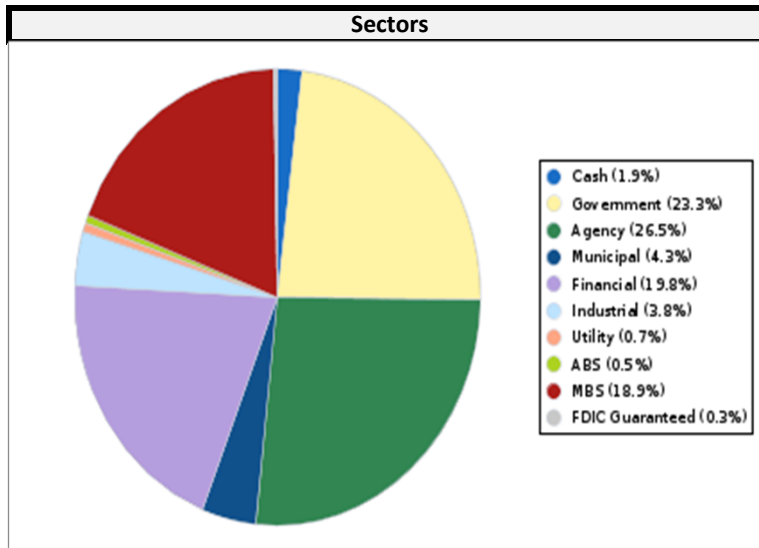
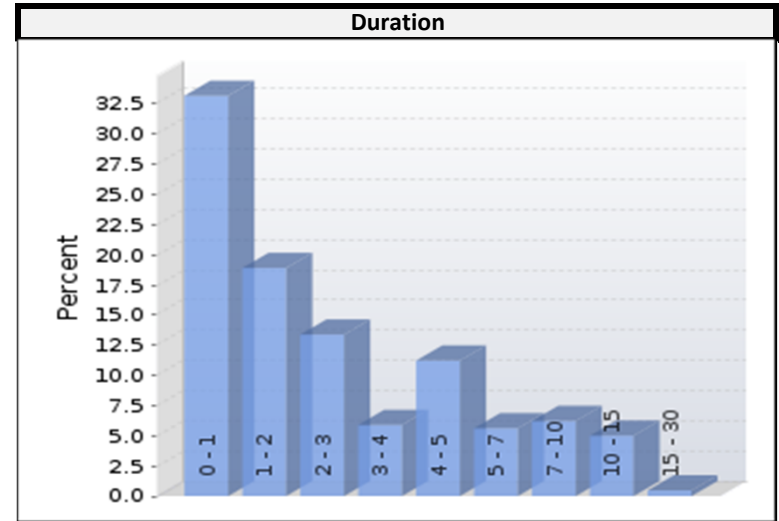
Prepared by the Office of Financing and Treasury

California State University Risk Management Authority

Fixed Income Portfolio (Auxiliary Investment Platform)

As of 12/31/2012

Portfolio Summary Total	
Total Assets	127,719,279
Duration	2.911
Yield	0.870%
Avg Credit Rating	AA-/Aa3
QE Performance	0.449%



California State University Risk Management Authority

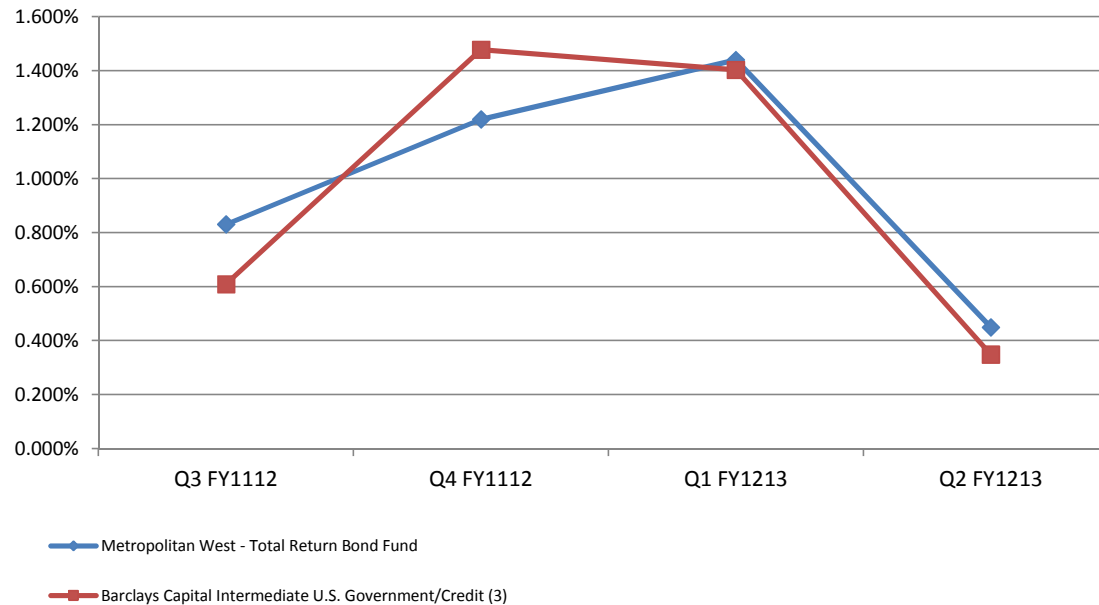
Fixed Income Portfolio (Auxiliary Investment Platform)

Performance Summary

Period Ended 12/31/12

Account / Index	Market Value	3 Month Return ⁽¹⁾	12 Month Return ⁽¹⁾	Yield	WAM ⁽²⁾	Duration
	12/31/2012	10/01/2012 - 12/31/2012	01/01/2012 - 12/31/2012			
Metropolitan West - Total Return Bond Fund	127,719,279	0.449%	3.957%	0.870	7.593	2.911
Barclays Capital Intermediate U.S. Government/Credit ⁽³⁾		0.348%	3.892%	1.042	4.267	3.890

Account / Index	Q3 FY1112	Q4 FY1112	Q1 FY1213	Q2 FY1213	12 Month Return ⁽¹⁾
	01/01/2012 - 03/31/2012	04/01/2012 - 06/30/2012	07/01/2012 - 09/30/2012	10/01/2012 - 12/31/2012	01/01/2012 - 12/31/2012
Metropolitan West - Total Return Bond Fund	0.831%	1.220%	1.441%	0.449%	3.957%
Barclays Capital Intermediate U.S. Government/Credit ⁽³⁾	0.610%	1.479%	1.404%	0.348%	3.892%



(1) Represents Total Return on the portfolio (Income Return plus Price Return)

(2) Weighted Average Maturity

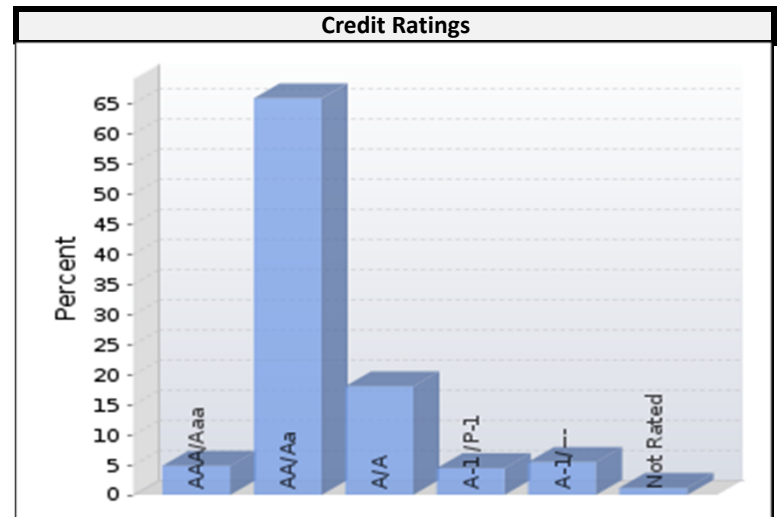
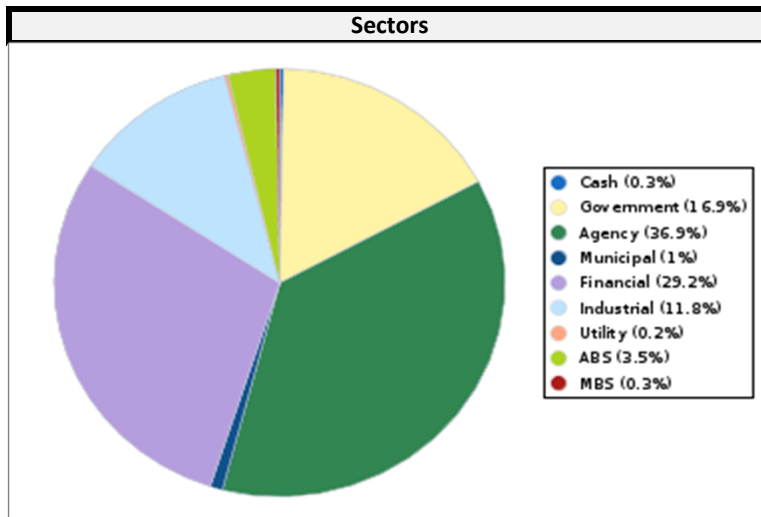
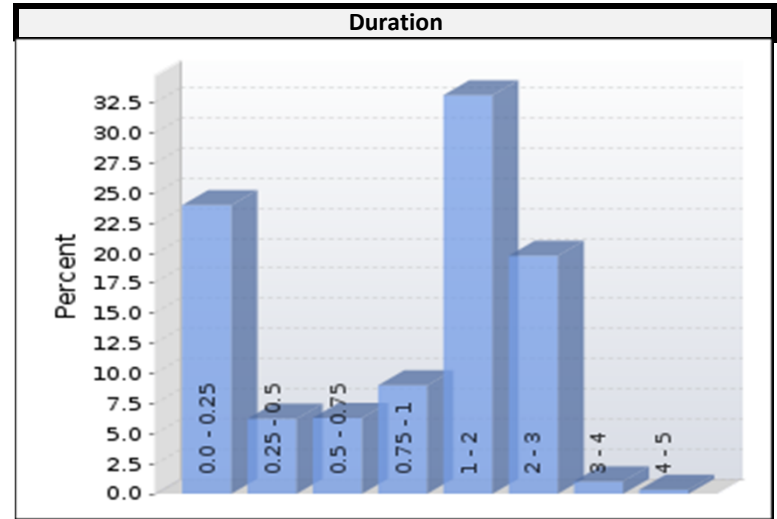
(3) Portfolio Benchmark

California State University Risk Management Authority

SWIFT Portfolio

As of 12/31/2012

Portfolio Summary Total	
Total Assets	44,812,687
Duration	1.184
Yield	0.367%
Avg Credit Rating	AA-/Aa3
QE Performance	0.113%



California State University Risk Management Authority

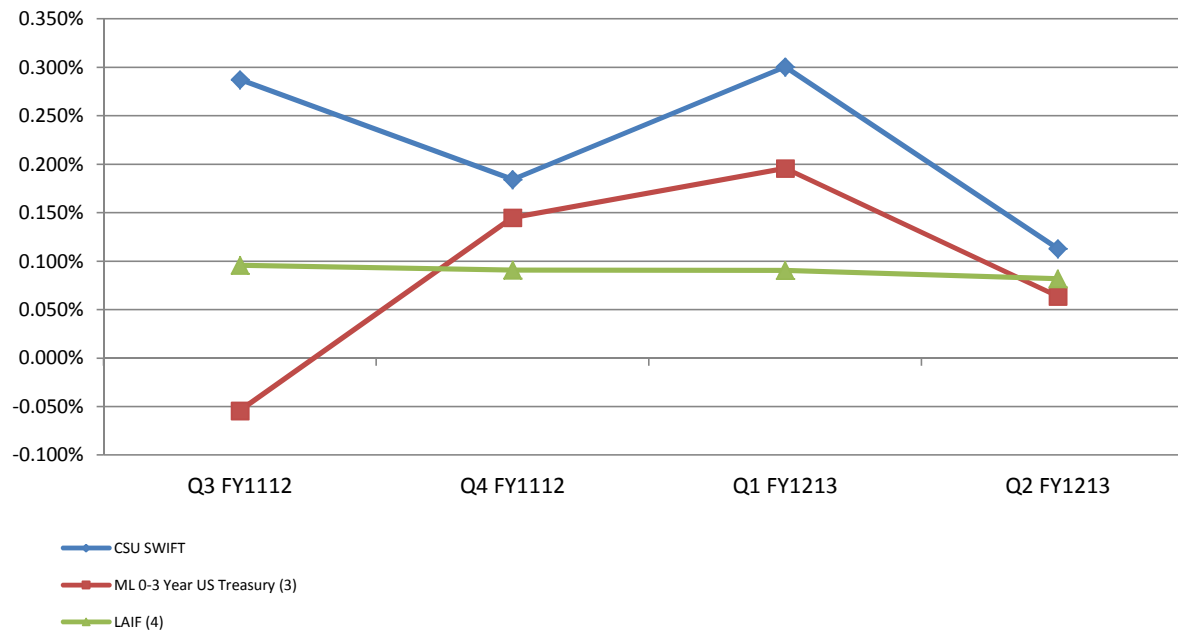
SWIFT Portfolio

Performance Summary

Period Ended 12/31/12

Account / Index	Market Value	3 Month Return ⁽¹⁾	12 Month Return ⁽¹⁾	Yield	WAM ⁽²⁾	Duration
	12/31/2012	10/01/2012 - 12/31/2012	01/01/2012 - 12/31/2012			
CSU SWIFT	44,812,687	0.113%	0.888%	0.367	1.582	1.184
ML 0-3 Year US Treasury ⁽³⁾		0.064%	0.351%	0.224	1.415	1.437
LAIF ⁽⁴⁾		0.082%	0.360%	0.330		

Account / Index	Q3 FY1112	Q4 FY1112	Q1 FY1213	Q2 FY1213	12 Month Return ⁽¹⁾
	01/01/2012 - 03/31/2012	04/01/2012 - 06/30/2012	07/01/2012 - 09/30/2012	10/01/2012 - 12/31/2012	01/01/2012 - 12/31/2012
CSU SWIFT	0.287%	0.184%	0.300%	0.113%	0.888%
ML 0-3 Year US Treasury ⁽³⁾	-0.054%	0.145%	0.196%	0.064%	0.351%
LAIF ⁽⁴⁾	0.096%	0.091%	0.091%	0.082%	0.360%



(1) Represents Total Return on the portfolio (Income Return plus Price Return)

(2) Weighted Average Maturity

(3) Portfolio Benchmark

(4) LAIF quarterly return calculated by CSUCO Financing & Treasury

REVIEW OF 2012/2013 LONG RANGE ACTION PLAN

ISSUE: The Executive Committee periodically reviews the Long Range Action Plan to gauge progress, re-evaluate where efforts should be focused, and annually establish goals for the next one to three years.

RECOMMENDATION: It is recommended that the Executive Committee review and discuss assigned responsibilities and deadlines of the Long Range Planning Goals, taking action as appropriate.

FISCAL IMPACT: No fiscal impact is expected from action at today's meeting.

BACKGROUND: At its April 23, 2012 meeting, the Executive Committee adopted the CSURMA Long Range Planning Goals. The Committee will receive a report from Staff on the assigned responsibilities and timelines of the Long Range Planning Goals.

PUBLICATION: None.

ATTACHMENT(S):

- a. CSURMA 2012/2013 Long Range Action Plan Timeline

CSURMA FY 12/13 LONG RANGE ACTION PLAN

#				SS
R	CLUB SPORTS – UTILIZE AIME PROGRAM TO COVER CLUB SPORTS INJURY CLAIMS			
	1. Conceptual approval of plan design	1. Executive Committee	1. March 2012	1. Completed
	2. Finalize plan design and cost projections	2. Program Administrator	2. April 2012	2. Completed
	3. Negotiate TPA fee	3. AG Administrators	3. April 2012	3. Completed
	4. Final Plan Review & Recommendation	4. AIME Committee, CO RM	4. May 7, 2012	4. Completed
	5. Roll out program to campuses	5. CO RM, AIME Committee, Program Administrator	5. June 2012	5. Completed
	6. Initiate Coverage	6. Program Administrator	6. July 1, 2012	6. Completed
	7. Develop Training modules	7. AIME Committee, Program Administrator	7. Fall development, Winter 2013 roll out	7. In process
R	SWAT – WORKERS’ COMPENSATION CLAIMS			
	1. Obtain Proposal for Sedgwick to establish SWAT Team and establish goals	1. Sedgwick, CORM, Program Administrator	1. May 12, 2011	1. Completed
	2. Initiate SWAT initiative	2. Sedgwick	2. July 1, 2011	2. Completed
	3. Quarterly Progress report to EC on SWAT Team results	3. Sedgwick	3. October 2011 EC; December 2011 EC; March 2012 EC	3. Completed
	4. Evaluate SWAT Team results and determine whether to modify/renew SWAT initiative	4. Executive Committee, CORM	4. September 14, 2012	4. Completed
R	PROPRIETARY ON-LINE SAFETY TRAINING			
	1. Evaluate existing on-line training resources and determine targeted training areas for development of proprietary training modules	1. CORM, Program Administrator	1. July-September 2011	1. Ongoing
	2. Propose modules and budget to EC, establish development task group	2. CORM, Program Administrator	2. October EC 2011	2. Ongoing

CSURMA FY 12/13 LONG RANGE ACTION PLAN

#				SS
	3. Develop modules approved by EC	3. CORM, Program Administrator, Task Group and vendor TBD	3. November 2011-February 2012	3. Ongoing
	4. Deliver beta modules	4. Vendor TBD	4. March 2012 EC	4. Completed
	5. Announce and demo new training modules	5. CORM	5. May 2012 BOD	5. Pending
	6. Initiate proprietary training modules	6. CORM, Program Administrator	6. July 1 2012	6. Pending
R	RISK MANAGEMENT INNOVATION FUNDING			
	1. Determine communications strategy re Innovation Award	1. CORM, Program Administrator	1. September 2012	1. Pending
	2. Develop list of brainstorming topics and solicit input from campuses	2. CORM	2. September 2012	2. Pending
	3. Draft loss-based targeted goals for successful practice	3. CORM, Program Administrator	3. November 2012	3. Pending
	4. Identify and approve meaningful incentives	4. Executive Committee	4. December 7, 2012	4. Pending
	5. Draft communications strategy (facilities, campus, etc.)	5. CORM	5. October 2013	5. Pending
R	AFFILIATE INSTITUTIONS HOST AGREEMENTS – PHASE III - INVENTORY OF HOST AGREEMENTS			
	1. CO RM developed a plan to review all campuses in regards to affiliation agreements over a three year period; i.e., eight campuses to be reviewed each year.	1. CORM	1. Aug – Sept 2011	1. Completed
	2. CO RM review affiliation agreements by campus to quantify the volume of placement agreements with outside organizations.	2. CORM	2. Aug – Oct 2011	2. Completed

CSURMA FY 12/13 LONG RANGE ACTION PLAN

#	Activity	Owner	Timeline	Status
	3. CO RM continues review affiliation agreements, particularly in regards to insurance and indemnification requirements stipulated by the host organizations.	3. CORM	3. Oct – Dec 2011	3. Completed
	4. OGC and CO RM draft model indemnity agreements.	4. OGC, CORM	4. July-August 2012	4. Completed
	5. CO RM reports progress of findings, recommendations and model agreements to Executive Committee.	5. CORM	5. September 14, 2012 EC	5. Completed
	6. Coordination of central repository of placement agreements	6. CORM	6. January 2013	6. Completed
■	CONSOLIDATED EQUIPMENT MAINTENANCE INSURANCE PROGRAM			
	1. Develop Presentation to EC and CABO	1. Program Administrator	1. May 13, 2011 EC, June CABO	1. Completed
	2. Obtain Participation support from pilot study group	2. CORM	2. July 1, 2011	2. Completed
	3. Collect equipment maintenance contracts from pilot study group, obtain TPA proposals	3. Program Administrator	3. July-September 2011	3. Completed
	4. Evaluate proposals, approve launch of pilot Program	4. CORM, Executive Committee	4. December 2011 EC	4. Completed
	5. Pilot program (Chancellor's Office, Dominguez Hills, Fresno, Sacramento)	5. Program Administrator	5. January 1, 2012	5. Completed
	6. Progress report to EC and CABO, determine whether to continue program beyond pilot	6. CORM, Program Administrator	6. September 14, 2012 EC, CABO	6. Completed

CSURMA FY 12/13 LONG RANGE ACTION PLAN

R	VENDOR PERFORMANCE SURVEY			
	1. Develop on-line survey for each CSURMA vendor	1. CORM	1. June – September 2012	1. Completed
	2. Conducts on-line survey.	2. CORM	2. October – December 2012	2. Completed
	3. Survey results collated and to report to Executive Committee.	3. CORM	3. January 2013	3. Completed
	4. Executive Committee takes action as appropriate.	4. Executive Committee	4. March LRP 2013	4. Pending
R	2013 FITTING THE PIECES TOGETHER			
	1. Determine Timing and proposed content	1. CORM	1. July 2012	1. Completed
	2. Develop content and support from stakeholders	2. CORM	2. March 2013	2. Pending
	3. Conference	3. CORM	3. November 2013	3. Pending
R	REGIONAL RISK MANAGEMENT RESOURCE MODEL			
	1. Define structure and scope of regional risk management resource model – CORM	1. CORM, pilot campuses	1. TBD	1. Deferred
	2. Identify campuses interested in participating in regional risk management resource model – CO RM	2. CORM	2. TBD	2. Deferred
	3. Restructure and allocate resources as approved – CO RM, pilot campuses	3. CORM, pilot campuses	3. TBD	3. Deferred
	4. Initiate program – CO RM, pilot campuses	4. CORM, pilot campuses	4. TBD	4. Deferred
	5. Status report to Executive Committee, CABO – CO RM	5. CORM	5. TBD	5. Deferred

CSURMA FY 12/13 LONG RANGE ACTION PLAN

D	FINANCIAL AUDITING SERVICES			
	1. Review CSURMA financial audit services – CSURMA Treasurer, Accounting	1. CSURMA Treasurer	1. September 14, 2012	1. Completed
	2. Review options to KPMG, coordinate with Systemwide process	2. CSURMA Treasurer	2. December 7, 2012	2. Completed
	3. Develop CSURMA specific RFP if necessary	3. CSURMA Treasurer and Secretary-Auditor	3. January 2013	3. Deferred
	4. Secure proposals if necessary	4. CSURMA Treasurer and Secretary- Auditor	4. February 2013	4. Deferred
	5. Approve appointment of independent financial auditor	5. CSURMA Executive Committee	5. March 2013	5. Deferred
R	EMPLOYEE RISK MANAGEMENT TRAINING			
	1. Develop informational packets to help campuses promote training to increase attendance and participation.	1. CORM, Program Administrator	1. May 2012	1. Pending
	2. Develop schedule of training events for balance of campuses.	2. CORM, Program Administrator	2. July 2012	2. Pending
	3. Review/refine session evaluation forms to be completed by participants.	3. CORM, Program Administrator	3. July 2012	3. Pending
	4. Develop metrics to measure training effectiveness in meeting session goals.	4. CORM, Program Administrator	4. August 2012	4. Pending
	5. Evaluate training goals and effectiveness of training provided to campuses.	5. CORM, Program Administrator	5. September 14, 2012	5. Pending
R	BLANKET STUDENT ACTIVITIES (LIABILITY)			
1. Develop integrated program for Liability and PAI that dovetails with LRP Item 1.	1. Program Administrator, CORM	1. September 2012	1. In process	

CSURMA FY 12/13 LONG RANGE ACTION PLAN

	<p>Priorities: (a) On-campus, (b) Off-campus, (c) Third-parties, (d) Fraternities/Sororities, (e) Alumni Assocs.</p> <p>2. Data collection & assessment. 3. Program design. 4. Program marketing. 5. Review/evaluate quotes. 6. Program selection. 7. Program announcement. 8. Program summary, administration</p>	<p>2. Data collection & assessment. 3. Program design. 4. Program marketing. 5. Review/evaluate quotes. 6. Program selection. 7. Program announcement. 8. Program summary, administration</p>	<p>2. December 2012 3. January 2013 4. February 2013 5. March 2013 6. March 2013 7. April 2013 8. May 2013</p>	<p>2. In process 3. Pending 4. Pending 5. Pending 6. Pending 7. Pending 8. Pending</p>
■	STUDENT HEALTH INSURANCE PROGRAM			
	1. Evaluate with campus stakeholders development of true campus-wide program for domestic and international students (incoming)	1. Program Administrator, CORM	1. July-Sept 2012	1. Completed
	2. Report to Executive Committee -	2. CORM, Program Administrator	2. Sept 14, 2012 EC	2. Completed
	3. Gather Underwriting Data	3. CORM, Program Administrator	3. April 2013	3. Pending
	4. Provide Program Quotes and Agreement to Launch	4. Program Administrator, Executive Committee	4. May 2013	4. Pending
■	FOREIGN TRAVELER TRACKING AND COMMUNICATIONS SOFTWARE			
	1. Policy discussion with CABO	1. CORM	1. Oct 2012	1. Postponed
	2. Needs analysis with the campuses	2. CORM, Program Administrator	2. Oct – Nov 2012	2. In process
	3. Discovery of what campuses are doing	3. CORM	3. December 2012	3. Pending
	4. Report on findings and recommendations	4. CORM, Program Administrator	4. December 7, 2012 EC	4. Pending
■	ANALYSIS OF SMOKING POLICY IMPLICATIONS ACROSS CSU			

CSURMA FY 12/13 LONG RANGE ACTION PLAN

1. Assess training needs and third party liability	1. CORM	1. January 2013	1.
2. Campus standards related to environmental health and safety	2. TBD	2. February 2013	2.
3. Develop standards for signage	3. TBD	3. March 2013	3.
4. Reinforcement of policy (Change in Work Conditions? Collective Bargaining Units)	4. TBD	4. April 2013	4.

CAMPUS POOLED PROGRAM FUNDING STATUS

ISSUE: In accordance with CSURMA's adopted funding policy for its self-funded pooling programs, 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, 2013. 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.

RECOMMENDATION: It is recommended that the Executive Committee review CSURMA's pooled programs funding position at December 31, 2012 in light of Policy & Procedure No. 7-JPA, and take action or direct Staff as appropriate.

FISCAL IMPACT: Dividends, if any, will reduce fund balances by the amount recommended by the Executive Committee in the fiscal period from which excess funds are distributed to members.

BACKGROUND: Prior to FY 1995/1996, the CSU Chancellor's Office paid all liability, Workers' Compensation and IDL/NDL/UI claims and related expenses. CSU funded these liabilities on a cash basis as the claims became payable. Beginning in FY 95/96, the campuses became accountable for these liabilities. The *Risk Pool* was developed as a funding mechanism so that campuses could share primary layer costs while simultaneously being encouraged to manage risks. Each campus' base budget was increased by a pro rata share of the systemwide budget for these liabilities.

The CSURMA (successor to the *Risk Pool*) inherited prior years' claim liabilities when it was formed. The CSURMA Board of Directors adopted a policy of fully funding each year's liabilities as they are incurred. That is, campuses will pay a premium to CSURMA for each fiscal year to cover all projected costs of claims attributed to that fiscal year, even though the claims will be paid over future years.

PUBLICATION: None.

ATTACHMENTS:

- a. CSURMA Policy & Procedure No. 7-JPA
- b. Draft Full Funding Projections and Calculations at December 31, 2012, projected to June 30, 2013
- c. Reference 2012 CSURMA Actuarial Reports included separately with the Long Range Planning materials.



CSURMA

POLICY AND PROCEDURE NO. 7

EFFECTIVE: JANUARY 1, 2000

SUBJECT: SELF-INSURED PROGRAM FUNDING

ISSUE:

The CSURMA operate various self-insured coverage programs. Generally, these programs include a primary layer of pooling, with excess and reinsurance coverage. Each program is responsible for all costs generated by that program, as well as a proportionate share of the JPA's general administrative costs. It is important that each self-insured program be properly funded to satisfy its liabilities. This policy and procedure continues the policy adopted by the CSURMA Board of Directors on April 24, 1997.

POLICY STATEMENT:

It is the policy of the CSURMA that each self-insured program shall establish budgets with a goal of full funding, including a reasonable risk margin. Such funding shall be determined by the Executive Committee as a part of each year's annual budget based upon the recommendations of a professional actuary and staff.

PROCEDURE:

CSURMA staff is responsible for developing draft budgets for each of the self-insured programs for each fiscal year. As a part of the budget development, staff will work with the CSU and its actuary to determine projected liabilities for the CSURMA's self-insured programs. The actuary's reports shall be used by staff and the Executive Committee to develop recommended rates and funding for each self-insured program.

It is the policy of the CSURMA to fund fully the self-insured programs. CSURMA recognizes that its self-insured programs are transitioning from a cash funding basis to an accrual funding basis. Adopted funding shall facilitate this transition by including sufficient funds projected to pay the following cost elements:

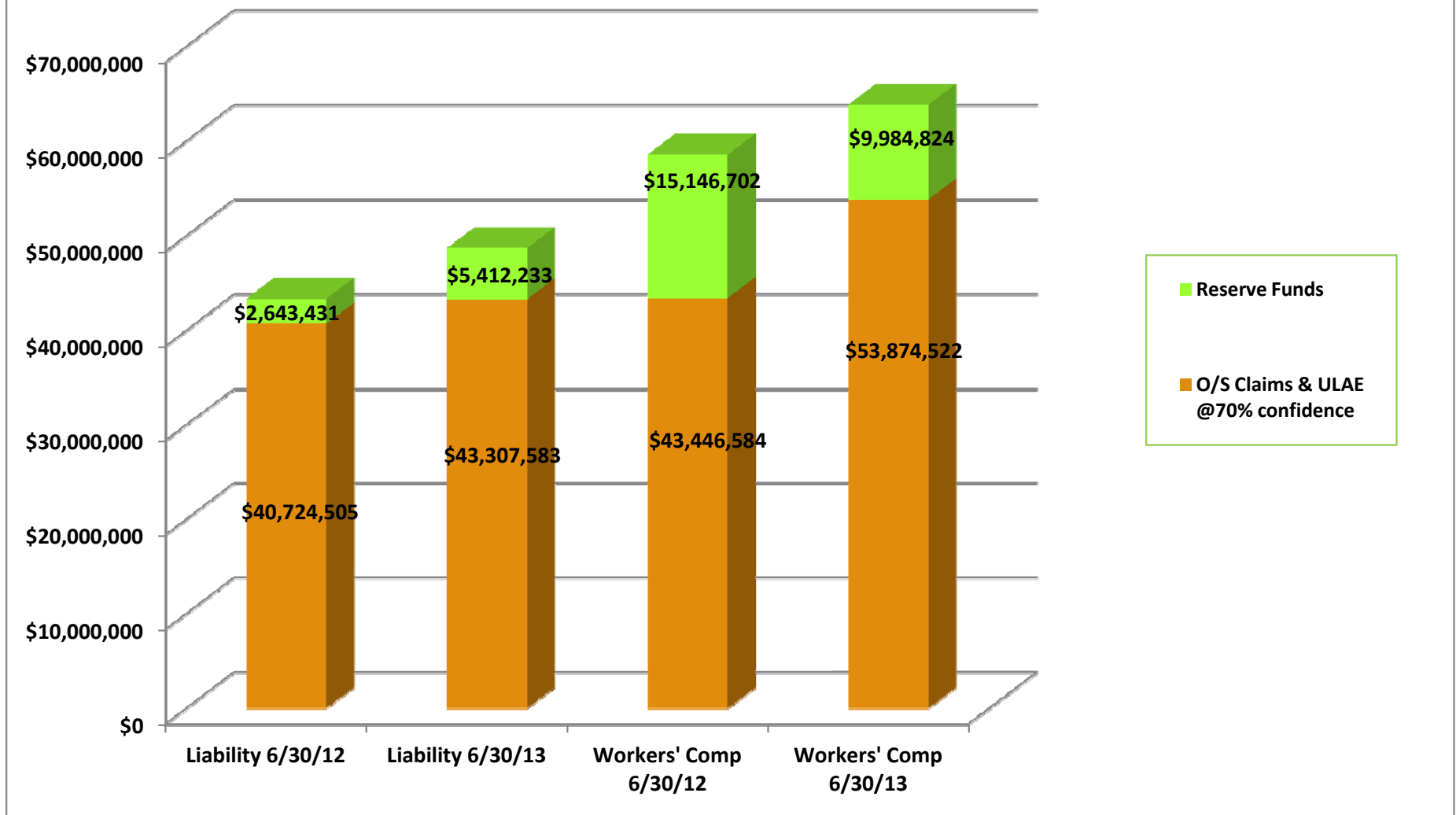
- Administrative expenses shall be funded on a cash basis for each program year;
- Prior year cash deficits (if any) shall be funded on a cash basis;
- Prior years' claims payable shall be funded on a cash basis to the extent accrued reserves do not amount to full funding;
- Current year expected liabilities shall be funded on an accrual (incurred) basis; and
- At such time as all outstanding liabilities are fully funded, a reasonable risk margin shall be funded.



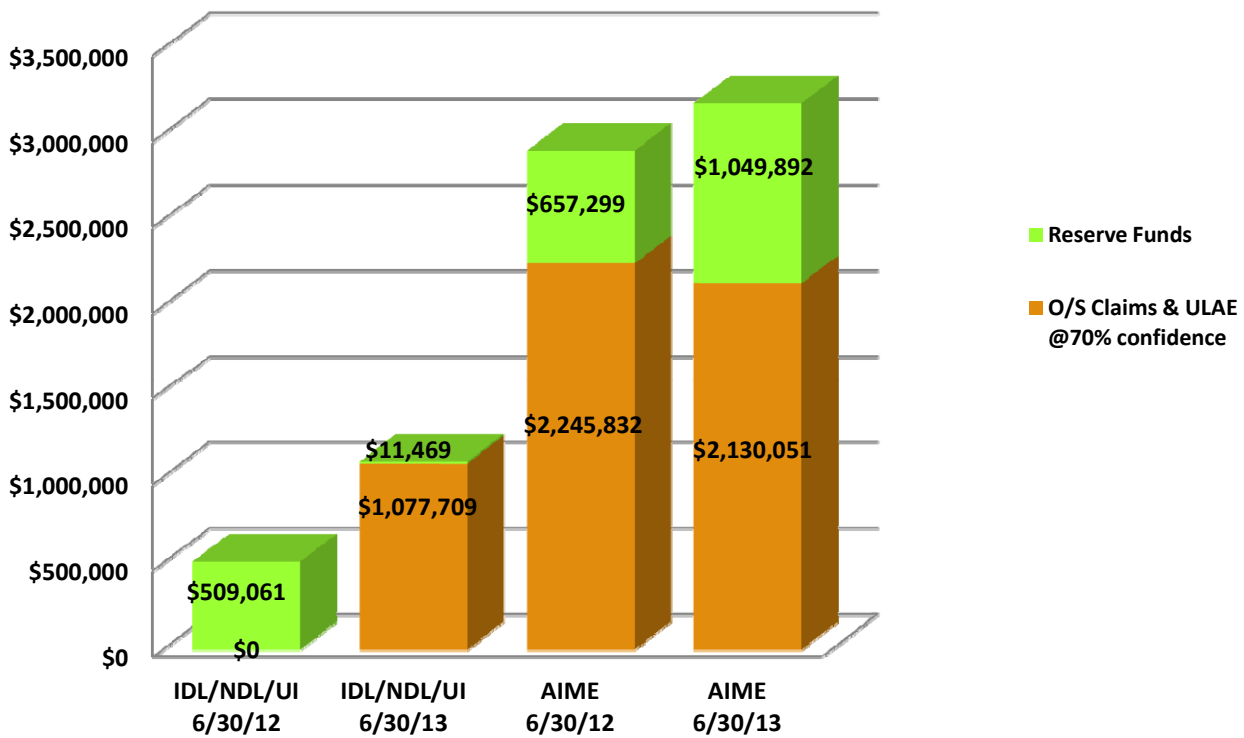
Staff and the actuary shall perform the calculations needed to establish the funding elements described above. It is expected that all outstanding liabilities will be fully funded by July 1, 2009 and staff shall make an annual report to the Board of Directors, detailing the self-insurance programs' progress toward achieving this funding policy.

Campus Programs - Pools

Estimated Funding Projected to FYE 13 (undiscounted)

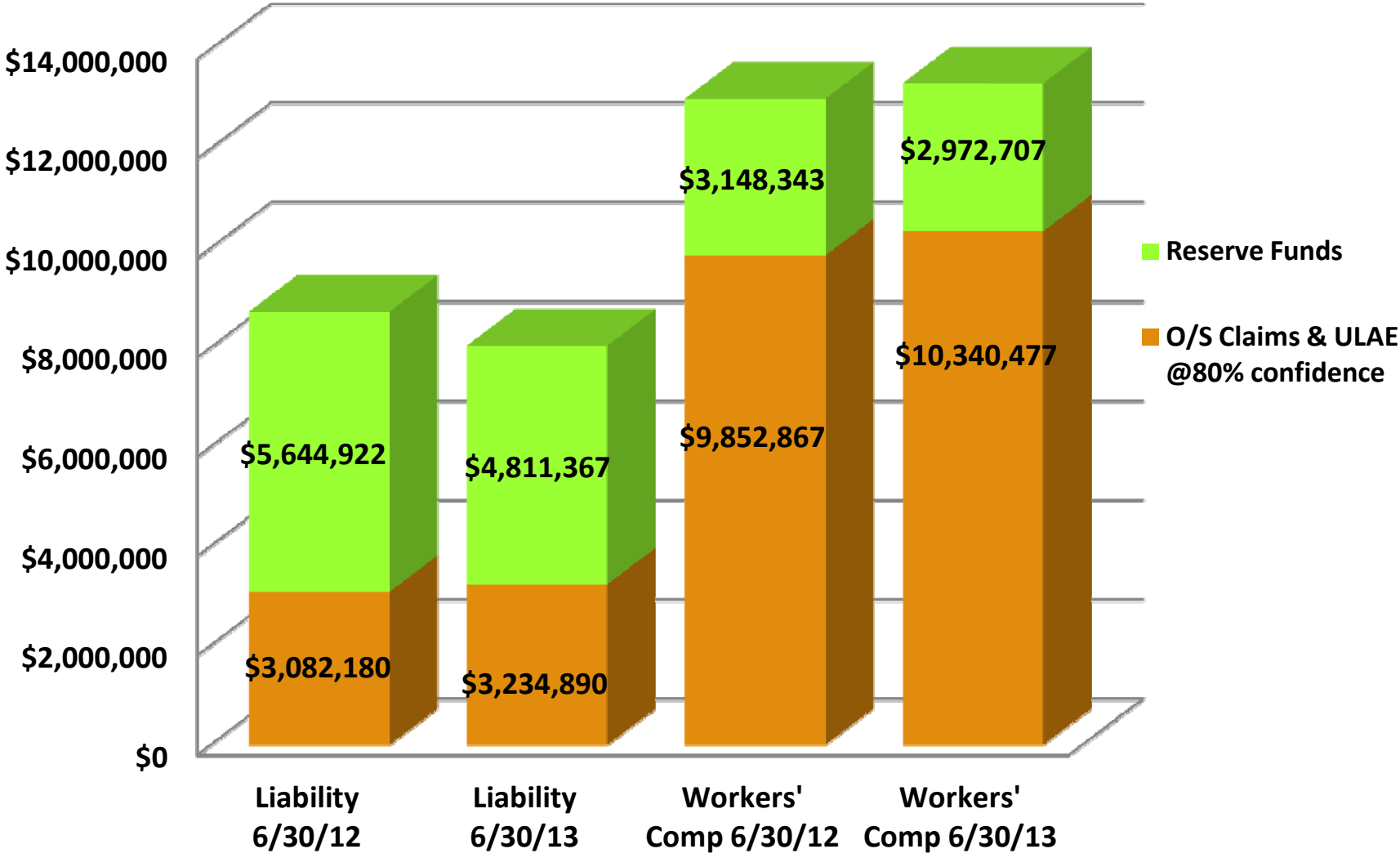


Campus Programs - Other Estimated Funding Projected to FYE 13 (undiscounted)



AORMA Programs

Estimated Funding Projected to FYE 13 (undiscounted)



ONLINE TRAINING & LEARNING MANAGEMENT SYSTEM

ISSUE: The Executive Committee desires a report relating to proprietary online safety training program development, the general state of systemwide learning management systems and content development. Learning management system content promotes safety awareness on campus and CSURMA has established online training as an objective on the long range action plan. Systemwide Risk Management has explored existing online training resources and identified several safety training modules that are relevant for campus operations, and targeted training topics for potential proprietary development.

RECOMMENDATION: No action required. This item is to inform the Executive Committee of potential online safety training resources, safety topics, program development, and preliminary costs.

FISCAL IMPACT: No fiscal impact is expected from action at today's meeting.

BACKGROUND: The Executive Committee adopted Long Range Planning Goals at its meeting on March 23, 2012. The development of a proprietary online safety training module is one of several long range action plan goals adopted by the Committee.

PUBLICATION: None.

ATTACHMENT(S): None.

DEVELOPMENT OF CSURMA GOALS FOR NEXT 1 - 3 YEARS

ISSUE: The Long Range Planning session offers the Executive Committee the opportunity to consider the direction CSURMA should take in the development of potential programs. The 2012/13 Long Range Action Plan developed last year is attached for the Committee's review.

RECOMMENDATION: It is recommended that the Executive Committee review the attached 2012/13 Long Range Action Plan and develop new a Long Range Action Plan for 2013/14.

Below is a list of programs and services for the Executive Committee to consider:

- Risk Management Innovation Grants
- Blanket Liability Program
- Student Health Insurance Program
- Use of Alternative Medicines on Campus
- Website
- Intramural & Recreational Sports Insurance Program
- Student Property & Liability Insurance Program
- EQ Program for New Auxiliary Organization Construction

The Executive Committee and staff may have other ideas for potential CSURMA programs for discussion at today's meeting.

FISCAL IMPACT: No fiscal impact is anticipated by action that may be taken at today's meeting.

BACKGROUND: The Long Range Action Plan establishes the Executive Committee's vision for CSURMA, and assigns responsibilities and tasks to staff in order to accomplish its vision.

PUBLICATION: None.

ATTACHMENT(S):

- a. Refer to agenda item G2. CSURMA Long Range Action Plan 2012/13

CSURMA 2013 MEETING CALENDAR

ISSUE: The Program Administrator includes a current copy of the CSURMA meeting calendar in every agenda

RECOMMENDATION: No action is requested on this item.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S):

- a. CSURMA – 2013 Meeting Calendar



2013 CSURMA MEETING CALENDAR

January 2013	February 2013	March 2013
16-19 AOA Conference – Pasadena 24 AIME – San Jose 10:30 a.m.	3-6 PARMA – Rancho Mirage, CA	21 AORMA – Newport Beach, 9:00 a.m. 21 EC – Newport Beach, 2:30 p.m. 22 EC LRP – Newport Beach, 8:00 a.m.
April 2013	May 2013	June 2013
21-24 RIMS – Los Angeles, CA	6 AIME – Northridge 10:30 a.m. 9 AORMA – Long Beach, 10:00 a.m. 10 EC – Long Beach, 9:00 a.m. 10 BOD – Long Beach, 10:30 a.m.	

AORMA = Auxiliary Organizations Committee
 BOD = Board of Directors

AORMA LRP = AORMA Long Range Planning Committee
 EC = Executive Committee

AO-COMP = BOT
 EC LRP = EC Long Range Planning Committee



2013 CSURMA MEETING CALENDAR

July 2013	August 2013	September 2013
TBD AORMA Officers Retreat – TBD		11 AORMA New Committee Member Orientation – San Francisco, 9:00 a.m. 11 AORMA LRP – San Francisco, 10:00 a.m. 12 AORMA – San Francisco, 9:00 a.m. 12 EC Orientation – San Francisco, 4:00 p.m. 13 EC – San Francisco, 8:30 a.m.
October 2013	November 2013	December 2013
14 AIME – TBD, 10:30 a.m. 24 AORMA – Long Beach, 10:00 a.m. 25 EC – Long Beach, 9:00 a.m. 25 BOD – Long Beach, 10:30 a.m. 28 AORMA: San Francisco, 10:00 a.m. 28 EC: San Francisco, 1:00 a.m. 28 BOD: San Francisco, 2:30 p.m. 29-30 FTPT Conference, San Francisco, CA		5 AORMA – San Francisco, 10:00 a.m. 6 EC – San Francisco, 8:30 a.m.

AORMA = Auxiliary Organizations Committee
 BOD = Board of Directors

AORMA LRP = AOC Long Range Planning Committee
 EC = Executive Committee

AO-COMP = BOT
 EC LRP = EC Long Range Planning Committee

A Public Entity Joint Powers Authority

CSURMA EXECUTIVE COMMITTEE AND STAFF CONTACT LIST

ISSUE: Attached is a list of telephone numbers, postal addresses and e-mail addresses for members of the Executive Committee and Staff.

RECOMMENDATION: It is recommended that members review the list at each meeting for accuracy and make any changes or additions. If there are any changes contact Myron Leavell at 415-403-1404 or via email at mleavell@alliant.com.

FISCAL IMPACT: None.

BACKGROUND: An accurate and current list facilitates better communication among Committee Members and Staff.

PUBLICATION: None.

ATTACHMENT(S):

- a. CSURMA Executive Committee and Staff Contact List

**CSURMA EXECUTIVE COMMITTEE MEMBER
AS OF MARCH 2013**

<u>Location</u>	<u>Organization</u>	<u>First Name</u>	<u>Last Name</u>	<u>Title</u>	<u>Street Address</u>	<u>Phone/Fax/E-mail</u>
Chancellor's Office	California State University, Office of the Chancellor	George V.	Ashkar	Assistant Vice Chancellor, Financial Services	401 Golden Shore, 5th Floor Long Beach, CA 90802-4210	Tel: 562-951-4671 Fax: 562-951-4865 Email: gashkar@calstate.edu
Chancellor's Office	California State University, Office of the Chancellor	Dr. Benjamin F.	Quillian	Executive Vice Chancellor/CFO	401 Golden Shore, 5th Floor Long Beach, CA 90802-4210	Tel: 562-951-4600 Fax: 562-951-4970 Email: bquillian@calstate.edu
Chico	California State University Chico	Michael	Thorpe	Risk Manager	400 West First Street First And Normal Chico, CA 95929	Tel: 530-898-6588 Fax: 530-898-4513 Email: methorpe@csuchico.edu
Dominguez Hills	California State University Dominguez Hills	Mary Ann	Rodriguez	Vice President, Administration & Finance	1000 East Victoria Street Welch Hall, 4th Flr, B-470 Carson, CA 90747	Tel: 310-243-3750 Fax: 310-243-3869 Email: marodriguez@csudh.edu
Fresno	California State University Fresno	Cynthia	Teniente-Matson	Vice President for Administration	5241 North Barton Avenue, M/S ML 52 Fresno, CA 93740-0052	Tel: 559-278-2083 Fax: 559-278-2928 Email: cmatson@csufresno.edu
Fullerton	Associated Students, CSU Fullerton	Kurt	Borsting	Director	800 N State College Blvd Fullerton, CA 92831-3657	Tel: 657-278-4214 Fax: 657-278-7099 Email: kborsting@fullerton.edu
Northridge	California State University Northridge	Tom	McCarron	Vice President Administration & Finance	18111 Nordhoff Street, Mail Stop 8206 Northridge, CA 91330-8206	Tel: 818-677-2333 Fax: 818-677-5089 Email: tom.mccarron@csun.edu
San Marcos	California State University San Marcos	Linda	Hawk	Vice President, Finance & Administrative Services	333 So Twin Oaks Valley Rd San Marcos, CA 92096-0001	Tel: 760-750-4950 Fax: 760-750-4949 Email: lhawk@csusm.edu
San Francisco	San Francisco State University	Lori	Gentles	Associate Vice President, Human Resources	1600 Holloway Avenue San Francisco, CA 94132-5080	Tel: 415-338-1100 Fax: 415-338-2498 Email: lgentles@sfsu.edu

**CSURMA EXECUTIVE COMMITTEE STAFF
AS OF MARCH 2013**

<u>Organization</u>	<u>First Name</u>	<u>Last Name</u>	<u>Title</u>	<u>Street Address</u>	<u>Phone/Fax/Email</u>
CSU Chancellor's Office, Office of General Counsel	William	Hsu	University Counsel for the CSU	401 Golden Shore, 4th Floor Long Beach, CA 90802	Tel: 562-951-4500 Fax: 562-951-4956 Email: whsu@calstate.edu
CSU Office of the Chancellor	Charlene	Minnick	Assistant Vice Chancellor of Systemwide Risk Management & Public Safety	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4580 Fax: 562-951-4859 Email: cminnick@calstate.edu
CSU Office of the Chancellor	Zachary	Gifford	Associate Director of Systemwide Risk Management	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4568 Fax: 562-951-4859 Email: zgifford@calstate.edu
CSU Office of the Chancellor	Rebecca	Skidmore	Senior Risk Management Administrative Analyst	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4574 Fax: 562-951-4859 Email: rskidmore@calstate.edu
CSU Office of the Chancellor	Leona	Ching	Risk Management & Public Safety Administrative Assistant	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4580 Fax: 562-951-4859 Email: lching@calstate.edu
CSU Office of the Chancellor	Kelly	Cox	Associate Director of Accounting	401 Golden Shore, 5th Floor Long Beach, CA 90802-4210	Tel: 562-951-4611 Fax: 562-951-4865 Email: kcox@calstate.edu
CSU Office of the Chancellor	Alice	Kim	Enterprise & CO Reporting Manager	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4627 Fax: 562-951-4865 Email: akim@calstate.edu
CSU Office of the Chancellor	Rima	Tanuwidjaja	Financial Reporting Analyst	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4621 Fax: 562-951-4865 Email: rtan@calstate.edu
CSU Office of the Chancellor	Mandy	Wong	CSURMA Accountant	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4578 Fax: 562-951-4865 Email: mwong@calstate.edu
Alliant Insurance Services	Robert	Frey	Senior Vice President, Claims	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1445 Fax: 415-874-4810 Email: rfrey@alliant.com
Alliant Insurance Services	Jacki	Graf	Senior Workers' Compensation Claims Consultant	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1438 Fax: 415-874-4810 Email: jgraf@alliant.com

**CSURMA EXECUTIVE COMMITTEE STAFF
AS OF MARCH 2013**

<u>Organization</u>	<u>First Name</u>	<u>Last Name</u>	<u>Title</u>	<u>Street Address</u>	<u>Phone/Fax/Email</u>
Alliant Insurance Services	Daniel	Howell	Program Director	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1426 Fax: 415-874-4810 Email: dhowell@alliant.com
Alliant Insurance Services	Hsan	Htein	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1452 Fax: 415-874-4810 Email: hhtein@alliant.com
Alliant Insurance Services	Myron	Leavell	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1404 Fax: 415-874-4810 Email: mleavell@alliant.com
Alliant Insurance Services	Robert	Leong	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1441 Fax: 415-874-4810 Email: rleong@alliant.com
Alliant Insurance Services	Mimi	Long	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1423 Fax: 415-402-0773 Email: mlong@alliant.com
Alliant Insurance Services	Dennis	Mulqueeny	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1421 Fax: 415-874-4810 Email: dmulqueeny@alliant.com
Alliant Insurance Services	Van	Rin	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1408 Fax: 415-874-4810 Email: vrin@alliant.com
Alliant Insurance Services	Michael	Simmons	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1425 Fax: 415-874-4810 Email: msimmons@alliant.com
Alliant Insurance Services	Stacey	Weeks	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1448 Fax: 415-874-4810 Email: sweeks@alliant.com