



CSURMA BOARD OF DIRECTORS 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 a publicly accessible place, including the internet, at least ten days in advance of the meeting. This meeting agenda shall also be posted at the address of the teleconference location with access for the public via phone/speaker phone.

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Alliant at (415) 403-1400 twenty-four hours in advance of the meeting. Entrance to the meeting location may require routine provision of identification to building security. However, CSURMA AORMA does not require any member of the public to register his or her name, or to provide other information, as a condition to attendance at any public meeting and will not inquire of building security concerning information so provided. See Government Code section 54953.3.

Meeting Date: November 8, 2019 **Location:** Crowne Plaza San Francisco Airport Hotel
Time: 10:30 AM Plaza I Ballroom
1177 Airport Blvd.
Burlingame, CA 94010

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

The Board is asked to take action on the consent calendar items as a group, except a member may request an item be withdrawn from the Consent Calendar for discussion and action.

1. **Approval of Minutes – May 3, 2019** A p. 6
The Board will be asked to approve minutes from their last meeting.

2. **Adoption of FY 2020/21 CSURMA Meeting Calendar** A p. 18
The Board will be asked to adopt the CSURMA FY 19/20 and FY 20/21 Meeting Calendar.

3. **Resolution Adoption CSURMA Operating Budget For FY 2019/20** A p. 22
The Board will be asked to approve Resolution No. 01-19 (BOD) – Resolution Adopting the CSURMA Operating Budget for FY 2019/20 and authorizing the Treasurer to invest or reinvest funds of CSURMA.

D. GENERAL ADMINISTRATION

1. **Treasurer’s Report ending June 30, 2019 and September 30, 2019** A p. 25
The Board will be asked to accept the Treasurer Reports.

- | | | | |
|-----------|---|---|--------|
| 2. | Independent Auditor’s Financial Audit Report as of June 30, 2019
<i>The Board will receive a report on the Independent Auditor’s Audit at June 30, 2019.</i> | A | p. 38 |
| 3. | Excess Insurance Renewal Report
<i>The Board will hear a report on the completion of insurance renewal negotiations.</i> | I | p. 109 |
| 4. | FY 20/21 Campus Risk Pools Program Funding Status | | |
| a. | Actuarial Reports: Campus Liability, Campus Workers’ Compensation and Athletic Injury Medical Expense Programs
<i>The Board will be asked to review the actuarial reports.</i> | I | p. 111 |
| b. | Campus Risk Pools Funding Status at June 30, 2019
<i>The Board will receive a report on the pooled program funding status at June 30, 2019.</i> | I | p. 119 |
| c. | 2019 Campus Dividends and 2018 Corrections
<i>The Board will be asked to review the dividends approved by the Executive Committee.</i> | I | p. 124 |
| 5. | FY 2020/21 Rates and Gross Funding Campus Coverage Programs
<i>The Board will be asked to review and adopt the Campus coverage program rates and funding for the program year 2020/21.</i> | A | p. 135 |
| 6. | Policy and Procedure No. 20 – Owner Controlled Insurance Program
<i>The Board will be asked to approve changes to Policy and Procedure No. 20.</i> | A | p. 146 |
| 7. | Policy and Procedure No. 27 – Process for Approving New Programs, Services or Funding Support
<i>The Board will be asked to approve new Policy and Procedure No. 27.</i> | A | p. 155 |
| 8. | Campus Risk Pools Rating Plans Task Group
<i>The Board will be asked to review and approve the recommended changes to the campus rating plans as well as the liability memoranda of coverage.</i> | A | p. 158 |
| 9. | FY 2019/2020 Long Range Planning Goals
<i>The Board will be asked to review the FY 19/20 Long Range Planning Goals.</i> | I | p. 218 |
| E. | OTHER INSURANCE PROGRAMS | | |
| 1. | AORMA Programs Update
<i>The Board will receive a verbal report on the AORMA programs.</i> | I | p. 221 |

2.	AIME Program Update <i>The Board will receive a verbal report on the AIME program.</i>	I	p. 222
F.	CLOSED SESSION Pursuant to Cal. Gov. Code Sec. 11126(e)(1) & 11126(f)(1) <i>Action may be taken per Government Code Section 11126(e)(1) & 1126(f)(1). Please refer to the below list of claims that may be discussed. The Committee may assess and evaluate pending claims and related issues and take action or provide direction to Staff regarding the litigation described below.</i> <i>No items are scheduled for closed session.</i>		
G.	INFORMATION ITEMS		
1.	Program Administrator’s Stewardship Report <i>Staff will present the Stewardship Report to the Board.</i>	I	p. 223
2.	Financial Ratings of the CSURMA Insurers and Reinsurers <i>The Board will be asked to review the financial status of CSURMA’s current insurers and reinsurers.</i>	I	p. 255
3.	CSURMA Tri-Fold <i>The Board will review the updated CSURMA Tri-Fold based on June 30, 2019 financial information.</i>	I	p. 258
4.	Unemployment Insurance Claims Cost Summary Charts <i>The Board will be asked to review the Unemployment Insurance Summary Report</i>	I	p. 261
5.	Workers’ Compensation Stewardship Report <i>The Board will be asked to review the CSU Workers’ Compensation Program Stewardship Report for FY 18/19.</i>	I	p. 264
6.	Campus and AORMA Liability Program Claims Administration Audits <i>The Board will be asked to review the claims administration audit reports.</i>	I	p. 279
7.	Campus Workers’ Compensation Program Claims Administration Audit <i>The Board will be asked to review the claims administration audit report.</i>	I	p. 373
8.	CSURMA Administrative Service Calendar <i>The Board will be asked to review the CSURMA Administrative Service Calendar and provide direction to staff as appropriate.</i>	I	p. 404

9. CSURMA Board of Directors and Staff Contact List

I p. 410

The Board will be asked to review the CSURMA Board of Directors contact information and provide Staff with revisions.

H. ADJOURNMENT

The next Board of Directors meeting is scheduled for Friday, May 8, 2020 in Long Beach, CA

If you have questions regarding the agenda package, please contact

Mimi Long at mlong@alliant.com / (415) 403-1423 or Tevea Him at thim@alliant.com / (415) 403-1416

Teleconference Locations:

1. CSU Chancellor's Office, 401 Golden Shore, Long Beach, CA
2. Laurie Nichols, CSU Channel Islands, 1 University Dr, Camarillo, CA
3. Russell Wittmeier, Chico Enterprises, 25 Main Street, Suite 206, Chico, CA
4. Franz Lozano, California Maritime Academy, 200 Maritime Academy Dr, Vallejo, CA
5. Albert Vasquez, Cal Poly Pomona, 3801 W Temple Ave, Pomona, CA
6. Bill Olmsted, University Union Operation of CSUS, Inc., 6000 J Street, Sacramento, CA
7. Trina Knight, University Enterprises Inc., 6000 J Street, Sacramento, CA
8. Neal Hoss, CSU San Marcos, 333 S. Twin Oaks Valley Road, Craven Hall 5311, San Marcos, CA
9. Bella Newberg, CSU San Marcos Corporation, Extended Learning Bldg, #670, 288 Campus Way, San Marcos, CA

APPROVAL OF THE AGENDA

ISSUE: The Board of Directors will be asked to approve the agenda for today's meeting.

RECOMMENDATION: The Board of Directors is asked to review and approve the proposed agenda before discussion of any business.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S): None.

APPROVAL OF MINUTES – MAY 3, 2019

ISSUE: The Board of Directors will be asked to review and approve the draft minutes from its May 3, 2019 meeting.

RECOMMENDATION: It is recommended that the Board of Directors approve the minutes from its May 3, 2019 meeting, including corrections as necessary.

FISCAL IMPACT: None.

BACKGROUND: The minutes reflect the actions taken by the Board of Directors at its last meeting.

PUBLICATION: The approved minutes will be uploaded to the CSURMA website.

ATTACHMENT(S):

- a. CSURMA Board of Directors Meeting Minutes – May 3, 2019

**MINUTES OF THE
 CSURMA BOARD OF DIRECTORS MEETING
 May 03, 2019
 CSU CHANCELLOR’S OFFICE, DUMKE ROOM
 401 Golden Shore • Long Beach, CA**

10:30 AM

A. CALL TO ORDER

The meeting was called to order at 10:30 a.m. by Lisa Chavez

A1. Approval of the Agenda

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

MOTION: Chuck Kissel
SECOND: Dwayne Brummett

AYES:	<i>S. Apel, M. Beatty, D. Brummett, L. Chavez, L. Kao, C. Kissel, S. Lee, W. Nishioka, B. Olmsted, J. Rentto, K. Saunders, A. Thomas, M. Thorpe, B. Tu, and A. Vasquez</i>
NOES:	<i>None</i>
ABSTAIN:	<i>J. Bowman, K. Comet, T. Hill, T. Knight, D. Nakamura, M. Perez, and L. Telles</i>
ABSENT:	<i>See the Attendance Page</i>

MOTION CARRIED

B. PUBLIC COMMENTS

There were no public comments.

C. CONSENT CALENDAR

- C1. Approval of Minutes – October 26, 2018**
- C2. Treasurer’s Report ending December 31, 2018 and March 31, 2019**

Daniel Howell provided an update regarding the Treasurer’s Report. Due to CSURMA’s deficit cash flow, \$35MM in long-term investments will be sold and added to CSURMA’s short-term cash and investments. Howell notes that CSURMA has a positive fund balance, but cash flow has become an issue due to the prefunding of the workers’ compensation reinsurance program and the OCIP II program.

C3. CSURMA’s Conflict of Interest Code

A motion was made to approve and/or accept each action item on the Consent Calendar as presented.

MOTION: Kevin Saunders
SECOND: Mike Thorpe

AYES:	<i>S. Apel, M. Beatty, D. Brummett, L. Chavez, L. Kao, C. Kissel, S. Lee, W. Nishioka, B. Olmsted, J. Rentto, K. Saunders, A. Thomas, M. Thorpe, B. Tu, and A. Vasquez</i>
NOES:	<i>None</i>
ABSTAIN:	<i>J. Bowman, K. Comet, T. Hill, T. Knight, D. Nakamura, M. Perez, and L. Telles</i>
ABSENT:	<i>See the Attendance Page</i>

MOTION CARRIED

D. GENERAL ADMINISTRATION

D1. Adoption of the FY 2019/20 CSURMA Operating Budget

Robert Leong summarized the FY 2019/20 operating budget. The Chancellor’s Office Enterprise Accounting Services and the Program Administrators worked together to develop a draft FY 2019/20 budget. The Executive Committee reviewed the draft budget at its meeting on March 7, 2019 and recommended the Board of Directors adopt the draft FY 2019/20 budget.

Major features of the proposed Campus budget include:

- 10.4% increase in Total Operating Revenues from \$76,199,692 to \$84,123,822.
- 0.7% decrease in Total Operating Expenses from \$90,141,617 to \$89,532,573.
- Net Deficit decreases from \$11,856,397 to \$3,314,771.
- Retained Earnings decreases from \$27,532,357 to \$24,217,586 at June 30, 2020.

Major features of the proposed AORMA budget include:

- 1.5% decrease in Total Operating Revenues from \$9,436,051 to \$9,291,783.
- 4.5% decrease in Total Operating Expenses from \$11,636,175 to \$11,107,859.
- Net Deficit decreases from \$1,790,084 to \$1,416,850.
- Retained Earnings decreases from \$18,047,124 to \$16,630,274 at June 30, 2020.

The proposed budget is estimated to produce a Net Deficit of \$6,528,997. Retained Earnings is estimated decrease from \$38,457,412 to \$31,928,415 at June 30, 2020.

A motion was made to adopted the FY 2019/20 operating budget as presented

MOTION: Kevin Saunders
SECOND: Dwayne Brummett

AYES:	<i>S. Apel, M. Beatty, D. Brummett, L. Chavez, L. Kao, C. Kissel, S. Lee, W. Nishioka, B. Olmsted, J. Rentto, K. Saunders, A. Thomas, M. Thorpe, B. Tu, and A. Vasquez</i>
NOES:	<i>None</i>
ABSTAIN:	<i>J. Bowman, K. Comet, T. Hill, T. Knight, D. Nakamura, M. Perez, and L. Telles</i>

ABSENT: <i>See the Attendance Page</i>

MOTION CARRIED

D2. Campus Risk Pools Funding Status

The Board reviewed the Campus Risk Pools Funding Status exhibits. The exhibits provided an analysis of each risk pool’s funding position relative to the actuary’s projection in accordance with CSURMA’s minimum funding requirements and expected cash expenditures as of December 31, 2018 projected to June 30, 2019. At its Long Range Planning meeting in March, 2019, the Executive Committee reviewed the risk pools’ funding position and determined there were sufficient funds to meet anticipated needs, including a confidence margin for unexpected expenditures.

D3. Nominating Committee Report and Executive Committee Elections

Kevin Saunders explained that the Nominating Committee has made the following nominations for the two seats that will become open on July 1, 2019.

- **Seat #1 - Thom Davis**
This seat is currently held by Davis and if elected he will serve a second two-year term from July 1, 2019 to June 30, 2021.

- **Seat #2 – Lisa Kao**
This seat is currently held by Kao and if elected she will serve her first complete two-year term from July 1, 2019 to June 30, 2021. (Kao was appointed mid-term to complete a term vacated by Jody Van Leuven.)

Lisa Chavez asked for nominations from the floor. Hearing none, Chavez asked for a motion to close the nominations.

A motion was made to close nominations.

MOTION: Kevin Saunders **SECOND:** Dwayne Brummett

AYES:	<i>S. Apel, M. Beatty, D. Brummett, L. Chavez, L. Kao, C. Kissel, S. Lee, W. Nishioka, B. Olmsted, J. Rentto, K. Saunders, A. Thomas, M. Thorpe, B. Tu, and A. Vasquez</i>
NOES:	<i>None</i>
ABSTAIN:	<i>J. Bowman, K. Comet, T. Hill, T. Knight, D. Nakamura, M. Perez, and L. Telles</i>
ABSENT:	<i>See the Attendance Page</i>

MOTION CARRIED

D4. Excess Insurance Renewals and Underwriter Meetings Report

Daniel Howell provided a status of the upcoming program renewals. The excess liability program has seen loss development in the first excess layers for both the AORMA and Campus programs. Staff anticipates rate increases in the lower layers and possible rate increases in the excess layers due to catastrophic losses impacting the entire marketplace. The property losses to both the AORMA and Campus programs have increased over the past three years. While CSU performed well in the wet winter and recent wildfires, related losses and other losses continue to mount. Significant rate decreases in recent years will likely be again partially eroded by increases this coming renewal. CSURMA approved a two-year rate agreement with CSAC-EIA for workers' compensation. The builders risk program is stable. The fine arts program was launched in 2016 and Staff anticipates underwriters will require a rate increase this year due to the high loss ratio. The SPLIP and SAFECLIP programs are performing exceptionally well with no losses. Rates will likely be stable and possibly drop. The losses within the foreign travel insurance program have stabilized at a level acceptable to underwriters. Staff expects a flat rate renewal. There have been no losses within the aviation program. Staff expects a flat renewal. The medical malpractice program is at a minimum premium. Staff expects a flat renewal. Fidelity claims remain low and therefore staff expects a premium decrease on renewal unless new claims materialize prior to renewal.

D5. FY 2019/20 CSURMA Long Range Action Plan

Daniel Howell updated the Board on the long range planning goals adopted by the Executive Committee.

- LRP-1: Creation of Formal Process to Regulate and Approve Financing of Risk Programs through CSURMA
- LRP-2: Further Development of Youth Protection Programs
- LRP-3: Review of CSURMA's Digital Compliance
- LRP-4: Development of a CSURMA Disaster/Misadventure Toolkit
- LRP-5: Memorandum of Coverage Review with Coverage Counsel
- LRP-6: Foreign Travel Tracking Program
- LRP-7: CSURMA Master Calendar for upcoming Trainings, Conferences and Events
- LRP-8: Master Enabling Agreement for Environmental Sampling Services

D6. CSURMA Discussion of Emerging Risk

Zachary Gifford explained that CSURMA's role supporting systemwide risk financing was discussed with the Chancellor's Systemwide Leadership Council on April 17, 2019. Some topics of discussion involve risk management of emerging risks, including Supporting Homeless Student Population Projects, Impact of Mental Health Issues on Enterprise/Holistic Risk, and Student Nutritional Health Projects.

Gifford asked the Board members to email him directly with other ideas. Some ideas that were discussed during the meeting were;

- Food safety for food grown on campus
- Responding to pesticide on food

- Gleaning leftover food on campus
- Assistance managing controversial events

D7. Rating Plans Task Group, Memorandum of Coverage Review, Liability Deductible Selection

Robert Leong explained it is the practice of CSURMA to review its rating plans every three years to ensure they respond fairly to all campus members. Accordingly, the Executive Committee appointed a Rating Plans Task Group (*RPTG*) to review the funding policies and rating plans for the campus coverage programs. The RPTG was also tasked to review CSURMA’s coverage memoranda to ensure they meet current and anticipated needs. The RPTG’s findings and recommendations, if any, will be presented to the Executive Committee at its meeting on September 6, 2019 and to the Board of Directors for adoption on November 8, 2019. Upon adoption, the rating plans will be used to calculate the annual rates beginning FY 2020/21. The new rating plan coincides with the Campus Liability Deductible Selection covering the three fiscal periods beginning July 1, 2020.

The RPTG will review the rating plans for the following campus coverage programs:

1. Workers’ Compensation
2. General Liability, Errors & Omissions Liability, Employment Practices Liability
3. Property, Boiler & Machinery
4. Industrial Disability Leave, Non-Industrial Disability Insurance, Unemployment Insurance (*IDL/NDI/UI*)
5. Automobile Liability
6. Foreign Travel Insurance Program (*FTIP*)

The appointees to the RPTG are:

- Scott Apel, VP Administration & Finance, CSU Long Beach
- Thom Davis, VP Business & Administration, CSU Bakersfield
- Lisa Kao, EH&S Director / Risk Manager, CSU Fresno
- Kevin Saunders, VP Administration & Finance, CSU Monterey Bay (*RPTG Chair*)
- Jody Van Leuven, Assistant Director, CSU Systemwide Risk Management

A project timetable has been drafted. Staff anticipates the RPTG will initially meet in July 2019, and a follow-up meeting in August 2019 after the actuarial report is issued and FY 2020/21 preliminary rates are calculated.

D8. Proposed Amendment: FY 2019/20 Rates and Gross Funding Campus Coverage Programs

Robert Leong explained that the Board of Directors adopted rates and funding for FY 2019/20 on October 26, 2018. However, after reviewing anticipated expenditures for FY 2019/20 along with the March 31, 2019 financial statements, Staff recommended amending the gross funding for the IDL/NDI/UI and Campus Property as shown below:

Coverage Program	FY 19/20 Approved	FY 19/20 Proposed	\$ Chg	% Chg
Liability	\$18,605,268	\$18,605,268	\$0	0.0%
Workers' Compensation	40,781,992	40,781,992	0	0.0%
IDL/NDI/UI	15,316,000	16,800,000	1,484,000	9.7%
Property	10,388,000	11,381,659	993,659	9.6%
AIME	4,760,949	4,760,949	0	0.0%
Automobile Liability	1,408,547	1,408,547	0	0.0%
Total	\$91,260,756	\$93,738,415	\$2,477,659	2.7%
Liability funding is undiscounted for anticipated investment income.				
Workers' Compensation is discounted for anticipated investment income.				

The proposed increase for IDL/NDI/UI is based on claims trends as defined by the average annual expenditures, which has been increasing every year since FY 2014/15. The proposed increase in Property results from an anticipated 20% rate increase due to market trend, and the need to fund Earthquake coverage that was added on October 1, 2017.

CSURMA employs an independent actuary, Aon Risk Consultants, to project claim costs for its General / Errors & Omissions Liability, Workers' Compensation and Athletic Injury Medical Expense programs. The actuary's reports dated September 10, 2018 were used to calculate funding proposals for FY 2019/20.

A motion was made to adopt Campus coverage programs funding for FY 2019/20 as amended above.

MOTION: Dwayne Brummett

SECOND: Amy Thomas

AYES:	<i>S. Apel, M. Beatty, D. Brummett, L. Chavez, L. Kao, C. Kissel, S. Lee, W. Nishioka, B. Olmsted, J. Rentto, K. Saunders, A. Thomas, M. Thorpe, B. Tu, and A. Vasquez</i>
NOES:	<i>None</i>
ABSTAIN:	<i>J. Bowman, K. Comet, T. Hill, T. Knight, D. Nakamura, M. Perez, and L. Telles</i>
ABSENT:	<i>See the Attendance Page</i>

MOTION CARRIED

E. AUXILIARY ORGANIZATIONS INSURANCE PROGRAMS

E1. AORMA Programs Update

Dwayne Brummett provided a brief report of the activities of the AORMA Committee.

E2. AIME Programs Update

Lisa Kao provided a brief report of the activities of the AIME Committee.

F. CLOSED SESSION

There were no items scheduled for closed session.

G. INFORMATION ITEMS

G1. CSURMA Insurance Requirements in Contract (IRIC) Manual

Andrew Gaspari noted that the CSURMA IRIC manual has been updated to reflect A.M Best and Standard & Poor's ratings updates, as well as various California law developments and updates. Additional ISO analysis and been added as well as discussion on the Jones Act as it relates to Marine Related Risks. The MCS-90 Motor Carrier Public Liability sample has been replaced with the current version. As California law has developed, discussion of key statutes has been modified, including new information regarding drone coverage, carnivals and carnival rides, food trucks and farmers markets, political protests, rallies and signage, and incorporating a traffic safety plan into your event preparation. There is a new section on railroad protective liability. In addition to updating the IRIC manual, we have also updated the Special Events Resource Guide (SERG) and have included a discussion on the SERG in the IRIC.

G2. CSURMA Renewal of Parametric Earthquake Insurance

Daniel Howell summarized the Parametric Earthquake Coverage. In order to lock-in current pricing, the Executive Committee approved a new three-year policy with Swiss Re for earthquake insurance with a parametric trigger. The Committee also agree to cancel and rewrite the policy effective July 1, 2019, so that the policy's anniversary date aligns with CSURMA's budget and other insurance renewals.

- New Term: July 1, 2019 to July 1, 2022
- Limit: \$25,000,000 for the three-year period (subject to the pre-defined event triggers and a table of payout factors as shown within the attached proposal)
- Deductible: Less than 45 USGS Peak Spectral Acceleration

The annual premium of \$1,550,000 is included in the CSURMA budget and will continue until expiration of the new three-year policy on July 1, 2022.

G3. Praesidium Utilization Report

The Board reviewed the Praesidium CSU Youth Protection Initiatives report.

G4. Review of the Service Provider Performance Survey Report

The Board reviewed the Service Provider Performance Survey report.

G5. CSURMA Administrative Service Calendar

The Board reviewed the CSURMA Administrative Services Calendar.

G6. CSURMA Board of Directors and Staff Contact List

The Board was asked to review the attached Board of Directors contact information and provide Staff with revisions.

H. ADJOURNMENT

A motion was made to adjourn the meeting at 11:39 A.M.

MOTION: Doug Dawes

SECOND: Dwayne Brummett

AYES:	<i>S. Apel, M. Beatty, D. Brummett, L. Chavez, L. Kao, C. Kissel, S. Lee, W. Nishioka, B. Olmsted, J. Rentto, K. Saunders, A. Thomas, M. Thorpe, B. Tu, and A. Vasquez</i>
NOES:	<i>None</i>
ABSTAIN:	<i>J. Bowman, K. Comet, T. Hill, T. Knight, D. Nakamura, M. Perez, and L. Telles</i>
ABSENT:	<i>See the Attendance Page</i>

MOTION CARRIED

**CSURMA BOARD OF DIRECTORS MEETING
ATTENDANCE**

May 3, 2019

**CSU CHANCELLOR'S OFFICE, DUMKE ROOM
401 Golden Shore • Long Beach, CA**

10:30 AM

Board of Directors:

Campus Name	Representative	Present ✓	Alternate	Present ✓
CSU Bakersfield	Thom Davis		Tim Ridley	
CSU Office of the Chancellor	Robert Eaton		Steven Relyea	
CSU Channel Islands	Katharine Hullinger	<i>Teleconference (non-voting)</i>	Elaine Crandall	
CSU Chico	Michael Thorpe	<i>✓In Person</i>	Ann Sherman	
CSU Dominguez Hills	Naomi Goodwin		Wayne Nishioka	<i>✓In Person</i>
CSU East Bay	Nyassa Love Johnson	<i>Teleconference (non-voting)</i>	Debbie Chaw	
CSU Fresno	Debbie Adishian-Astone		Lisa Kao	<i>✓In Person</i>
CSU Fullerton	Michael Coughlin		John Beisner	
Humboldt State University	Kimberly Comet	<i>Teleconference</i>	Doug Dawes	
CSU Long Beach	Scott Apel	<i>✓In Person</i>	Felissa Waynick	<i>✓In Person (non-voting)</i>
CSU Los Angeles	Lisa Chavez	<i>✓In Person</i>	Nidavone Niravanh	<i>✓In Person (non-voting)</i>
California Maritime Academy	Marianne Spotorno	<i>Teleconference (non-voting)</i>	Franz Lozano	
CSU Monterey Bay	Kevin Saunders	<i>✓In Person</i>	Art Evjen	
CSU Northridge	Edith Winterhalter		Lisa Telles	<i>Teleconference</i>
Cal Poly Pomona	Al Vasquez	<i>✓In Person</i>	Vacant	
CSU Sacramento	Jonthan Bowman	<i>Teleconference</i>	Gary Rosenblum	
CSU San Bernardino	Beiwei Tu	<i>✓In Person</i>	Douglas R. Freer	<i>✓In Person (non-voting)</i>
San Diego State University	Thomas McCarron		Jessica Rentto	<i>✓In Person</i>



California State University Risk Management Authority

DRAFT

Campus Name	Representative	Present ✓	Alternate	Present ✓
San Francisco State University	Jeff Wilson	<i>Teleconference</i>	Michael Beatty	✓ <i>In Person</i>
San Jose State University	Marla Perez-Guerra	<i>Teleconference</i>	Charlie Faas	
Cal Poly (San Luis Obispo)	Dru Zachmeyer	<i>Teleconference (non-voting)</i>	Cindy Vizcaino Villa	
CSU San Marcos	Neal Hoss		Erin Fullerton	<i>Teleconference (non-voting)</i> ☐
Sonoma State University	Tyson Hill	<i>Teleconference</i>	Joyce Lopes	
CSU Stanislaus	Amy Thomas	✓ <i>In Person</i>	Darrell Haydon	

Campus Name	Representative	Present ✓
Chico, Research Foundation	Russell Wittmeier	
Dominguez Hills, Loker Student Union	Cecilia Ortiz	
Fullerton, Auxiliary Services Corporation	Chuck Kissel	✓ <i>In Person</i>
Humboldt State University Center	Dave Nakamura	<i>Teleconference</i>
Monterey Bay, University Corporation	Starr Lee	✓ <i>In Person</i>
Sacramento, University Union Operation	Bill Olmsted	✓ <i>In Person</i>
Sacramento, University Enterprises, Inc.	Trina Knight	<i>Teleconference</i>
San Diego, Research Foundation	Leslie Levinson	
San Luis Obispo, Associated Students, Inc.	Dwayne Brummett	✓ <i>In Person</i>
San Marcos, Corporation	Bella Newberg	

Staff, Guests and/or Consultants Present:

Scott Bourdon, CSU Office of the Chancellor
 Andrew Gaspari, Alliant Insurance Services, Inc.
 Zachary Gifford, CSU Office of the Chancellor
 Tevea Him, Alliant Insurance Services, Inc.
 Daniel Howell, Alliant Insurance Services, Inc.
 William Hsu, General Counsel
 Alice Kim, CSU Accounting
 Sheralin Klinthong, CSU Office of the Chancellor
 Tina Kotin-Savitch, CSU Channel Islands
 Robert Leong, Alliant Insurance Services, Inc.
 Susan Leung, Alliant Insurance Services
 Amy Lightner, Alliant Insurance Services, Inc.



California State University Risk Management Authority

DRAFT

Jessica Liu Tanaka, CSU Accounting
Mimi Long, Alliant Insurance Services, Inc.
Jody Van Leuven, CSU Office of the Chancellor
Robin Webb, General Counsel

ADOPTION OF FY 2020/21 CSURMA MEETING CALENDAR

ISSUE: To give CSURMA Members sufficient time to finalize their work calendars, the Board will be asked to approve the CSURMA meeting calendar for the upcoming fiscal year, rather than just the upcoming calendar year. Shown below are the proposed meeting dates for calendar year 2020 as well as the entire 2020/21 fiscal year.

January 12, 2020 3:30 PM EC (Coronado) **
March 5, 2020 2:30 PM EC (San Francisco)
March 6, 2020 8:30 PM EC LRP (San Francisco)
May 8, 2020 8:30 AM EC (Long Beach)
May 8, 2020 10:30 AM BOD (Long Beach)
September 10, 2020 4:00 PM EC (TBD) *
September 11, 2020 8:30 AM EC (TBD)
October 23, 2020 8:30 AM EC (Long Beach)
October 23, 2020 10:30 AM BOD (Long Beach)
*December 4, 2020 8:30 AM EC (TBD) *****
January 2021 3:30 PM EC (TBD) **
March 4, 2021 2:30 PM EC (TBD)
March 5, 2021 8:30 AM EC LRP (TBD)
*May 7, 2021 8:30 AM EC (TBD) ****
*May 7, 2021 10:30 AM BOD (TBD) ****

- * *New EC member orientation (on an as needed basis).*
- ** *Both EC meetings in January will be held at the beginning of the AOA Conference.*
- *** *The May, 2021 EC and BOD meetings will most likely be held during the Fitting the Pieces Together Conference so these meeting dates may change.*
- **** *The Committee may decide to cancel December 2020 meeting since they will be meeting one month later at the AOA Conference.*

RECOMMENDATION: Staff recommends approving the proposed CSURMA meeting dates for FY 2019/20 and FY 2020/21.

FISCAL IMPACT: None.

BACKGROUND: The meeting locations will be established at a later date.

PUBLICATION: The approved calendar will be posted on the CSURMA website and will be included in all of the agenda packets.

ATTACHMENT(S):

- a. FY 2019/20 CSURMA Meeting Calendar
- b. FY 2020/21 CSURMA Meeting Calendar

FY 2020/21 CSURMA MEETING CALENDAR

JULY 2020				AUGUST 2020				SEPTEMBER 2020			
Date	Time	Committee	Location	Date	Time	Committee	Location	Date	Time	Committee	Location
TBD	11:00 AM	AORMA Officers Retreat	TBD	TBD		AOA EC	TBD	9	10:00 AM	AORMA New Member	TBD
								9	11:00 AM	AORMA LRP	TBD
								10	9:00 AM	AORMA	TBD
								10	4:00 PM	EC Orientation	TBD
								11	8:30 AM	EC	TBD
OCTOBER 2020				NOVEMBER 2020				DECEMBER 2020			
Date	Time	Committee	Location	Date	Time	Committee	Location	Date	Time	Committee	Location
12	10:30 AM	AIME	TBD	TBD		AOA EC	TBD	3	10:00 AM	AORMA	TBD
22	2:00 PM	BOD Orientation	Teleconference					4	8:30 AM	EC	TBD
22	10:00 AM	AORMA	CANCELED								
23	8:30 AM	EC	Long Beach								
23	10:30 AM	BOD	Long Beach								
JANUARY 2021				FEBRUARY 2021				MARCH 2021			
Date	Time	Committee	Location	Date	Time	Committee	Location	Date	Time	Committee	Location
TBD	10:30 AM	AIME						4	2:30 PM	EC	TBD
TBD	3:30 PM	EC (AOA Conference)	TBD					5	8:30 AM	EC LRP	TBD
TBD		AOA Annual Conference	TBD								
APRIL 2021				MAY 2021				JUNE 2021			
Date	Time	Committee	Location	Date	Time	Committee	Location	Date	Time	Committee	Location
					2:00 PM	BOD Orientation	Teleconference	TBD		AOA EC	TBD
				6	1:30 PM	AORMA	TBD				
				7	8:30 AM	EC	TBD				
				7	10:30 AM	BOD	TBD				
					10:30 AM	AIME					

AORMA = Auxiliary Organizations Risk Management Alliance Committee
 AIME = Athletic Injury Medical Expense Committee
 AORMA LRP = AORMA Long Range Planning Meeting

AOA = CSU Auxiliary Organizations Association
 BOD = CSURMA Board of Directors
 EC = CSURMA Executive Committee

EC LRP = EC Long Range Planning Meeting

**RESOLUTION ADOPTING CSURMA OPERATING BUDGET
FOR FY 2019/20**

ISSUE: The CSURMA operating budget for FY 2019/20 was approved by the Board at its last meeting on May 3, 2019; however, the Resolution to adopt the operating budget was not included in the meeting agenda. Therefore, the Board is being asked to approve Resolution No. 01-19 (BOD) 19-01 - Resolution Adopting the CSURMA Operating Budget for FY 2019/20.

RECOMMENDATION: Staff recommends that the Board of Directors approve Resolution No. 01-19 (BOD).

FISCAL IMPACT: No fiscal impact is expected from action taken at this meeting.

BACKGROUND: The attached resolution also resolves that the Treasurer is authorized to invest or reinvest funds of CSURMA, or to sell or exchange securities so purchased.

PUBLICATION: None.

ATTACHMENT(S):

- a. Resolution No. 01-19 (BOD) Resolution Adopting the CSURMA Operating Budget for FY 2019/20.

CALIFORNIA STATE UNIVERSITY RISK MANAGEMENT AUTHORITY

**BOARD OF DIRECTORS
RESOLUTION NO. 01-19 (BOD)**

Resolution Adopting CSURMA Operating Budget for FY 2019/20

The Board of Directors of the California State University Risk Management Authority finds and determines that the FY 2019/20 operating budget shall be as follows:

Major features of the proposed Campus budget include:

- 10.4% increase in Total Operating Revenues from \$76,199,692 to \$84,123,822.
- 0.7% decrease in Total Operating Expenses from \$90,141,617 to \$89,532,573.
- Net Deficit decreases from \$11,856,397 to \$3,314,771.
- Retained Earnings decreases from \$27,532,357 to \$24,217,586 at June 30, 2020.

Major features of the proposed AORMA budget include:

- 1.5% decrease in Total Operating Revenues from \$9,436,051 to \$9,291,783.
- 4.5% decrease in Total Operating Expenses from \$11,636,175 to \$11,107,859.
- Net Deficit decreases from \$1,790,084 to \$1,416,850.
- Retained Earnings decreases from \$18,047,124 to \$16,630,274 at June 30, 2020.

The proposed operating budget would develop Total Operating Revenues of \$104,907,955 (net of reinsurance premiums), Total Operating Expenses of \$113,936,952 and Total Non-Operating Revenues of \$2,500,000, generating Net Operating Deficit of \$6,528,997. Retained Earnings is estimated decrease from \$38,457,412 to \$31,928,415 at June 30, 2020.

* * * * *

In consideration of the foregoing findings and determinations,

IT IS RESOLVED by the Board of Directors of the California State University Risk Management Authority as follows:

- 1) The California State University Risk Management Authority does hereby adopt the FY 2019/20 operating budget as presented herein.
- 2) The CSURMA Treasurer is hereby authorized pursuant to California Government Code Section 53607 to invest or reinvest funds of CSURMA, or to sell or exchange securities so purchased and may also delegate responsibilities, as appropriate, to the Assistant Vice Chancellor of Financing, Treasury and Risk Management of the CSU (Assistance Vice Chancellor) in his/her capacity as staff to CSURMA.

* * * * *

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 Board of Directors of the California State University Risk Management Authority held on November 8, 2019 which was approved by the following votes:

AYES, and in favor thereof, members: ALL

NOES, members: None

ABSTAIN, members:

ABSENT, members:

Lisa Chavez, Chair

Zachary Gifford, Secretary-Auditor

CSURMA TREASURER'S REPORTS

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 Board is asked to review the Quarterly Investment Report ending June 30, 2019 and September 30, 2019. The CSURMA Treasurer will be on hand to answer questions.

RECOMMENDATION: Staff recommends the Board accept the Treasurer's Reports, as presented at today's meeting.

FISCAL IMPACT: None.

BACKGROUND: The objective of reviewing the investment of funds is to assure that policies and procedures are in effect to protect and preserve the JPA's financial assets.

PUBLICATION: None.

ATTACHMENT(S):

- a. Certification of Funds Letters
- b. CSURMA Investment Report – April 1, 2019 – June 30, 2019
- c. CSURMA Investment Report – July 1, 2019 – September 30, 2019



Officers

Lisa Chavez
Chair - 323-343-3500

Kevin Saunders
Vice Chair - 831-582-3000

Robert Eaton
Treasurer - 562-951-4572

Zachary Gifford
Secretary-Auditor - 562-951-4568

To: Executive Committee
CSU Risk Management Authority

From: Robert Eaton *RE*
Treasurer
CSU Risk Management Authority

Re: Quarterly Investment Report
Ending June 30, 2019

Date: August 26, 2019

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 June 30, 2019. The report contains a portfolio summary which includes market value, return, yield, weighted average maturity (WAM), and duration for each of CSURMA Investment Portfolios: the CSU’s SWIFT Portfolio and the Fixed Income Portfolio with TCW (Met West).

The funds held in investments are sufficient to meet the Authority’s cash-flow needs for the following six (6) months.

However, as of June 30, 2019, the investments are not in compliance with the Master Investment Policy of the Authority dated March 19, 2015 (the “MIP”), as duly authorized by the Executive Committee. Specifically, the combined amount of the CSU SWIFT Portfolio plus the balance of outstanding loans is 6.4% of total Authority investments, which is below the portfolio target range of 25-33% as outlined in Section III of the MIP, and the Fixed Income Portfolio is 93.6% of total Authority investments, which is greater than the portfolio target range of 67-75% as outlined in Section III of the MIP.

Robert Eaton
Treasurer
CSU Risk Management Authority

CSURMA

Quarterly Investment Report

April 1, 2019 - June 30, 2019

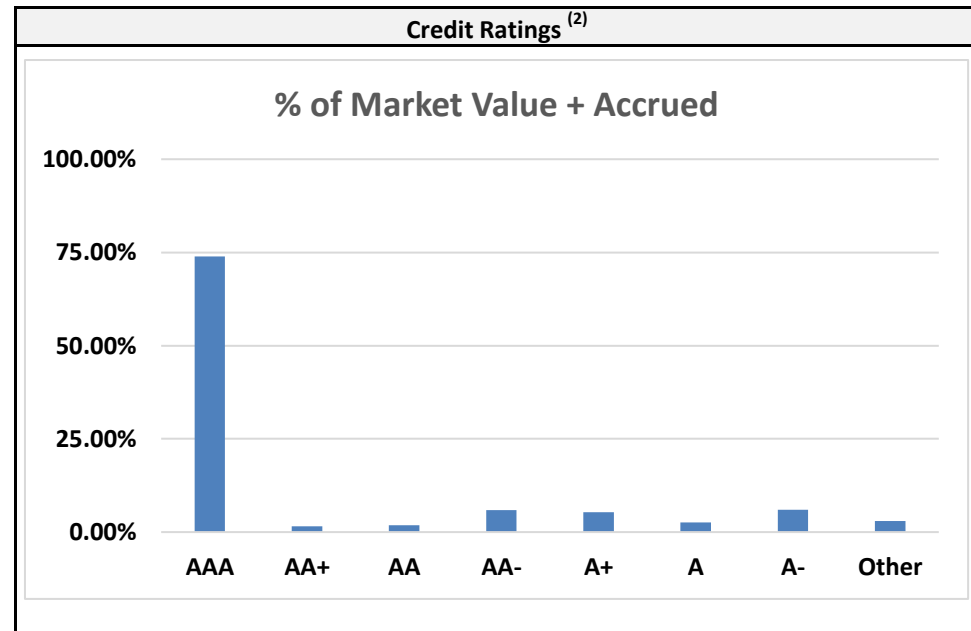
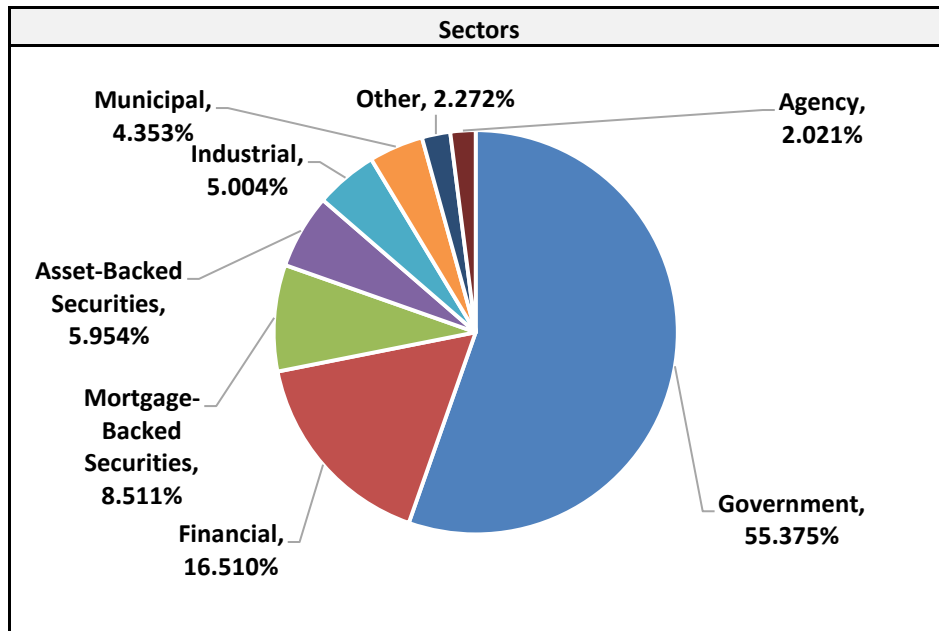
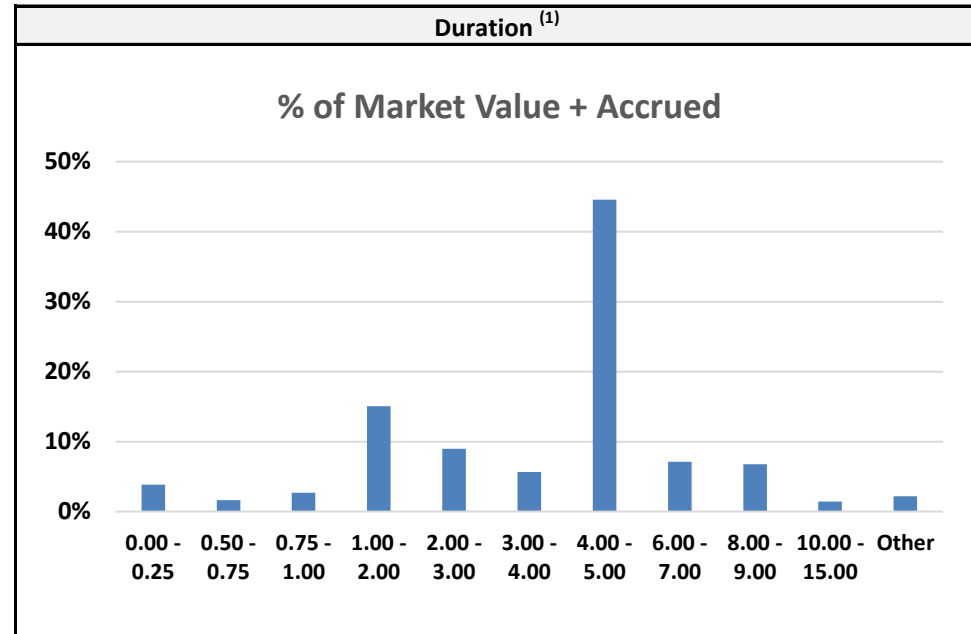
Prepared by Treasury

California State University Risk Management Authority

Fixed Income Portfolio (Auxiliary Investment Platform)

As of 06/30/2019

Portfolio Summary Total	
Total Assets	106,428,543
Duration	4.144
Yield	2.622
Avg Credit Rating	AA/Aa2
QE Performance	2.250%



⁽¹⁾ The Other category combines duration ranges and in aggregate equals 2.211% of the portfolio.

⁽²⁾ The Other category contains assets that do not fall within the seven specific charted credit ratings. These assets make 3.008% of the portfolio and include the following ratings: BBB+, BBB-, A-1+, and NA.

California State University Risk Management Authority

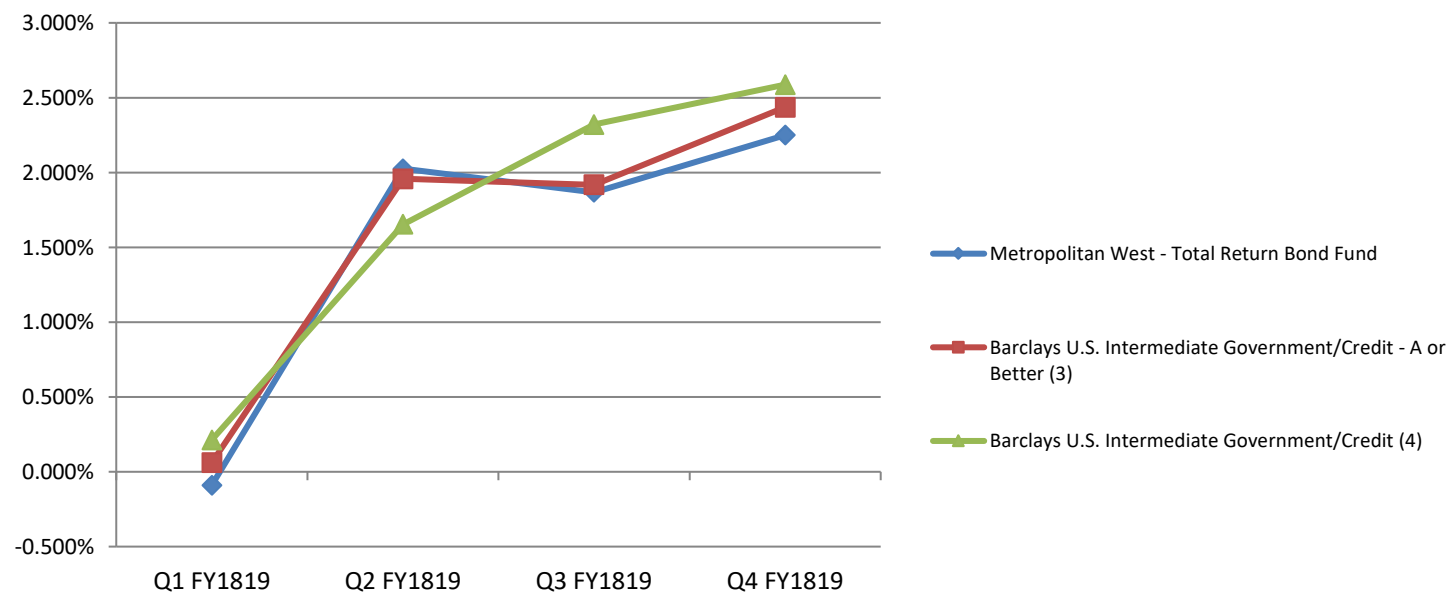
Fixed Income Portfolio (Auxiliary Investment Platform)

Performance Summary

Period Ending 06/30/2019

Account / Index	Market Value	3 Month ⁽¹⁾	Trailing 12 Month ⁽¹⁾	Trailing 3 Year ⁽¹⁾	Trailing 5 Year ⁽¹⁾	Since Inception ⁽¹⁾	Yield	WAM ⁽²⁾	Duration
	06/30/2019	04/01/19 - 06/30/19	07/01/18 - 06/30/19	07/01/16 - 06/30/19	07/01/14 - 06/30/19	07/01/07 - 06/30/19			
Metropolitan West - Total Return Bond Fund	106,428,543	2.250%	6.174%	1.679%	1.852%	3.443%	2.622	7.087	4.144
Barclays U.S. Intermediate Government/Credit - A or Better ⁽³⁾		2.437%	6.510%	1.631%	2.174%	2.878%	1.943	4.146	3.810
Barclays U.S. Intermediate Government/Credit ⁽⁴⁾		2.587%	6.932%	1.989%	2.390%	3.245%	2.125	4.272	3.916

Account / Index	Q1 FY1819	Q2 FY1819	Q3 FY1819	Q4 FY1819	Trailing 12 Month ⁽¹⁾
	07/01/18 - 09/30/18	10/01/18 - 12/31/18	01/01/19 - 3/31/19	04/01/19 - 06/30/19	07/01/18 - 06/30/19
Metropolitan West - Total Return Bond Fund	-0.089%	2.025%	1.868%	2.250%	6.174%
Barclays U.S. Intermediate Government/Credit - A or Better ⁽³⁾	0.061%	1.957%	1.918%	2.437%	6.510%
Barclays U.S. Intermediate Government/Credit ⁽⁴⁾	0.214%	1.654%	2.321%	2.587%	6.932%



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

(2) Weighted Average Maturity

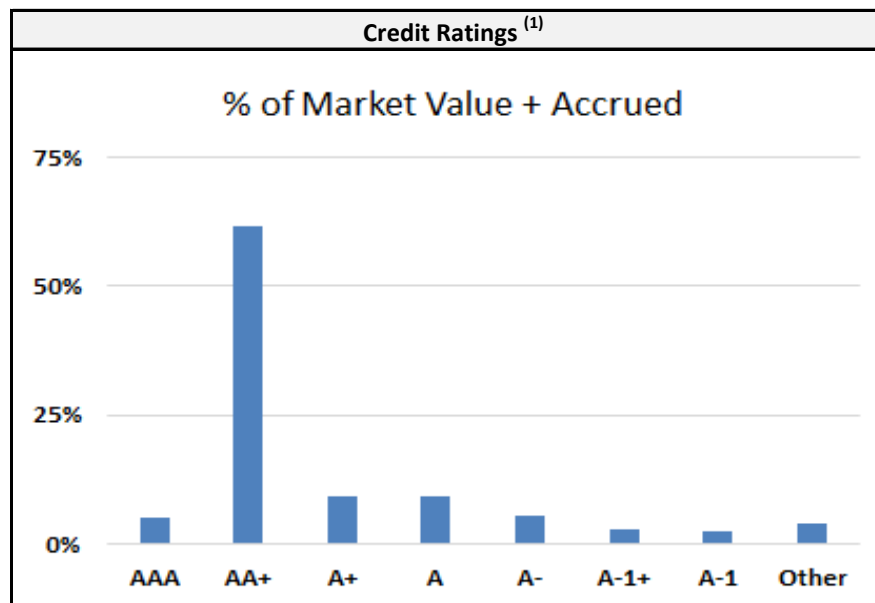
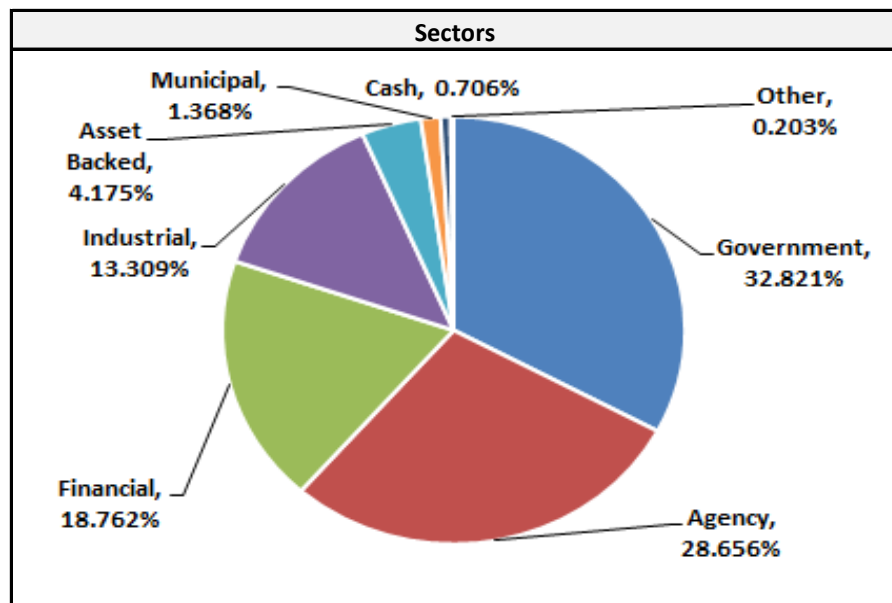
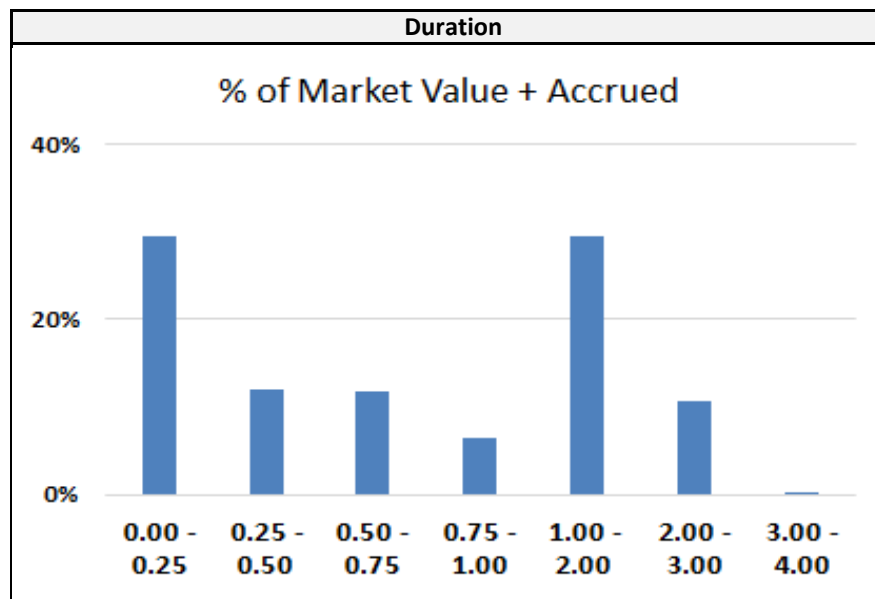
(3) Portfolio Benchmark as of 05/2014.

(4) Portfolio Benchmark prior to 05/2014.

California State University SWIFT Portfolio

As of 06/30/2019

Portfolio Summary Total	
Total Assets	5,605,555
Duration	0.891
Yield	2.112
Avg Credit Rating	AA-/Aa3
QE Performance	0.973%



⁽¹⁾ The other bucket contains assets that do not fall within the top seven credit ratings.

California State University Risk Management Authority

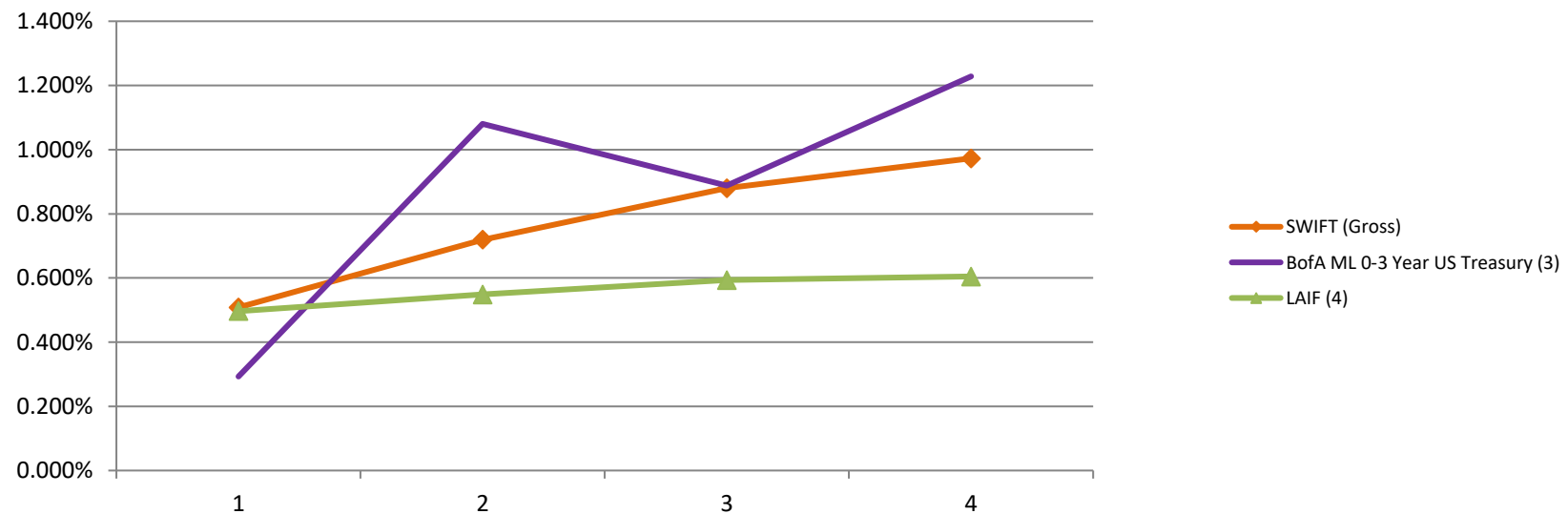
SWIFT Portfolio

Performance Summary

Period Ending 06/30/2019

Account / Index	Market Value	3 Month ⁽¹⁾	Trailing 12 Month ⁽¹⁾	Trailing 3 Year ⁽¹⁾	Trailing 5 Year ⁽¹⁾	Since Inception ⁽¹⁾	Yield	WAM ⁽²⁾	Duration
	06/30/19	04/01/19 - 06/30/19	07/01/18 - 06/30/19	07/01/16 - 06/30/19	07/01/14 - 06/30/19	07/01/07 - 06/30/19			
SWIFT - CSU Systemwide Investment Fund Trust (Gross)	5,605,555	0.973%	3.115%	1.499%	1.275%	1.390%	2.112	1.185	0.891
BofA ML 0-3 Year US Treasury ⁽³⁾		1.228%	3.533%	1.356%	1.145%	1.656%	1.897	1.487	1.442
LAIF - Local Agency Investment Fund ⁽⁴⁾		0.605%	2.262%	1.459%	1.016%	1.145%	2.441		

Account / Index	Q1 FY1819	Q2 FY1819	Q3 FY1819	Q4 FY1819	Trailing 12 Month ⁽¹⁾
	07/01/18 - 09/30/18	10/01/18 - 12/31/18	01/01/19 - 03/31/19	04/01/19 - 06/30/19	07/01/18 - 06/30/19
SWIFT (Gross)	0.508%	0.719%	0.880%	0.973%	3.115%
BofA ML 0-3 Year US Treasury ⁽³⁾	0.293%	1.081%	0.888%	1.228%	3.533%
LAIF ⁽⁴⁾	0.497%	0.549%	0.593%	0.605%	2.262%



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

(2) Weighted Average Maturity

(3) SWIFT Portfolio Benchmark

(4) LAIF returns calculated by CSUCO Treasury



Officers


Lisa Chavez
Chair - 323-343-3500

Kevin Saunders
Vice Chair – 831-582-3000

Robert Eaton
Treasurer - 562-951-4572

Zachary Gifford
Secretary-Auditor - 562-951-4568

To: Executive Committee
CSU Risk Management Authority

From: Robert Eaton 
Treasurer
CSU Risk Management Authority

Re: Quarterly Investment Report
Ending September 30, 2019

Date: October 28, 2019

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 September 30, 2019. The report contains a portfolio summary which includes market value, return, yield, weighted average maturity (WAM), and duration for each of CSURMA Investment Portfolios: the CSU’s SWIFT Portfolio and the Fixed Income Portfolio with TCW (Met West).

The funds held in investments are sufficient to meet the Authority’s cash-flow needs for the following six (6) months.

As of September 30, 2019, the investments are in compliance with the Master Investment Policy of the Authority dated September 6, 2019 (the “MIP”), as duly authorized by the Executive Committee.

Robert Eaton
Treasurer
CSU Risk Management Authority

CSURMA

Quarterly Investment Report

July 1, 2019 - September 30, 2019

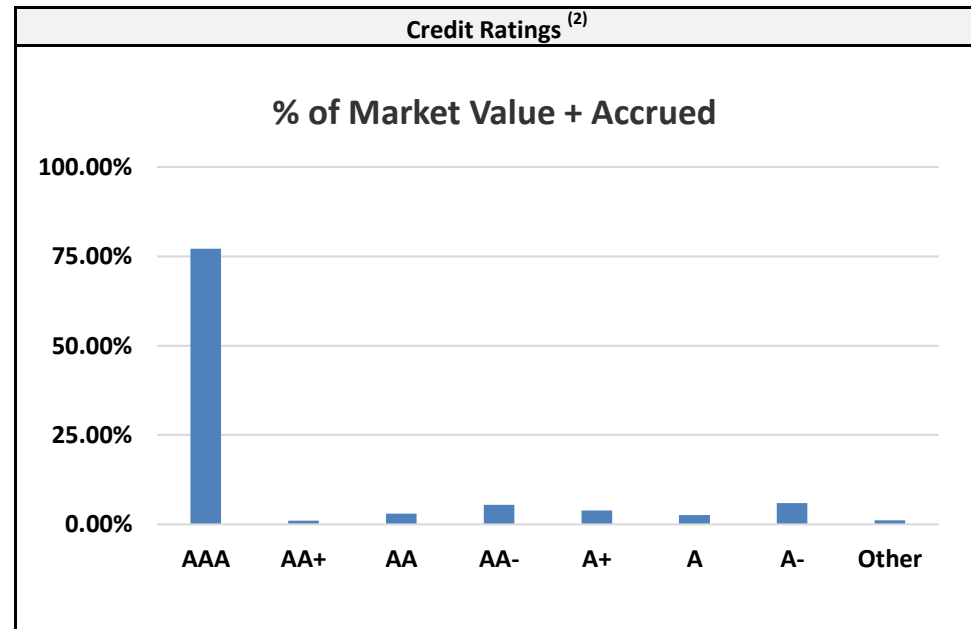
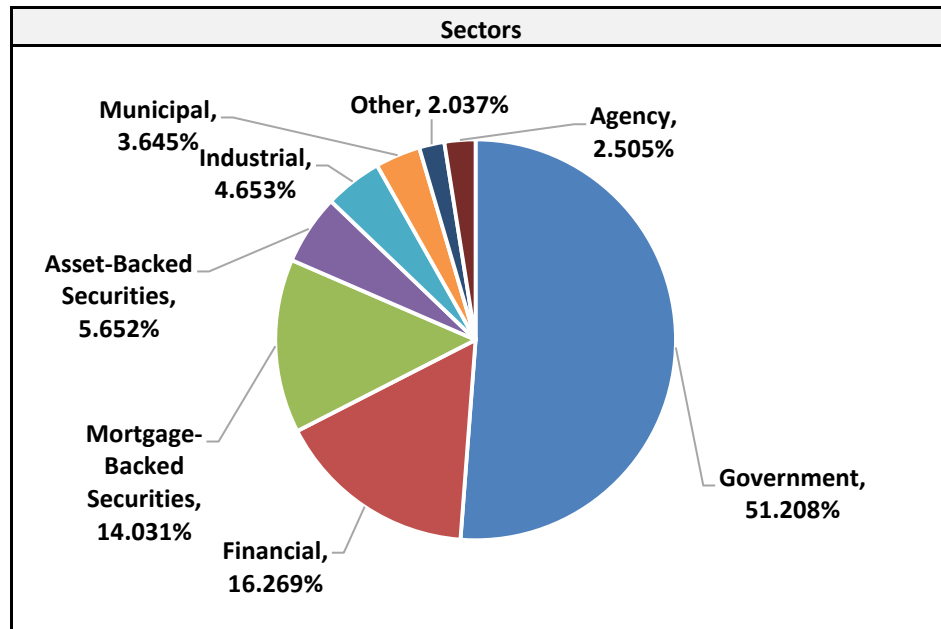
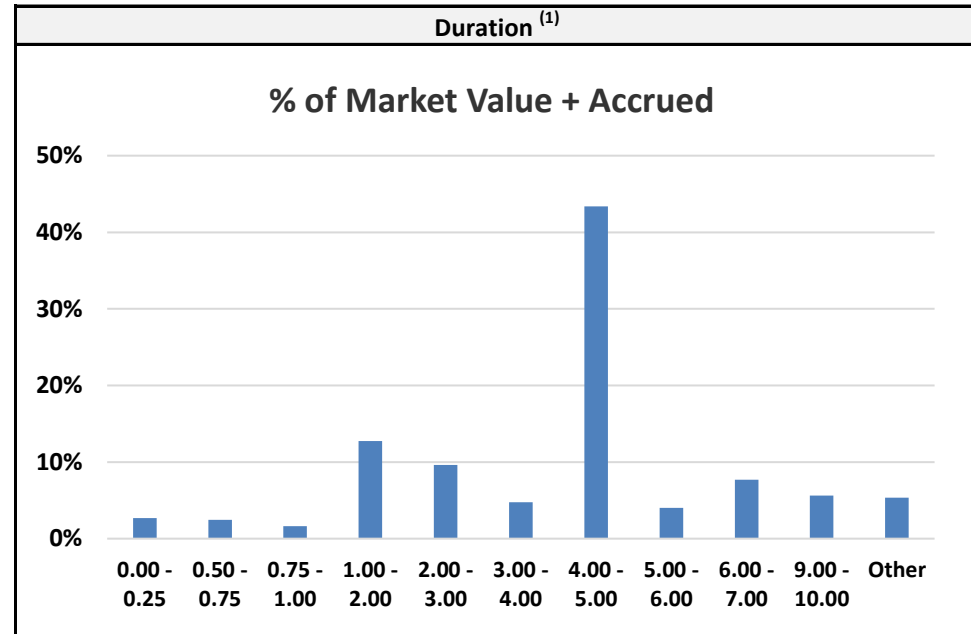
Prepared by Treasury

California State University Risk Management Authority

Fixed Income Portfolio (Auxiliary Investment Platform)

As of 09/30/2019

Portfolio Summary Total	
Total Assets	107,799,497
Duration	4.204
Yield	2.088
Avg Credit Rating	AA/Aa2
QE Performance	1.288%



⁽¹⁾ The Other category combines duration ranges and in aggregate equals 5.34% of the portfolio.

⁽²⁾ The Other category contains assets that do not fall within the seven specific charted credit ratings. These assets make 3.008% of the portfolio and include the following ratings: BBB+, BBB-, and A-1+.

California State University Risk Management Authority

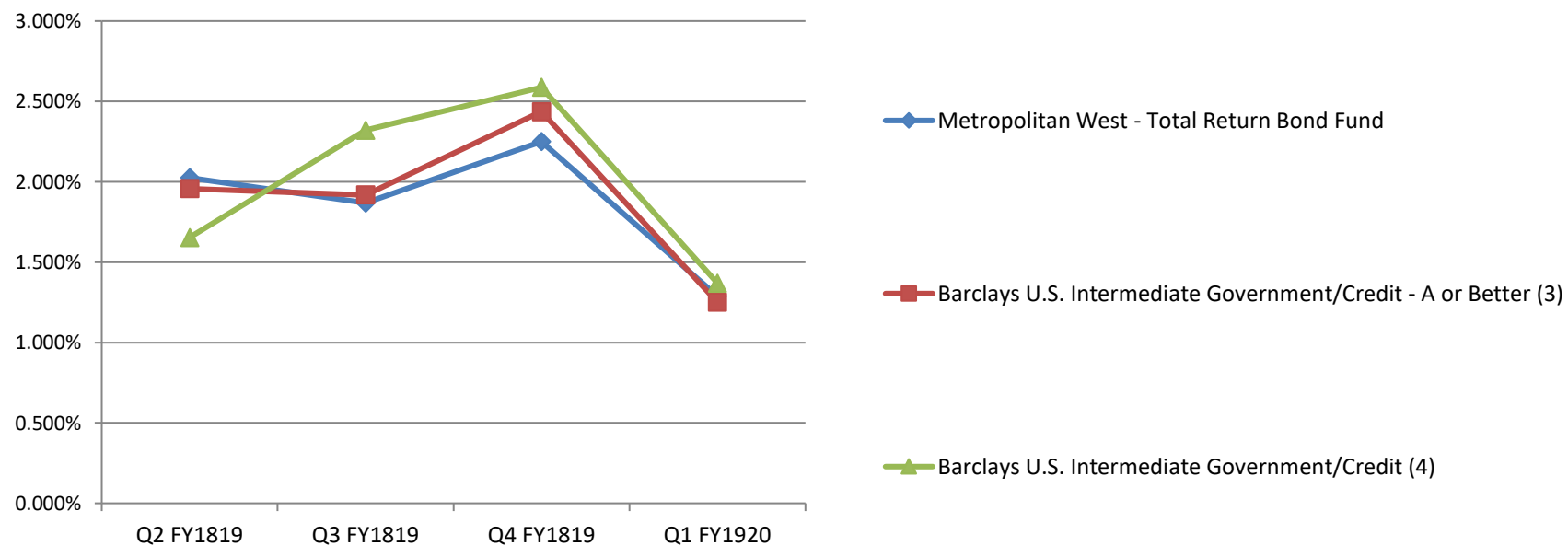
Fixed Income Portfolio (Auxiliary Investment Platform)

Performance Summary

Period Ending 09/30/2019

Account / Index	Market Value	3 Month ⁽¹⁾	Trailing 12 Month ⁽¹⁾	Trailing 3 Year ⁽¹⁾	Trailing 5 Year ⁽¹⁾	Since Inception ⁽¹⁾	Yield	WAM ⁽²⁾	Duration
	09/30/2019	07/01/19 - 09/30/19	10/01/18 - 09/30/19	10/01/16 - 09/30/19	10/01/14 - 09/30/19	07/01/07 - 09/30/19			
Metropolitan West - Total Return Bond Fund	107,799,497	1.288%	7.638%	2.123%	2.097%	3.482%	2.088	8.342	4.204
Barclays U.S. Intermediate Government/Credit - A or Better ⁽³⁾		1.251%	7.776%	2.081%	2.430%	2.925%	1.764	4.147	3.810
Barclays U.S. Intermediate Government/Credit ⁽⁴⁾		1.369%	8.165%	2.398%	2.675%	3.295%	1.935	4.269	3.916

Account / Index	Q2 FY1819	Q3 FY1819	Q4 FY1819	Q1 FY1920	Trailing 12 Month ⁽¹⁾
	10/01/18 - 12/31/18	01/01/19 - 3/31/19	04/01/19 - 6/30/19	07/01/19 - 09/30/19	10/01/18 - 09/30/19
Metropolitan West - Total Return Bond Fund	2.025%	1.868%	2.250%	1.288%	7.638%
Barclays U.S. Intermediate Government/Credit - A or Better ⁽³⁾	1.957%	1.918%	2.437%	1.251%	7.776%
Barclays U.S. Intermediate Government/Credit ⁽⁴⁾	1.654%	2.321%	2.587%	1.369%	8.165%



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

(2) Weighted Average Maturity

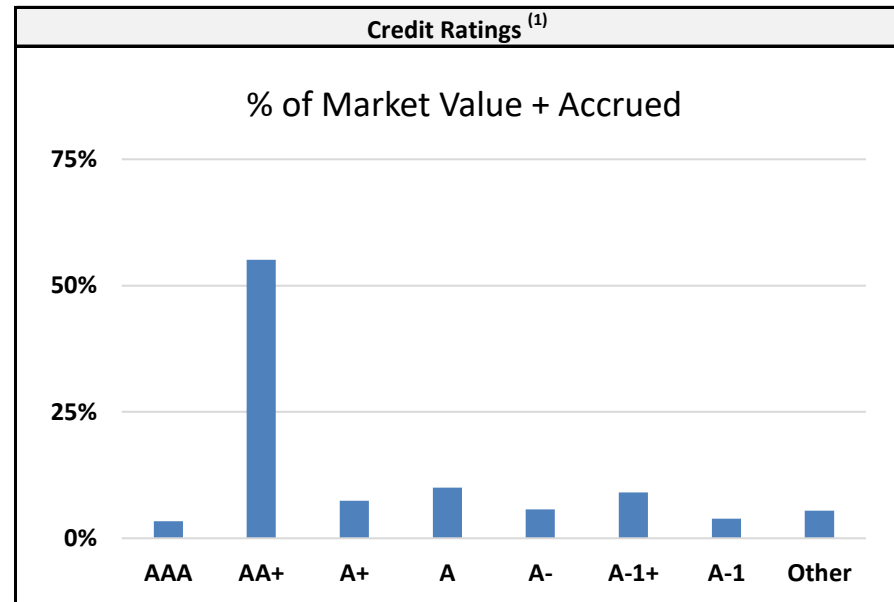
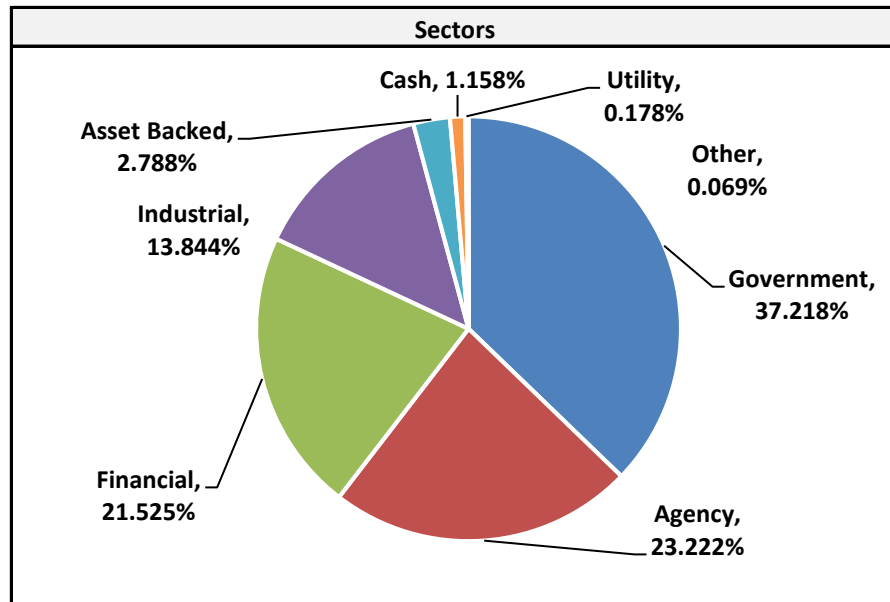
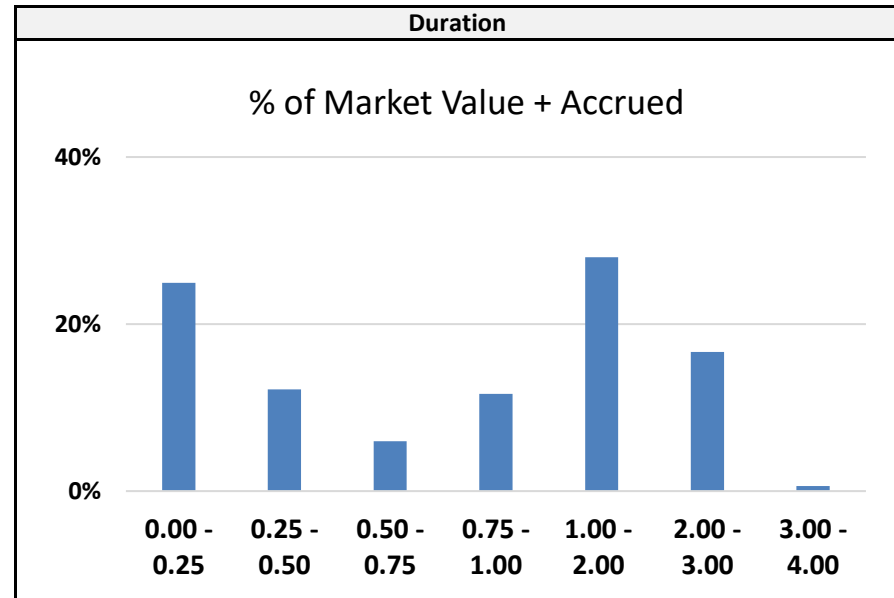
(3) Portfolio Benchmark as of 05/2014.

(4) Portfolio Benchmark prior to 05/2014.

California State University SWIFT Portfolio

As of 09/30/2019

Portfolio Summary Total	
Total Assets	34,681,919
Duration	1.065
Yield	1.875
Avg Credit Rating	AA-/Aa3
QE Performance	0.611%



⁽¹⁾ The other bucket contains assets that do not fall within the top seven credit ratings.

California State University Risk Management Authority

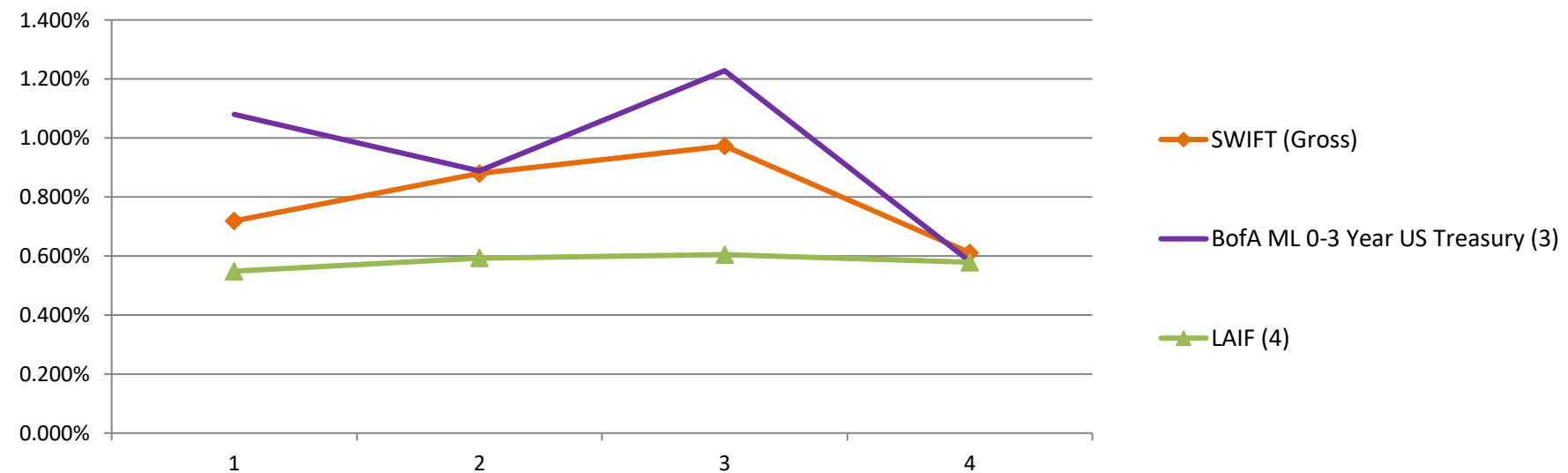
SWIFT Portfolio

Performance Summary

Period Ending 09/30/2019

Account / Index	Market Value	3 Month ⁽¹⁾	Trailing 12 Month ⁽¹⁾	Trailing 3 Year ⁽¹⁾	Trailing 5 Year ⁽¹⁾	Trailing 10 Year ⁽¹⁾	Since Inception ⁽¹⁾	Yield	WAM ⁽²⁾	Duration
	09/30/19	07/01/19 - 09/30/19	10/01/18 - 09/30/19	10/01/16 - 09/30/19	10/01/14 - 09/30/19	10/01/09 - 09/30/19	07/01/07 - 06/30/19			
SWIFT - CSU Systemwide Investment Fund Trust (Gross)	34,681,919	0.611%	3.221%	1.671%	1.389%	0.988%	1.411%	1.875	1.268	1.065
BofA ML 0-3 Year US Treasury ⁽³⁾		0.582%	3.832%	1.565%	1.255%	1.028%	1.669%	1.758	1.492	1.448
LAIF - Local Agency Investment Fund ⁽⁴⁾		0.579%	2.346%	1.603%	1.120%	0.753%	1.169%	2.335		

Account / Index	Q2 FY1819	Q3 FY1819	Q4 FY1819	Q1 FY1920	Trailing 12 Month ⁽¹⁾
	10/01/18 - 12/31/18	01/01/19 - 03/31/19	04/01/19 - 06/30/19	07/01/19 - 09/30/19	10/01/18 - 09/30/19
SWIFT (Gross)	0.719%	0.880%	0.973%	0.611%	3.221%
BofA ML 0-3 Year US Treasury ⁽³⁾	1.081%	0.888%	1.228%	0.582%	3.832%
LAIF ⁽⁴⁾	0.549%	0.593%	0.605%	0.579%	2.346%



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

(2) Weighted Average Maturity

(3) SWIFT Portfolio Benchmark

(4) LAIF returns calculated by CSUCO Treasury

INDEPENDENT AUDITOR’S FINANCIAL AUDIT REPORT
AS OF JUNE 30, 2019

ISSUE: Pursuant to Section 16(d) of the CSURMA Joint Exercise of Powers Agreement, CSURMA contracted the independent audit firm KPMG to conduct an annual fiscal year audit (as of June 30, 2019) of the financial position of CSURMA. KPMG will present an overview of the report at today’s meeting.

RECOMMENDATION: Staff recommends that the Board review and accept the audited financial reports, as appropriate.

FISCAL IMPACT: None.

BACKGROUND: Section 16(d) of the California State University Risk Management Authority Joint Exercise of Power Agreement requires that an annual audit be completed for all accounts and financial statements of CSURMA.

PUBLICATION: The Financial Audit will be uploaded to the CSURMA website.

ATTACHMENT(S):

- a. The Independent Auditor’s Financial Audit Report as of June 30, 2019.



**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Financial Statements and Supplementary Schedules

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**
A Discretely Presented Component Unit of the California State University

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KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Directors
California State University Risk Management Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the California State University Risk Management Authority (the Authority), a component unit of the California State University, which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California State University Risk Management Authority as of June 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 through 7 and the claims development information on Schedule 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information included in Schedules 1 through 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1 through 13 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 1 through 13 are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Irvine, California
September 30, 2019

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**
A Discretely Presented Component Unit of the California State University
Management's Discussion and Analysis
June 30, 2019 and 2018
(Unaudited)

The following discussion and analysis provides an overview of the financial position and performance of the California State University Risk Management Authority (the Authority) as of and for the years ended June 30, 2019 and 2018. It is designed to assist the readers in focusing on financial overview and analysis of the financial activities of the Authority. The discussion has been prepared by management and should be read in conjunction with the basic financial statements and accompanying notes, which follow this section.

Overview of the Financial Statements

The financial statements of the Authority as of and for the years ended June 30, 2019 and 2018 have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. For reporting purposes, the Authority is considered a special-purpose government engaged in business-type activities.

The Authority’s financial statements consist of the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and the notes to the financial statements, supplementary information, and required supplementary information. The Authority’s basic financial statements are the Statements of Net Position, the Statements of Revenue, Expenses, and Changes in Net Position, and the Statements of Cash Flows.

Statement of Net Position – The Statement of Net Position presents the financial position of the Authority at the end of the fiscal year and includes all assets and liabilities of the Authority. The difference between total assets and total liabilities, net position, is one indicator of the current financial condition of the Authority, while the change in net position is an indicator of how the overall financial condition has fluctuated from year to year.

A summary of the Authority’s assets, liabilities, and net position at June 30, 2019, 2018, and 2017 is as follows:

Condensed Schedules of Net Position

June 30, 2019, 2018, and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets:			
Current assets	\$ 88,129,000	92,382,000	102,543,000
Noncurrent assets	<u>47,638,000</u>	<u>53,800,000</u>	<u>59,413,000</u>
Total assets	<u>135,767,000</u>	<u>146,182,000</u>	<u>161,956,000</u>
Liabilities:			
Current liabilities	25,099,000	29,559,000	31,314,000
Noncurrent liabilities	<u>45,509,000</u>	<u>52,370,000</u>	<u>57,262,000</u>
Total liabilities	<u>70,608,000</u>	<u>81,929,000</u>	<u>88,576,000</u>

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Condensed Schedules of Net Position (Continued)

June 30, 2019, 2018, and 2017

	2019	2018	2017
Net position:			
Unrestricted	\$ 65,159,000	64,253,000	73,380,000
Total net position	\$ 65,159,000	64,253,000	73,380,000

Assets

The Authority's assets totaled \$135,767,000 on June 30, 2019, a decrease of \$10,415,000 or 7%, as compared to the previous year. The decrease is mainly attributed to the decrease in investments (note 3) by \$20,117,000, due to the excess of payments over receipts from operating activities. Accounts receivable increased by \$6,697,000 due to the enrollment of new construction projects in the Owners Controlled Insurance Program (OCIP). Prepaid expenses increased by \$3,938,000 due to the increase of the premiums, and timing and coverage periods of various insurance premiums.

The Authority's assets totaled \$146,182,000 on June 30, 2018, a decrease of \$15,774,000 or 10%, as compared to the previous year. The decrease is mainly attributed to the decrease in investments (note 3) by \$13,706,000, due to the excess of payments over receipts from operating activities. Accounts receivable decreased by \$4,498,000 due to decreased construction projects enrolled in OCIP compared to prior year. Prepaid expenses increased by \$3,001,000 due to the timing and coverage periods of various insurance premiums. The Authority's investments represented 82% and 90% of total assets as of June 30, 2019 and 2018 and consist of the Authority's share of the California State University (CSU) Consolidated Investment Pool and investments held in Morgan Stanley Smith Barney.

Liabilities

The Authority's liabilities totaled \$70,608,000 on June 30, 2019, a decrease of \$11,321,000 or 14%, as compared to the previous year. The Authority's liabilities totaled \$81,929,000 on June 30, 2018, a decrease of \$6,647,000 or 8%, as compared to the previous year.

The decrease in both years was primarily due to the enrollment in the Excess Insurance Authority (EIA), effective January 1, 2016, resulting in a decrease in claims liability, current and noncurrent, in the amount of \$8,332,000 and \$6,112,000 as of June 30, 2019 and 2018, respectively. The EIA is responsible for all covered losses within the amount of the self-insurance layer for the campus and Auxiliary Organizations Risk Management Alliance (AORMA) workers' compensation program (note 7); thus, the Authority is not liable for the layers covered by the EIA. Claims liability, current and noncurrent, represents 80% and 79% of the total liabilities as of June 30, 2019 and 2018, respectively.

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June 30, 2019 and 2018

(Unaudited)

Net Position

Net position may serve over time as a useful indicator of the Authority's financial position. Net position represents the residual measure of assets net of liabilities. Net position fluctuates annually due to the Authority's operating results for a given fiscal year as well as changes in investment income. The Authority's net position is classified as unrestricted and may be designated for use by the Authority.

The Authority's net position totaled \$65,159,000 on June 30, 2019, an increase of \$906,000 or 1%, as compared to the previous year. This is primarily due to investment income that offset the operating losses during the year. The Authority's net position totaled \$64,253,000 on June 30, 2018, a decrease of \$9,127,000 or 12%, as compared to the previous year. This is primarily due to the excess of operating expenses over operating revenues.

Statement of Revenue, Expenses, and Changes in Net Position – The Statement of Revenue, Expenses, and Changes in Net Position is the Authority's income statement. Revenues earned and expenses incurred during the year on an accrual basis are classified as either operating or nonoperating. It presents the results of the Authority's operations and changes in net position over the course of the fiscal year.

A summary of the Authority's statement of revenues, expenses, and changes in net position for the years ended June 30, 2019, 2018 and 2017 is as follows:

Condensed Schedules of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2019, 2018, and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 94,329,000	92,291,000	94,006,000
Operating expenses	<u>101,141,000</u>	<u>101,067,000</u>	<u>106,980,000</u>
Operating loss	(6,812,000)	(8,776,000)	(12,974,000)
Nonoperating revenues (expenses), net	<u>7,718,000</u>	<u>(351,000)</u>	<u>(1,101,000)</u>
Change in net position	906,000	(9,127,000)	(14,075,000)
Net position, beginning of year	<u>64,253,000</u>	<u>73,380,000</u>	<u>87,455,000</u>
Net position, end of year	\$ <u>65,159,000</u>	<u>64,253,000</u>	<u>73,380,000</u>

Operating Revenues and Expenses

The Authority's operating revenues consist of member contributions, net of reinsurance premiums. Increases or decreases in member contributions are primarily attributable to recommended funding for campus-covered programs calculated by an independent actuarial firm employed by the Authority (note 2(g)). During fiscal year 2019, operating revenues totaled \$94,329,000, an increase of \$2,038,000 or 2%, which was primarily due to an increase in member contributions, offsetting the increase in reinsurance premiums (notes 6 and 7(b)). During

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(Unaudited)

fiscal year 2018, operating revenues totaled \$92,291,000, a decrease of \$1,715,000 or 2%, which was primarily due to a decrease in member contributions and increase in reinsurance premiums (notes 6 and 7(b)).

During fiscal year 2019, operating expenses totaled \$101,141,000, an increase of \$74,000 or less than 1%, as compared to the previous year. The operating expense remained consistent with prior year as the increases in claim losses and loss adjustment expenses and insurance premiums were offset by the decrease in dividends expenses and claims administration expenses. During fiscal year 2018, operating expenses totaled \$101,067,000, a decrease of \$5,913,000 or 6%, as compared to the previous year. The decrease is primarily due to a decrease in dividends expenses of \$6,723,000 and an increase in claims administration expenses of \$1,244,000. The increase in insurance premiums was primarily due to excess insurance premiums paid to the EIA and other insurance carriers.

Operating expenses consist of claim losses and loss adjustment expenses of \$31,384,000 and \$29,917,000, claims administration of \$9,456,000 and \$10,568,000, insurance premiums of \$50,863,000 and \$49,155,000, dividend distributions of \$6,111,000 and \$8,678,000, general and administrative of \$1,573,000 and \$1,372,000, and miscellaneous services of \$1,754,000 and \$1,377,000 for the years ended June 30, 2019 and 2018, respectively. Claim losses and loss adjustment expenses include actual claim payments made, as well as adjustments for reserves on claims. Claim case reserves are adjusted as claims develop and mature and additional information regarding potential loss amounts are known. Reserves for claims incurred but not reported, as determined by independent actuaries, are also included in this expense category. Claims administration includes expenses incurred by the Authority for claims administrator's fees and program administrator's fees, and brokerage commissions. Dividend distributions represent the return of contributions to CSU campuses and Auxiliary Organization members. In providing insurance coverage and risk management services to its members, the Authority incurs general and administrative and miscellaneous services expenses that are budgeted and approved by the Board of Directors annually.

Nonoperating Revenues (Expenses), Net

During fiscal year 2019, net nonoperating revenues totaled \$7,718,000, an increase of \$8,069,000, which is primarily due to investment gains, both realized and unrealized, and higher earnings from the investment portfolio where the Authority's investments are held (note 3). This is attributed mainly to favorable market conditions in fiscal year 2019 as compared to prior year. Further, the investment balance declined in the fourth quarter of the fiscal year, as such it did not affect earnings significantly. During fiscal year 2018, nonoperating expenses totaled \$351,000, a decrease of \$750,000 or 68%, which is primarily due to a decrease in investment loss from the investment portfolio where the Authority's investments are held (note 3).

Factors Impacting Future Periods

With respect to current facts, conditions, or decisions that may impact the financial position of the Authority, there are no known issues either internal to the Authority nor the external environment that are expected to materially impact the organization. However, there are trends that may influence the membership and developments in the commercial insurance market that warrant notice.

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The Authority has a limited pool of membership consisting of CSU and its not-for-profit Auxiliary Organizations. The CSU and Auxiliary Organizations are subject to economic trends which impact funding, operations, and grants and contracts. To the extent the CSU experiences a negative fiscal environment, this can impact the funding of certain Auxiliary Organizations. In addition, a negative fiscal environment does not necessarily reduce the cost of the Authority's programs and may actually result in higher claims, such as unemployment insurance claims. The Authority has adopted conservative funding practices to protect the organization from a negative fiscal environment.

The California workers' compensation operating environment has stabilized despite increases in the cost of medical care and prescription drugs, combined with an aging workforce. To combat increasing costs to settle workers' compensation claims, the Authority has implemented a Workers' Compensation Claims Management and Return to Work Program, as well as an ongoing claims closure initiative. Results have been positive, however, the environment may change.

Generally, the commercial insurance and reinsurance market is stable. However, weather extremes, catastrophic losses, and investment losses are areas of concern for commercial insurance carriers and the California market has experienced catastrophic claims due to wildfire and excessive rainfall. Institutional size risks, such as the CSU and its Auxiliary Organizations, with large valued property locations spread throughout the state are experiencing rate increases as commercial insurers raise concerns about recent natural disasters such as floods, hurricanes, and potential wildfires.

The market for excess liability for California public entities has firmed. This is largely due to a significant rise in the cost of claims, especially those involving employment practices, law enforcement, and injuries to minors. The Authority has managed this risk by developing long-term underwriting relationships and attracting other insurers to the program.

Funds are invested by the Authority to pay expected claims in the pooled programs. The valuation of claims liabilities is discounted based on assumed investment earning rates. A divergence in the rate assumed for discounting claims liabilities and investment earnings can affect the ultimate claims liability recorded in the financial statements. To guard against possible divergence, the dividend calculations utilized to return excess funds to the membership use a more conservative calculation of equity.

The rates charged by the Authority for member contributions for the future year increased due to claim and market trends for the liability, industrial disability/nonindustrial disability/unemployment insurance, and property programs. In the May 2019 Board of Director's meeting, the fiscal year 2020 budget was approved for operating revenues of \$104,908,000 and operating expenses of \$113,937,000.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Statements of Net Position

June 30, 2019 and 2018

	2019	2018
Assets:		
Current assets:		
Cash and cash equivalents	\$ 14,000	62,000
Investments	65,954,000	80,071,000
Accounts receivable	9,308,000	2,611,000
Loans receivable from affiliates, current portion	—	489,000
Prepaid expenses	12,811,000	8,873,000
Reinsurance recoverable – workers' compensation	42,000	276,000
Total current assets	88,129,000	92,382,000
Noncurrent assets:		
Loans receivable from affiliates, net of current portion	1,638,000	1,800,000
Other long-term investments	46,000,000	52,000,000
Total noncurrent assets	47,638,000	53,800,000
Total assets	135,767,000	146,182,000
Liabilities:		
Current liabilities:		
Accounts payable	8,723,000	9,263,000
Unearned revenues	55,000	1,141,000
SELF assessment liability, current portion	1,364,000	1,364,000
Claims liability for losses and loss adjustment expenses – current portion:		
Reported claims	7,882,000	10,252,000
Claims incurred but not reported	7,075,000	7,539,000
Total current liabilities	25,099,000	29,559,000
Noncurrent liabilities:		
SELF assessment liability, net of current portion	4,091,000	5,454,000
Claims liability for losses and loss adjustment expenses – noncurrent portion:		
Reported claims	21,826,000	27,035,000
Claims incurred but not reported	19,592,000	19,881,000
Total noncurrent liabilities	45,509,000	52,370,000
Total liabilities	70,608,000	81,929,000
Net position:		
Unrestricted	65,159,000	64,253,000
Total net position	\$ 65,159,000	64,253,000

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Statements of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Member contributions	\$ 105,548,000	102,103,000
Reinsurance premiums	(11,219,000)	(9,812,000)
Total operating revenues	94,329,000	92,291,000
Operating expenses:		
Claim losses and loss adjustment expenses	31,384,000	29,917,000
Claims administration	9,456,000	10,568,000
Insurance premiums	50,863,000	49,155,000
Dividend distributions	6,111,000	8,678,000
General and administrative	1,573,000	1,372,000
Miscellaneous services	1,754,000	1,377,000
Total operating expenses	101,141,000	101,067,000
Operating loss	(6,812,000)	(8,776,000)
Nonoperating revenues (expenses):		
Investment income (loss), net	7,660,000	(400,000)
Interest income from loans	58,000	49,000
Total nonoperating revenues (expenses), net	7,718,000	(351,000)
Change in net position	906,000	(9,127,000)
Net position, beginning of year	64,253,000	73,380,000
Net position, end of year	\$ 65,159,000	64,253,000

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Statements of Cash Flows

Year ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts of member contributions	\$ 86,802,000	98,197,000
Payments to providers	(68,510,000)	(67,093,000)
Payments of claims	(40,401,000)	(36,394,000)
Dividend distributions to members	(6,425,000)	(8,740,000)
Net cash used in operating activities	(28,534,000)	(14,030,000)
Cash flows from noncapital and related financing activities:		
Payments received on loans to related entities	651,000	737,000
Loan interest income received	58,000	49,000
Net cash provided by noncapital and related financing activities	709,000	786,000
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	672,802,000	1,010,198,000
Purchases of investments	(651,171,000)	(996,960,000)
Investment income, net	6,146,000	68,000
Net cash provided by investing activities	27,777,000	13,306,000
Net change in cash and cash equivalents	(48,000)	62,000
Cash and cash equivalents at beginning of year	62,000	—
Cash and cash equivalents at end of year	\$ 14,000	62,000
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (6,812,000)	(8,776,000)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Changes in assets and liabilities:		
Increase in prepaid expenses	(3,938,000)	(3,001,000)
(Increase) decrease in accounts receivable	(6,697,000)	4,498,000
Decrease (increase) in reinsurance recoverable – workers’ compensation	234,000	(104,000)
Decrease in accounts payable	(540,000)	(269,000)
(Decrease) increase in unearned revenues	(1,086,000)	1,098,000
Decrease in SELF assessment liability	(1,363,000)	(1,364,000)
Decrease in claims liability for losses and loss adjustment expenses	(8,332,000)	(6,112,000)
Net cash used in operating activities	\$ (28,534,000)	(14,030,000)

See accompanying notes to financial statements.

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2019 and 2018

(1) Organization

On January 1, 1997, California State University (CSU or the University) and certain auxiliary organizations of the University established the California State University Risk Management Authority (the Authority) pursuant to the provisions of Section 6500 et seq. of the California Government Code (the Code). The Code authorizes CSU and Auxiliary Organizations to establish and operate pooled coverage programs and to provide related services. The Authority provides entity risk pooling programs for workers' compensation, general liability, industrial and nonindustrial disability, unemployment insurance coverage, property, construction, and other risk-related programs for its member organizations (the Members). Members participating in the Authority's coverage programs at June 30, 2019 and 2018 are as follows:

<u>Location</u>	<u>Member organization</u>
Bakersfield	California State University, Bakersfield
Bakersfield	Associated Students, California State University, Bakersfield, Inc.
Bakersfield	California State University, Bakersfield Auxiliary for Sponsored Programs Administration
Bakersfield	California State University, Bakersfield Foundation
Bakersfield	California State University, Bakersfield Student Union, Inc.
Chancellor's Office	Office of the Chancellor
Chancellor's Office	California State University Foundation
Chancellor's Office	California State University Institute
Channel Islands	California State University, Channel Islands
Channel Islands	Associated Students of California State University, Channel Islands, Inc.
Channel Islands	California State University Channel Islands Foundation
Channel Islands	CI University Auxiliary Services, Inc.
Chico	California State University, Chico
Chico	Associated Students of California State University, Chico
Chico	Auxiliary Organization Associations
Chico	The CSU, Chico Research Foundation
Chico	The University Foundation, California State University, Chico
Dominguez Hills	California State University, Dominguez Hills
Dominguez Hills	Associated Students, California State University, Dominguez Hills
Dominguez Hills	California State University, Dominguez Hills Foundation
Dominguez Hills	CSU Dominguez Hills Philanthropic Foundation
Dominguez Hills	The Donald P. and Katherine B. Loker University Student Union, Inc., California State University, Dominguez Hills
East Bay	California State University, East Bay
East Bay	Associated Students Inc., California State University, East Bay
East Bay	Cal State East Bay Educational Foundation
East Bay	California State University, East Bay Foundation, Inc.
Fresno	California State University, Fresno

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Notes to Financial Statements

June 30, 2019 and 2018

Location	Member organization
Fresno	Associated Students of California State University, Fresno
Fresno	California State University, Fresno Association, Inc.
Fresno	California State University, Fresno Foundation
Fresno	Fresno State Programs for Children, Inc.
Fresno	The Agricultural Foundation of California State University, Fresno
Fresno	The California State University, Fresno Athletic Corporation
Fullerton	California State University, Fullerton
Fullerton	Associated Students, California State University, Fullerton, Inc.
Fullerton	Cal State Fullerton Philanthropic Foundation
Fullerton	CSU Fullerton Auxiliary Services Corporation
Humboldt	Humboldt State University
Humboldt	Associated Students, Humboldt State University
Humboldt	Humboldt State University Advancement Foundation
Humboldt	Humboldt State University Center Board of Directors
Humboldt	Humboldt State University Sponsored Programs Foundation
Long Beach	California State University, Long Beach
Long Beach	Associated Students, California State University, Long Beach
Long Beach	California State University, Long Beach Research Foundation
Long Beach	CSULB 49er Foundation
Long Beach	Forty-Niner Shops, Inc.
Los Angeles	California State University, Los Angeles
Los Angeles	Associated Students, California State University, Los Angeles, Inc.
Los Angeles	Cal State L.A. University Auxiliary Services, Inc.
Los Angeles	California State University, Los Angeles Foundation
Los Angeles	University-Student Union at California State University, Los Angeles
Maritime Academy	California Maritime Academy
Maritime Academy	California Maritime Academy Foundation, Inc.
Maritime Academy	The Associated Students of the California Maritime Academy
Monterey Bay	California State University, Monterey Bay
Monterey Bay	Foundation of California State University, Monterey Bay
Monterey Bay	The University Corporation at Monterey Bay
Monterey Bay	Otter Student Union at CSU Monterey Bay
Northridge	California State University, Northridge
Northridge	Associated Students, California State University, Northridge, Inc.
Northridge	California State University, Northridge Foundation
Northridge	North Campus University Park Development Corporation
Northridge	The University Corporation, CSU Northridge
Northridge	University Student Union of California State University, Northridge
Pomona	California State Polytechnic University, Pomona

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A Discretely Presented Component Unit of the California State University

Notes to Financial Statements

June 30, 2019 and 2018

Location	Member organization
Pomona	Associated Students Inc., California State Polytechnic University, Pomona
Pomona	The Cal Poly Pomona Foundation, Inc.
Pomona	* Cal Poly Pomona Philanthropic Foundation
Sacramento	California State University, Sacramento
Sacramento	Associated Students of California State University, Sacramento
Sacramento	Capital Public Radio, Inc., CSU Sacramento
Sacramento	The University Foundation at Sacramento State
Sacramento	University Enterprises, Inc., CSU Sacramento
Sacramento	University Union Operation of CSUS, Inc.
San Bernardino	California State University, San Bernardino
San Bernardino	Associated Students Inc., California State University, San Bernardino
San Bernardino	CSUSB Philanthropic Foundation
San Bernardino	Santos Manuel Student Union of California State University, San Bernardino
San Bernardino	University Enterprises Corporation at CSUSB
San Diego	San Diego State University
San Diego	Associated Students, San Diego State University
San Diego	Aztec Shops, Ltd., San Diego State University
San Diego	San Diego State University Research Foundation
San Diego	The Campanile Foundation
San Francisco	San Francisco State University
San Francisco	Associated Students, Inc., San Francisco State University
San Francisco	San Francisco State University Foundation
San Francisco	The University Corporation, San Francisco State
San Jose	San Jose State University
San Jose	Associated Student, San Jose State University
San Jose	San Jose State University Research Foundation
San Jose	Spartan Shops, Inc., San Jose State University
San Jose	The Student Union of San Jose State University
San Jose	The Tower Foundation, San Jose State University
San Luis Obispo	California Polytechnic State University, San Luis Obispo
San Luis Obispo	Associated Students, Inc., California Polytechnic State University at San Luis Obispo
San Luis Obispo	Cal Poly Corporation
San Luis Obispo	California Polytechnic State University Foundation
San Marcos	California State University, San Marcos
San Marcos	California State University San Marcos Corporation
San Marcos	California State University San Marcos Foundation
San Marcos	The Associated Students of California State University, San Marcos
Sonoma	Sonoma State University
Sonoma	Associated Students of Sonoma State University

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<u>Location</u>	<u>Member organization</u>
Sonoma	Sonoma State Enterprises, Inc.
Sonoma	Sonoma State University Academic Foundation, Inc.
Stanislaus	California State University, Stanislaus
Stanislaus	Associated Students, Inc., California State University, Stanislaus
Stanislaus	California State University, Stanislaus Auxiliary and Business Services
Stanislaus	California State University, Stanislaus Foundation
Stanislaus	University Student Union of California State University, Stanislaus

* New member in 2019

The accompanying financial statements are also included in the CSU's financial statements as a discretely presented component unit.

The Authority is managed by a board of directors, which is composed of 30 directors appointed by the CSU Executive Vice Chancellor/Chief Financial Officer, Business and Finance, and 10 directors elected by the Auxiliary Organizations, which are members of the Authority. The Executive Vice Chancellor may also appoint alternate representatives who shall serve in the absence of the primary representatives. Directors elected by the Auxiliary Organizations serve subject to terms and conditions adopted by the Auxiliary Organizations for election and replacement of the same. Each director of the Authority must be an officer, director, or employee of the University or an Auxiliary Organization.

The Authority assumed the losses of the University's risk pool on January 1, 1997 (inception date) in exchange for a commitment from the University to fund incurred losses. In addition, the University has made the commitment to provide sufficient cash flows to the Authority to meet its operating needs.

All post-development costs of the Authority's programs are funded by annual premiums charged to members participating in the program each policy year and by interest earnings on the accumulated funds. Premiums are based on a cost allocation plan and rating formula developed by the Authority with the assistance of an actuary, risk management consultants, and other qualified persons. The premium for each member participating in the shared risk programs includes the member's share of expected program losses, program reinsurance costs, and program administrative costs for the year. If the Authority experiences unusually large losses in one of the aforementioned programs during a policy year, those pooled funds for the program may be exhausted before the next annual premiums are due. The Board of Directors may, upon consultation, impose assessments on all participating members in the respective program to provide adequate funds to the Authority for the payment of all incurred losses.

The Authority coordinates the claims process in conjunction with various organizations. These entities include the State of California Attorney General's Office; Sedgwick Claims Management Services, Inc. (Sedgwick); Carl Warren & Company (Carl Warren); Health Special Risk, Inc. (HSR); the CSU Office of General Counsel; Systemwide Risk Management; Alliant Insurance Services (Alliant); the CSU Office of the Chancellor; and the 23 CSU campuses. Sedgwick is the third-party administrator (TPA) for all workers' compensation claims involving campuses and Auxiliary Organizations. Carl Warren is the TPA for Auxiliary

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Organization liability claims. HSR is the TPA for Athletic Injury Medical Expense (AIME) and Club Sports Insurance Program (CSIP) claims. Alliant administers all entity risk pooling programs provided by the Authority.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements for the Authority have been prepared under the standards promulgated by the Governmental Accounting Standards Board (GASB) using the accrual basis of accounting and economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The financial statements include the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. The Authority is considered a special-purpose government. The Authority records revenues primarily from fees collected from the campuses and Auxiliary Organizations and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged only in business-type activities.

(b) Classification of Current and Noncurrent Assets (Other than Investments) and Liabilities

The Authority considers assets to be current when they can be reasonably expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the Statements of Net Position date. Liabilities that can be reasonably expected, as part of the Authority's normal business operations, to be liquidated within 12 months of the Statements of Net Position date are considered to be current. All other assets and liabilities are considered to be noncurrent. For classification of current and noncurrent investments, refer to note 2(d).

(c) Cash and Cash Equivalents and Statements of Cash Flows

The Authority considers all highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. The Authority considers amounts included in the Morgan Stanley Smith Barney and the CSU Consolidated Investment Pool to be investments. Certain transactions recorded as revenues or expenses in the accompanying Statements of Revenues, Expenses and Changes in Net Position include transactions between entities that are also participants in the Investment Pool. The Authority considers changes in the respective participants' equity in the CSU Consolidated Investment Pool resulting from these transactions to represent cash flows of the Authority in the accompanying Statements of Cash Flows.

(d) Investments

Investments are reflected at fair value using quoted market prices. Realized and unrealized gains and losses are included in the accompanying Statements of Revenues, Expenses, and Changes in Net Position as a component of investment income, net.

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Investments that are used for current operations are classified as short-term investments. Investments that are restricted for withdrawal or use for other than current operations, designated or restricted for the liquidation of the noncurrent portion of long-term liabilities, or restricted as to the liquidity of the investments are classified as other long-term investments.

(e) Accounts Receivable

Accounts receivable represents amounts due from the Members and excess insurance carriers.

(f) Reinsurance Recoverable

Reinsurance recoverable represents estimated amounts due from reinsurers, who reinsured the CSU's workers' compensation claims liability for claims incurred during the fiscal year. The estimates are related to paid claims and claim adjustment expenses as of fiscal year-end. The estimated amounts recoverable from reinsurers that are related to the liabilities for unpaid claims and claim adjustment expenses are deducted from those claims liabilities for losses and loss adjustment expenses (LAE) (note 2(h)).

(g) Member Contributions

The Authority reports contributions received from the Members in the Statements of Revenues, Expenses, and Changes in Net Position. Contribution calculations for both campuses and Auxiliary Organizations are based on program funding policies and procedures, and various rating plans, including pro rata shares of the anticipated claims liabilities for losses and LAE based on actuary projections and loss rates. Contributions are recorded as revenue for the policy year in which coverage is provided.

(h) Claims Liability for Losses and LAE

The claims liability for losses and LAE included in the accompanying financial statements reflect the estimated cost of settling claims relating to events that have occurred as of fiscal year-end. The liability includes the estimated amount that will be required for future payments of claims that have been reported and claims related to events that have occurred but have not been reported. The liability is also reduced by estimated amounts recoverable from the reinsurer that are related to the liability for unpaid claims and claim adjustment expenses. The liability is estimated through an actuarial calculation using individual case basis valuations and statistical analyses. The liability is not discounted.

Claims liability is recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

In estimating unpaid losses and LAE, the Authority has employed methods and assumptions considered reasonable and appropriate given the information currently available. Given the inherent uncertainty in the nature of such estimates, future losses may deviate from those estimates.

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(i) Dividend Distributions

The Authority reports dividends in the Statements of Revenues, Expenses, and Changes in Net Position for the return of contributions to the Members. Dividends to CSU campuses are based on a review of the funding status report by the Executive Committee and are distributed to each member by their pro rata contributions over the past five completed fiscal years. Dividends to any participating Auxiliary Organization are calculated and distributed in accordance with the Dividends and Assessment Policy. Dividend distributions are accrued as dividend expense once they are approved and declared by the Executive Committee and the Auxiliary Organizations Risk Management Alliance (AORMA) Committee.

(j) Net Position

The Authority's net position is classified as unrestricted. Unrestricted net position may be designated for use by the Authority. The Authority has adopted a policy of utilizing restricted funds, when available, prior to unrestricted funds.

(k) Classification of Revenues and Expenses

The Authority considers operating revenues and expenses in the Statements of Revenues, Expenses, and Changes in Net Position to be those revenues and expenses that result from exchange transactions or other activities that are connected directly to the Authority's primary functions. Certain other transactions are reported as nonoperating revenues and expenses in accordance with GASB requirements. These nonoperating activities include the Authority's investment income, net, and interest income from loans.

(l) Income Taxes

The Authority was formed pursuant to the Code Section 6500 et seq. and, as a governmental entity, is not subject to federal or state income taxes under §115 of the Internal Revenue Code of 1986.

(m) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

(n) Reclassification

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation.

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(3) Cash and Cash Equivalents, Investments, and Investment Income, Net

The Authority's cash, cash equivalents, and investments as of June 30, 2019 and 2018 are classified in the accompanying Statements of Net Position as follows:

	2019	2018
Cash and cash equivalents	\$ 14,000	62,000
Short-term investments	65,954,000	80,071,000
Other long-term investments	46,000,000	52,000,000
Total	\$ 111,968,000	132,133,000

(a) Cash and Cash Equivalents

The Authority maintains centralized management for substantially all of its cash and cash equivalents. Cash in demand deposit accounts is minimized by sweeping available cash balances into the CSU Consolidated Investment Pool on a daily basis.

At June 30, 2019 and 2018, the Authority's cash and cash equivalents consist of demand deposits held at a financial institution. The carrying amount of the cash in demand deposit accounts were \$98,000 and \$173,000 at June 30, 2019 and 2018, respectively. The primary difference between the book and bank balance is due to outstanding checks and cash awaiting investment in the CSU Consolidated Investment Pool.

(b) Investments

At June 30, 2019 and 2018, the Authority's investment portfolio consists of investments held at Morgan Stanley Smith Barney and in the CSU Consolidated Investment Pool. Separate accounting is maintained as to the amounts allocable to the various funds and programs.

(i) Investment Policy

State law and regulations require that surplus monies of the Authority must be invested. The primary objective of the Authority's investment policy is to safeguard the principal. The secondary objective is to meet the liquidity needs of the Authority. The third objective is to return an acceptable yield.

The Authority's investment policy authorizes funds held in local trust accounts under Education Code Sections 89721 and 89724 to be invested in any of the securities authorized by Government Code Sections 16430 and 53601, and Education Code Section 89724, subject to certain limitations. In general, the Authority's investment policy permits investments in obligations of the federal and California state governments, certificates of deposit, high-quality domestic corporate and fixed-income securities, and certain other investment instruments.

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(ii) *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments or deposits may not be returned to the Authority. Substantially all of the Authority's securities are registered in the Authority's name by the custodial bank as an agent for the Authority. The Authority's deposits are maintained at financial institutions that are Federal Deposit Insurance Corporation insured. As a result, custodial credit risk for such investments and deposits is remote.

(iii) *Interest Rate Risk*

Interest rate risk is the risk that fluctuations in interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to fluctuations in market interest rates. The Authority's investment guidelines measure interest rate risk by limiting an eligible investment to a maximum effective maturity and by limiting the average duration of the portfolio. The effective maturity date reflects a bond with embedded options, such as a call, put, or reset date, and prepayment speed resulting in the maturity of a bond being less than its final maturity date. Duration is a measure of the sensitivity of the price of an investment relative to fluctuations in market interest rates.

Durations of the Authority's investment portfolio for each investment type as of June 30, 2019 are presented in the table below.

Investment type	Fair value	Duration (in years)
Asset-backed securities	\$ 6,005,000	4.46933
Certificates of deposit	229,000	0.12452
Corporate bonds	26,715,000	2.68551
Money market funds	729,000	—
Mortgage-backed securities	9,058,000	1.71837
Municipal bonds	4,709,000	5.38498
Repurchase agreement	16,000	0.00268
U.S. agency securities	3,745,000	4.39240
U.S. Treasury securities	59,553,000	5.15195
International bonds	1,195,000	3.77047
Total investments	<u>\$ 111,954,000</u>	

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Durations of the Authority's investment portfolio for each investment type as of June 30, 2018 are presented in the table below:

<u>Investment type</u>	<u>Fair value</u>	<u>Duration (in years)</u>
Asset-backed securities	\$ 5,144,000	4.31367
Certificates of deposit	2,000	0.20921
Corporate bonds	21,303,000	3.27725
International bonds	1,175,000	4.52257
Money market funds	103,000	—
Mortgage-backed securities	9,348,000	3.98694
Municipal bonds	5,769,000	5.84835
Mutual funds	1,000	5.68226
U.S. agency securities	3,290,000	3.61168
U.S. Treasury securities	<u>85,936,000</u>	4.71088
Total investments	<u>\$ 132,071,000</u>	

Another way the Authority manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or nearing maturity evenly over time as necessary to provide cash flows and liquidity needed for operations.

(iv) *Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

By law, the Authority invests in low credit risk securities, such as U.S. government securities, securities of federally sponsored agencies, highly rated domestic corporate bonds, prime-rated commercial paper, repurchase and reverse repurchase agreements, banker's acceptances, and negotiable certificates of deposit. Therefore, occurrence of credit risk is remote.

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Ratings of the Authority's investment portfolio for each investment type as of June 30, 2019 are presented in the table below:

Investment type	Fair value	Ratings as of year-end				
		AAA	AA	A	BBB	Not rated
Asset-backed securities	\$ 6,005,000	6,005,000	—	—	—	—
Certificates of deposit	229,000	89,000	5,000	135,000	—	—
Corporate bonds	26,715,000	2,605,000	7,066,000	16,145,000	899,000	—
Money market funds	729,000	690,000	—	—	—	39,000
Mortgage-backed securities	9,058,000	9,058,000	—	—	—	—
Municipal bonds	4,709,000	1,781,000	2,923,000	5,000	—	—
Repurchase agreement	16,000	16,000	—	—	—	—
U.S. agency securities	3,745,000	2,208,000	1,537,000	—	—	—
U.S. Treasury securities	59,553,000	57,739,000	1,814,000	—	—	—
International bonds	1,195,000	1,195,000	—	—	—	—
Total investments	\$ 111,954,000	81,386,000	13,345,000	16,285,000	899,000	39,000

Ratings of the Authority's investment portfolio for each investment type as of June 30, 2018 are presented in the table below:

Investment type	Fair value	Ratings as of year-end				
		AAA	AA	A	BBB	Not rated
Asset-backed securities	\$ 5,144,000	4,348,000	179,000	617,000	—	—
Certificates of deposit	2,000	1,000	—	1,000	—	—
Corporate bonds	21,303,000	615,000	1,000	14,784,000	3,090,000	2,813,000
International bonds	1,175,000	—	1,175,000	—	—	—
Money market funds	103,000	—	—	—	—	103,000
Mortgage-backed securities	9,348,000	330,000	9,018,000	—	—	—
Municipal bonds	5,769,000	—	5,769,000	—	—	—
Mutual funds	1,000	—	—	—	—	1,000
U.S. agency securities	3,290,000	—	1,924,000	—	—	1,366,000
U.S. Treasury securities	85,936,000	—	85,936,000	—	—	—
Total investments	\$ 132,071,000	5,294,000	104,002,000	15,402,000	3,090,000	4,283,000

(v) *Concentration Risk*

Concentration risk rises as investments become concentrated relative to a portfolio characteristic, such as issuance, issuer, market sector, counter party, or sovereign nation, and is best mitigated by diversification. The Authority's investment policy has concentration limits that provide sufficient diversification. As a result, the occurrence of concentration risk is remote.

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As of June 30, 2019, there were no investments of the CSU Consolidated Investment Pool and CSU Risk Management Authority of SB FAM Program (other than U.S. Treasury securities, mutual funds, and external investment pools) that represented 5% or more of the Authority's total investment portfolio. As of June 30, 2018, the following investment of the CSU Consolidated Investment Pool and CSU Risk Management Authority of SB FAM Program (other than U.S. Treasury securities, mutual funds, and external investment pools) represented 5% or more of the Authority's total investment portfolio: Morgan Stanley Bank, N.A. and Morgan Stanley Private Bank, National Association, totaling \$17,935,000 or 14%.

(vi) *Fair Value Measurements*

The Authority uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Authority's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Authority groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability. This valuation is accomplished using management's best estimate of fair value, with inputs into the determination of fair value that require significant management judgment or estimation.

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The following table presents investments that are measured at fair value on a recurring basis at June 30, 2019:

<u>Investment type</u>	<u>Fair value</u>	<u>Level 2</u>	<u>Net asset value</u>
Asset-backed securities	\$ 6,005,000	6,005,000	—
Certificates of deposit	229,000	229,000	—
Corporate bonds	26,715,000	26,715,000	—
Money market funds	729,000	—	729,000
Mortgage-backed securities	9,058,000	9,058,000	—
Municipal bonds	4,709,000	4,709,000	—
Repurchase agreement	16,000	16,000	—
U.S. agency securities	3,745,000	3,745,000	—
U.S. Treasury securities	59,553,000	59,553,000	—
International bonds	1,195,000	1,195,000	—
Total investments	<u>\$ 111,954,000</u>	<u>111,225,000</u>	<u>729,000</u>

The following table presents investments that are measured at fair value on a recurring basis at June 30, 2018:

<u>Investment type</u>	<u>Fair value</u>	<u>Level 2</u>	<u>Net asset value</u>
Asset-backed securities	\$ 5,144,000	5,144,000	—
Certificates of deposit	2,000	2,000	—
Corporate bonds	21,303,000	21,303,000	—
International bonds	1,175,000	1,175,000	—
Money market funds	103,000	—	103,000
Mortgage-backed securities	9,348,000	9,348,000	—
Municipal bonds	5,769,000	5,769,000	—
Mutual funds	1,000	1,000	—
U.S. agency securities	3,290,000	3,290,000	—
U.S. Treasury securities	85,936,000	85,936,000	—
Total investments	<u>\$ 132,071,000</u>	<u>131,968,000</u>	<u>103,000</u>

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair value are affected by the assumptions used.

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Investments are classified in Level 1 as fair value are obtained at the last sale price on the last business day of the current fiscal year, as quoted on a recognized exchange or an industry standard pricing service, when available. Investments for which no sale was reported as of the close of the last business day of the current fiscal year are valued at the quoted bid price provided by the Authority's external investment managers or their custodians.

Investments are classified in Level 2 as fair value are calculated using valuations that include observable market quoted prices for similar assets or liabilities. Observable inputs other than quoted prices such as price services or indices, estimates, appraisals, assumptions, and other methods that are reviewed by management. Changes in market conditions and economic environments may impact the net asset value (NAV) of the funds and consequently the fair value of the Authority's interests in the funds.

There were no assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2019 or 2018.

Money market funds are not categorized under the fair value hierarchy and are shown at NAV. These investments are measured at amortized cost when calculating NAV per share (or its equivalent) of the investment.

(c) Investment Income, Net

Investment income, net, included within the Statements of Revenues, Expenses, and Changes in Net Position is comprised of unrealized gains (losses) of \$1,514,000 and \$(468,000), realized gains (losses) of \$2,634,000 and \$(2,916,000), and interest and dividend income of \$3,512,000 and \$2,984,000 for the years ended June 30, 2019 and 2018, respectively.

(4) Loans Receivable from Affiliates

In June 2017, the Authority entered into a loan agreement with Humboldt State University in the amount of \$1,800,000. The loan is nonamortizing, with interest due and payable quarterly, payable 30 days following the end of each calendar quarter. The interest rate is equal to the stated CSU Consolidated Investment Pool rate of return earned by the Authority (0.356% and 0.137% at June 30, 2019 and 2018, respectively). The maturity date of the loan is October 31, 2022. During fiscal year 2019, Humboldt State University paid \$162,000 of loan principal. The amount outstanding on the loan was \$1,638,000 and \$1,800,000 as of June 30, 2019 and 2018, respectively.

In May 2014, the Authority entered into a 5-year line-of-credit agreement with California State University, Sacramento in the amount of \$4,000,000, which was fully paid off as of June 30, 2019. The line-of-credit was available for a 5-year period with principal and interest due and payable 30 days following the end of each calendar quarter. The interest rate is equal to the stated CSU Consolidated Investment Pool rate of return earned by the Authority (0.356% and 0.137% at June 30, 2019 and 2018, respectively). The amounts outstanding on the loan were \$0 and \$489,000 as of June 30, 2019 and 2018, respectively.

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The following table summarizes the Authority's loans receivable from affiliates as of June 30, 2019 and 2018:

	2019	2018
Humboldt State University	\$ 1,638,000	1,800,000
California State University, Sacramento	—	489,000
Total loans receivable from affiliates	1,638,000	2,289,000
Less current portion	—	(489,000)
Loans receivable from affiliates, net of current portion	\$ 1,638,000	1,800,000

(5) Claims Liability for Losses and Loss Adjustment Expenses

The Authority establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related loss adjustment expenses. Although considerable variability is inherent in such estimates, management believes that the liability is reasonable at June 30, 2019 and 2018.

Changes in the Authority's claims liability for the years ended June 30, 2019 and 2018 are as follows:

Claims liability for losses and loss adjustment expenses, June 30, 2017	\$ 70,819,000
Less current portion	(20,375,000)
Claims liability for losses and loss adjustment expenses, June 30, 2017, net of current portion	50,444,000
Incurred claims for losses and loss adjustment expenses:	
Provision for insured events of the current fiscal year	63,078,000
Decrease in provision for reinsured events of the current fiscal year	(29,282,000)
Decrease in provision for insured events of prior fiscal years	(3,879,000)
Total incurred claims for losses and loss adjustment expenses	29,917,000
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(20,103,000)
Claims and claim adjustment expenses attributable to recoveries from reinsured events of the current fiscal year	14,273,000
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	(30,199,000)
Total payments	(36,029,000)

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Claims liability for losses and loss adjustment expenses, June 30, 2018	\$ 64,707,000
Less current portion	<u>(17,791,000)</u>
Claims liability for losses and loss adjustment expenses, June 30, 2018, net of current portion	<u>46,916,000</u>
Incurred claims for losses and loss adjustment expenses:	
Provision for insured events of the current fiscal year	67,753,000
Decrease in provision for reinsured events of the current fiscal year	(30,120,000)
Decrease in provision for insured events of prior fiscal years	<u>(6,249,000)</u>
Total incurred claims for losses and loss adjustment expenses	<u>31,384,000</u>
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	(19,460,000)
Claims and claim adjustment expenses attributable to recoveries from reinsured events of the current fiscal year	15,927,000
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(36,183,000)</u>
Total payments	<u>(39,716,000)</u>
Claims liability for losses and loss adjustment expenses, June 30, 2019	56,375,000
Less current portion	<u>(14,957,000)</u>
Claims liability for losses and loss adjustment expenses, June 30, 2019, net of current portion	\$ <u><u>41,418,000</u></u>

(6) Related-Party Transactions

The following represents a summary of the accounts receivable, contributions, and dividends for the years ended June 30, 2019 and 2018, and general liability insurance deductibles for the policy period detailed by member:

	<u>June 30, 2019</u>			
<u>Member</u>	<u>Accounts receivable</u>	<u>Contributions</u>	<u>Dividends</u>	<u>General liability insurance deductibles per occurrence</u>
Campuses	\$ 7,500,000	92,867,000	(4,775,000)	35,000–900,000
Auxiliary Organizations	<u>188,000</u>	<u>12,681,000</u>	<u>(1,336,000)</u>	25,000–100,000
	\$ <u><u>7,688,000</u></u>	<u><u>105,548,000</u></u>	<u><u>(6,111,000)</u></u>	

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Notes to Financial Statements

June 30, 2019 and 2018

<u>Member</u>	<u>June 30, 2018</u>			
	<u>Accounts receivable</u>	<u>Contributions</u>	<u>Dividends</u>	<u>General liability insurance deductibles per occurrence</u>
Campuses	\$ 566,000	95,311,000	(7,027,000)	35,000–900,000
Auxiliary Organizations	598,000	6,792,000	(1,651,000)	25,000–100,000
	<u>\$ 1,164,000</u>	<u>102,103,000</u>	<u>(8,678,000)</u>	

(7) Excess Insurance and Reinsurance

(a) Excess Insurance

For the years ended June 30, 2019 and 2018, the Authority purchased excess insurance to protect the Members from catastrophic losses.

The Authority maintained excess public entity liability insurance coverage provided by School Excess Liability Fund (SELF), a joint powers authority, with coverage for individual claims above \$5,000,000 and up to \$45,000,000 per occurrence until December 2009.

The Authority maintained excess general liability insurance coverage provided by Ironshore Specialty Insurance Company and various other insurers with coverage for individual claims above \$5,000,000 up to \$200,000,000 per occurrence. The Authority purchased from Safety National excess workers' compensation insurance to statutory limits in excess of the \$2,500,000 self-insured retention for the years ended June 30, 2019 and 2018. For the AORMA workers' compensation program, the Authority also purchased from Safety National excess workers' compensation insurance to statutory limits in excess of the \$750,000 self-insured retention for the years ended June 30, 2019 and 2018. There have been no settlements exceeding insurance limits in the past three fiscal years.

Effective January 1, 2015, the Authority joined the CSAC Excess Insurance Authority Excess Workers' Compensation Program, pursuant to the memorandum of coverage issued by the EIA. The EIA is responsible for all covered losses within the amount of the self-insured retention layer of \$2,500,000 for the campus workers' compensation program and \$500,000 for the AORMA workers' compensation program. The estimated amounts that are recoverable from the EIA as of June 30, 2019 and 2018 were \$65,957,000 and \$55,402,000 for the campus workers' compensation program and \$4,927,000 and \$5,461,000 for the AORMA workers' compensation program, respectively.

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June 30, 2019 and 2018

(b) Reinsurance

For the years ended June 30, 2019 and 2018, the Authority did not enter into the CSU's workers' compensation reinsurance contract. From the years ended June 30, 2008 through June 30 2012, the Authority entered into a reinsurance contract with the Insurance Company of the State of Pennsylvania (the Reinsurer). This transaction reinsured the CSU's workers' compensation claims liability for claims incurred within the \$2,500,000 self-insured retention up to aggregate limits. The estimated amounts that are recoverable from the reinsurer and that reduce the liabilities as of June 30, 2019 and 2018 were \$8,790,000 and \$11,860,000, respectively. While such losses are reinsured, the Authority will not be relieved of its primary obligations to the policyholder in these reinsurance transactions.

For the years ended June 30, 2019 and 2018, the Authority purchased reinsurance for the campus and AORMA liability programs provided by Markel, Great American, Ironshore, Argonaut, Hiscox/ATL, AWAC, and the General Reinsurance Corporation. This transaction reinsured the AORMA claims liability for individual claims incurred in excess of \$500,000 and up to \$5,000,000 per occurrence. The reinsurance premiums for the years ended June 30, 2019 and 2018 were \$3,627,000 and \$3,188,000, respectively. There have been no settlements in the most recent three fiscal years that have exceeded insurance limits.

For the years ended June 30, 2019 and 2018, the Authority purchased reinsurance for the campus and AORMA property programs provided by the Public Entity Property Insurance Program (the PEPIP). This transaction reinsured the campus and AORMA property programs for individual claims in excess of \$100,000 for the AORMA program and \$1,000,000 for the Campus program and up to \$1,000,000,000 per occurrence. The reinsurance premiums for the years ended June 30, 2019 and 2018 were \$7,592,000 and \$6,624,000, respectively. The coverage terms and conditions are the same as provided by the PEPIP in prior years.

(8) SELF Assessment Liability

Prior to July 1, 2004, the Authority maintained excess workers' compensation insurance coverage provided by SELF, a public entity risk pool. The Authority remains liable for assessments from SELF in settlement of claims incurred prior to July 1, 2004. The assessment liabilities as of June 30, 2019 and 2018 were \$5,455,000 and \$6,818,000, respectively.

(9) Subsequent Events

Subsequent events have been evaluated through September 30, 2019, which corresponds to the date when the financial statements were issued. There are no subsequent events that require disclosure.

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Supplementary Information

Reconciliation of Workers' Compensation Claims Liabilities

The schedule below presents the changes in claims liabilities for the Authority's workers' compensation contract for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 33,735,000	39,703,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	29,362,000	28,399,000
Decrease in provision for reinsured events of current fiscal year	(28,163,000)	(26,793,000)
Decrease in provision for insured events of prior fiscal years	<u>(7,325,000)</u>	<u>(5,212,000)</u>
Total incurred claims and claim adjustment expenses	<u>(6,126,000)</u>	<u>(3,606,000)</u>
Payments:		
Claims and claim adjustment expenses attributable to recoveries from reinsured events of current fiscal year	14,722,000	12,862,000
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(17,138,000)</u>	<u>(15,224,000)</u>
Total payments	<u>(2,416,000)</u>	<u>(2,362,000)</u>
Claims liability for losses and loss adjustment expenses, end of year	\$ <u>25,193,000</u>	<u>33,735,000</u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of General Liability Claims Liabilities

The schedule below presents the changes in claims liabilities for the Authority's general liability contract for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 23,906,000	23,463,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	13,768,000	9,045,000
Increase in provision for insured events of prior fiscal years	<u>792,000</u>	<u>1,614,000</u>
Total incurred claims and claim adjustment expenses	<u>14,560,000</u>	<u>10,659,000</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	—	(5,000)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(14,294,000)</u>	<u>(10,211,000)</u>
Total payments	<u>(14,294,000)</u>	<u>(10,216,000)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ 24,172,000</u>	<u>23,906,000</u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of Industrial Disability, Nonindustrial Disability, and Unemployment Insurance (IDL/NDL/UI)
Claims Liabilities

The schedule below presents the changes in claims liabilities for the Authority's IDL/NDL/UI contracts for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>14,319,000</u>	<u>14,290,000</u>
Total incurred claims and claim adjustment expenses	<u>14,319,000</u>	<u>14,290,000</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(14,319,000)</u>	<u>(14,290,000)</u>
Total payments	<u>(14,319,000)</u>	<u>(14,290,000)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ —</u>	<u>—</u>

See accompanying independent auditors' report.

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Supplementary Information
Reconciliation of Property Claims Liabilities

The schedule below presents the changes in claims liabilities for the Authority's property contract for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>1,726,000</u>	<u>2,423,000</u>
Total incurred claims and claim adjustment expenses	<u>1,726,000</u>	<u>2,423,000</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(1,726,000)</u>	<u>(2,423,000)</u>
Total payments	<u>(1,726,000)</u>	<u>(2,423,000)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ —</u>	<u>—</u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of Athletic Injury Medical Expense (AIME) Claims Liabilities

The schedule below presents the changes in claims liabilities for the Authority's AIME contract for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 2,387,000	2,328,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	4,035,000	3,735,000
Increase (decrease) in provision for insured events of prior fiscal years	<u>177,000</u>	<u>(285,000)</u>
Total incurred claims and claim adjustment expenses	<u>4,212,000</u>	<u>3,450,000</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	(1,928,000)	(1,745,000)
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(2,098,000)</u>	<u>(1,646,000)</u>
Total payments	<u>(4,026,000)</u>	<u>(3,391,000)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ 2,573,000</u>	<u>2,387,000</u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of Club Sports Claims Liabilities

The schedule below presents the changes in claims liabilities for the Authority's club sports contract for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>78,000</u>	<u>44,000</u>
Total incurred claims and claim adjustment expenses	<u>78,000</u>	<u>44,000</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(78,000)</u>	<u>(44,000)</u>
Total payments	<u>(78,000)</u>	<u>(44,000)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ —</u>	<u>—</u>

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY
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Supplementary Information
Reconciliation of AORMA Workers' Compensation Claims Liabilities

The schedule below presents the changes in claims liabilities for the AORMA workers' compensation contract for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 2,890,000	3,877,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	2,047,000	2,627,000
Decrease in provision for reinsured events of current fiscal year	(1,957,000)	(2,489,000)
Decrease in provision for insured events of prior fiscal years	<u>(409,000)</u>	<u>(345,000)</u>
Total incurred claims and claim adjustment expenses	<u>(319,000)</u>	<u>(207,000)</u>
Payments:		
Claims and claim adjustment expenses attributable to recoveries from reinsured events of current fiscal year	1,189,000	1,411,000
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(1,861,000)</u>	<u>(2,191,000)</u>
Total payments	<u>(672,000)</u>	<u>(780,000)</u>
Claims liability for losses and loss adjustment expenses, end of year	\$ <u>1,899,000</u>	<u>2,890,000</u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of AORMA General Liability Claims Liabilities

The schedule below presents the changes in claims liabilities for the AORMA general liability contract for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ 1,789,000	1,448,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	1,128,000	985,000
Increase in provision for insured events of prior fiscal years	<u>516,000</u>	<u>349,000</u>
Total incurred claims and claim adjustment expenses	<u>1,644,000</u>	<u>1,334,000</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	(119,000)	(66,000)
Claims and claim adjustment expenses attributable to recoveries from reinsured events of current fiscal year	16,000	—
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>(792,000)</u>	<u>(927,000)</u>
Total payments	<u>(895,000)</u>	<u>(993,000)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ 2,538,000</u>	<u>1,789,000</u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of AORMA Property Claims Liabilities

The schedule below presents the changes in claims liabilities for the AORMA property contract for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>396,000</u>	<u>221,000</u>
Total incurred claims and claim adjustment expenses	<u>396,000</u>	<u>221,000</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(396,000)</u>	<u>(221,000)</u>
Total payments	<u>(396,000)</u>	<u>(221,000)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ —</u>	<u>—</u>

See accompanying independent auditors' report.

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Supplementary Information

Reconciliation of AORMA Unemployment Insurance Program (UIP) Claims Liabilities

The schedule below presents the changes in claims liabilities for the AORMA UIP contract for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Claims liability for losses and loss adjustment expenses, beginning of year	\$ —	—
Incurred claims and claim adjustment expenses:		
Provision for insured events of current fiscal year	<u>894,000</u>	<u>1,309,000</u>
Total incurred claims and claim adjustment expenses	<u>894,000</u>	<u>1,309,000</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current fiscal year	<u>(894,000)</u>	<u>(1,309,000)</u>
Total payments	<u>(894,000)</u>	<u>(1,309,000)</u>
Claims liability for losses and loss adjustment expenses, end of year	<u>\$ —</u>	<u>—</u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
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Schedule of Net Position

June 30, 2019

(For inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$	13,910
Short-term investments		65,954,170
Accounts receivable, net		9,349,349
Prepaid expenses and other assets		12,810,636
		88,128,065
Total current assets		88,128,065

Noncurrent assets:

Notes receivable, net of current portion		1,637,923
Other long-term investments		45,999,543
		47,637,466
Total noncurrent assets		47,637,466
Total assets		135,765,531

Liabilities:

Current liabilities:

Accounts payable		10,086,297
Unearned revenues		55,038
Claims liability for losses and loss adjustment expenses, current portion		14,956,599
		25,097,934
Total current liabilities		25,097,934

Noncurrent liabilities:

Claims liability for losses and loss adjustment expenses, net of current portion		41,417,276
Other liabilities		4,091,079
		45,508,355
Total noncurrent liabilities		45,508,355
Total liabilities		70,606,289

Net position:

Unrestricted		65,159,242
		65,159,242
Total net position	\$	65,159,242

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
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Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2019

(For inclusion in the California State University)

Revenues:	
Operating revenues:	
Other operating revenues	\$ <u>94,329,112</u>
Total operating revenues	<u>94,329,112</u>
Expenses:	
Operating expenses:	
Instruction	7,951,939
Research	105,843
Public service	83,830
Academic support	1,746,148
Student services	1,776,757
Institutional support	81,973,738
Operation and maintenance of plant	1,104,655
Student grants and scholarships	—
Auxiliary enterprise expenses	287,453
Depreciation and amortization	<u>—</u>
Total operating expenses	<u>95,030,363</u>
Operating loss	<u>(701,251)</u>
Nonoperating revenues (expenses):	
Investment income, net	7,718,205
Other nonoperating expenses	<u>(6,110,597)</u>
Net nonoperating revenues	<u>1,607,608</u>
Increase in net position	906,357
Net position:	
Net position, beginning of year	<u>64,252,885</u>
Net position, end of year	<u>\$ <u>65,159,242</u></u>

See accompanying independent auditors' report.

**CALIFORNIA STATE UNIVERSITY
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Other Information

June 30, 2019

(For inclusion in the California State University)

Cash and cash equivalents:

Current cash and cash equivalents	\$ <u>13,910</u>
Total	\$ <u><u>13,910</u></u>

Composition of investments:

	Current unrestricted	Total current	Noncurrent unrestricted	Total noncurrent	Total
Asset-backed securities	\$ 230,669	230,669	5,774,327	5,774,327	6,004,996
Certificates of deposit	228,842	228,842	—	—	228,842
Corporate bonds	3,527,394	3,527,394	23,187,932	23,187,932	26,715,326
Money market funds	728,966	728,966	—	—	728,966
Mortgage-backed securities	305	305	9,058,128	9,058,128	9,058,433
Municipal bonds	75,558	75,558	4,633,009	4,633,009	4,708,567
Repurchase agreements	15,671	15,671	—	—	15,671
U.S. agency securities	1,594,246	1,594,246	2,150,882	2,150,882	3,745,128
U.S. Treasury securities	59,552,519	59,552,519	—	—	59,552,519
International bonds	—	—	1,195,265	1,195,265	1,195,265
Total investments	\$ <u>65,954,170</u>	<u>65,954,170</u>	<u>45,999,543</u>	<u>45,999,543</u>	<u>111,953,713</u>

Fair value hierarchy in investments:

	Fair value measurements using				Net asset value (NAV)
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Asset-backed securities	\$ 6,004,996	—	6,004,996	—	—
Certificates of deposit	228,842	—	228,842	—	—
Corporate bonds	26,715,326	—	26,715,326	—	—
Money market funds	728,966	—	—	—	728,966
Mortgage-backed securities	9,058,433	—	9,058,433	—	—
Municipal bonds	4,708,567	—	4,708,567	—	—
Repurchase agreements	15,671	—	15,671	—	—
U.S. agency securities	3,745,128	—	3,745,128	—	—
U.S. Treasury securities	59,552,519	—	59,552,519	—	—
International bonds	1,195,265	—	1,195,265	—	—
Total investments	\$ <u>111,953,713</u>	<u>—</u>	<u>111,224,747</u>	<u>—</u>	<u>728,966</u>

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Other Information (Continued)
June 30, 2019
(For inclusion in the California State University)

Long-term liabilities:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Current portion	Noncurrent portion
Claims liability for losses and loss adjustment expenses	\$ 64,707,176	31,383,513	(39,716,813)	56,373,876	14,956,599	41,417,277
Total long-term liabilities	\$ 64,707,176	31,383,513	(39,716,813)	56,373,876	14,956,599	41,417,277

Transactions with related entities:

Payments to University for salaries of University personnel working on contracts, grants, and other programs	1,700,131
Payments to University for other than salaries of University personnel	134,466
Payments received from University for services, space, and programs	—
Gifts-in-kind to the University from discretely presented component units	—
Gifts (cash or assets) to the University from discretely presented component units	—
Accounts (payable to) University	—
Other amounts (payable to) University	—
Accounts receivable from University	98,678
Other amounts receivable from University	—

Natural classifications of operating expenses:

	Salaries	Benefits – Other	Benefits – Pension	Benefits – OPEB	Scholarships and fellowships	Supplies and other services	Total operating expenses
Instruction	\$ —	7,951,939	—	—	—	—	7,951,939
Research	—	105,843	—	—	—	—	105,843
Public service	—	83,830	—	—	—	—	83,830
Academic support	—	1,746,148	—	—	—	—	1,746,148
Student services	—	1,776,757	—	—	—	—	1,776,757
Institutional support	—	1,908,013	—	—	—	80,065,725	81,973,738
Operation and maintenance of plant	—	1,104,655	—	—	—	—	1,104,655
Student grants and scholarships	—	—	—	—	—	—	—
Auxiliary enterprise expenses	—	287,453	—	—	—	—	287,453
Total operating expenses	\$ —	14,964,638	—	—	—	80,065,725	95,030,363

See accompanying independent auditors' report.

CALIFORNIA STATE UNIVERSITY
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Claims Development Information
(In thousands)
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net earned required contribution and investment revenues:										
Earned	\$ 90,247	96,364	104,726	91,560	93,935	96,997	104,997	102,346	101,752	113,266
Ceded	19,024	18,879	16,149	3,005	11,626	6,872	6,886	9,441	9,812	11,219
Net earned	<u>\$ 71,223</u>	<u>77,485</u>	<u>88,577</u>	<u>88,555</u>	<u>82,309</u>	<u>90,125</u>	<u>98,111</u>	<u>92,905</u>	<u>91,940</u>	<u>102,047</u>
Unallocated expenses	\$ 52,578	39,257	48,776	41,755	30,116	44,878	60,194	80,309	71,150	69,756
Estimated incurred claims and expenses, end of policy year:										
Incurred	\$ 57,959	63,416	57,994	59,095	59,313	60,386	56,800	60,246	63,078	67,753
Ceded	17,118	19,834	19,575	—	—	14,527	24,959	26,653	29,282	30,120
Net incurred	<u>\$ 40,841</u>	<u>43,582</u>	<u>38,419</u>	<u>59,095</u>	<u>59,313</u>	<u>45,859</u>	<u>31,841</u>	<u>33,593</u>	<u>33,796</u>	<u>37,633</u>
Paid (cumulative) as of:										
End of policy year	\$ 19,615	18,972	20,541	11,400	13,019	14,300	9,658	7,058	5,830	3,533
One year later	22,697	20,457	22,295	28,965	27,549	24,260	21,005	23,554	23,227	—
Two years later	23,082	23,664	23,853	35,942	32,559	26,281	24,800	25,923	—	—
Three years later	24,863	28,733	25,063	38,432	41,718	27,674	32,329	—	—	—
Four years later	25,543	29,004	25,282	40,302	43,576	28,625	—	—	—	—
Five years later	29,061	29,461	25,330	45,884	45,763	—	—	—	—	—
Six years later	29,370	29,617	25,390	49,815	—	—	—	—	—	—
Seven years later	29,545	29,671	25,398	—	—	—	—	—	—	—
Eight years later	29,612	29,805	—	—	—	—	—	—	—	—
Nine years later	29,619	—	—	—	—	—	—	—	—	—
Re-estimated ceded claims and expenses	\$ 17,996	22,643	21,685	—	—	14,527	24,959	26,653	29,282	30,120

CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY
A Discretely Presented Component Unit of the California State University
Claims Development Information (Continued)
(In thousands)
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Re-estimated incurred claims and expenses:										
End of policy year	\$ 40,841	43,582	38,419	59,095	59,313	45,859	31,841	33,593	33,796	37,633
One year later	34,160	30,986	27,064	50,697	48,463	36,014	31,206	28,940	30,941	—
Two years later	29,484	28,962	27,864	50,636	49,235	33,781	29,356	28,377	—	—
Three years later	28,725	30,268	26,082	31,868	53,080	33,386	32,892	—	—	—
Four years later	28,024	30,168	25,906	37,005	53,946	32,341	—	—	—	—
Five years later	32,595	30,201	25,588	55,576	52,531	—	—	—	—	—
Six years later	32,360	30,079	25,666	54,124	—	—	—	—	—	—
Seven years later	32,491	30,157	25,642	—	—	—	—	—	—	—
Eight years later	29,733	29,973	—	—	—	—	—	—	—	—
Nine years later	29,619	—	—	—	—	—	—	—	—	—
Increase (decrease) in estimated incurred claims and expenses from end of policy year	\$ (11,222)	(13,609)	(12,777)	(4,971)	(6,782)	(13,518)	1,051	(5,216)	(2,855)	—

See accompanying independent auditors' report.



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

September 30, 2019

The Board of Directors
CSU Risk Management Authority
401 Golden Shore
Long Beach, California 90802

Ladies and Gentlemen:

We have audited the financial statements of the California State University Risk Management Authority ("the Authority") as of June 30, 2019 and 2018 and for each of the years then ended, and issued our report thereon under date of September 30, 2019. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audit.

Our Responsibility Under Professional Standards

We are responsible for forming and expressing an opinion about whether the financial statements, which have been prepared by management with the oversight of the board of directors, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (AICPA). In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the board of directors of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Site Authority's internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the board of directors in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Authority's financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents.



Board of Directors
CSU Risk Management Authority
September 30, 2019
Page 2 of 3

Accounting Practices and Alternative Treatments

Significant Accounting Policies

The significant accounting policies used by the Authority are described in note 2 to the financial statements.

Unusual Transactions

We encountered no significant unusual transactions during the performance of our audit.

Qualitative Aspects of Accounting Practices

We have discussed with the board of directors and management our judgments about the quality, not just the acceptability, of the Authority's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the Authority's accounting policies and their application, and the understandability and completeness of the Authority's financial statements, which include related disclosures.

Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of the Authority to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Management's estimate of the amounts recoverable related to self-insurance and reinsurance agreements are based on paid claims and claim adjustment expense. We evaluated the assumptions used to develop the estimated amounts due from reinsurers in determining that the estimated amounts recoverable were reasonable in relation to the financial statements taken as a whole.

Uncorrected and Corrected Misstatements

Uncorrected Misstatements

In connection with our audit of the Authority's financial statements, we have not identified any significant financial statement misstatements that have not been corrected in the Authority's books and records as of and for the year ended June 30, 2019 and have communicated this to management.

Corrected Misstatements

In connection with our audit of the Authority's financial statements, we have not identified any significant financial statement misstatements related to accounts and disclosures that have not been corrected in the Authority's books and records as of and for the year ended June 30, 2019 and have communicated this to management.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters that would have caused a modification of our auditors' report on the Authority's financial statements.



Board of Directors
CSU Risk Management Authority
September 30, 2019
Page 3 of 3

Significant Issues Discussed, or Subject to Correspondence, with Management

Material Written Communications

Attached to this letter please find copies of the following material written communications between management and us:

1. Engagement letter;
2. Management representation letter.

Other Significant Findings or Issues

We encountered no significant difficulties in dealing with management in performing our audit.

Independence

Our professional standards and other regulatory requirements specify that we communicate to you in writing, at least annually, all relationships between our firm and the Authority and persons in a financial reporting oversight role at the Authority, and provide confirmation that we are independent accountants with respect to the Authority.

We are not aware of any relationships between our firm and the Authority and persons in a financial reporting oversight role at the Authority that may reasonably be thought to bear on independence.

Confirmation of Audit Independence

We hereby confirm that as of September 30, 2019 we are independent accountants with respect to the Authority under relevant professional and regulatory standards.

This letter to the board of directors is intended solely for the information and use of the board of directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP



KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Telephone +1 949 885 5400
Fax +1 949 885 5410
kpmg.com

April 26, 2019

California State University
401 Golden Shore, 5th Floor
Long Beach, California 90802-4210

Attention: Ms. Mary Ek, Assistant Vice Chancellor and Controller

Ladies and Gentlemen:

This letter (Engagement Letter) confirms our understanding of our engagement to provide professional services to California State University (CSU).

Objectives and Limitations of Services

Financial Statement Audit Services

You have requested that we audit CSU's financial statements as set forth in Appendix I.

We have the responsibility to conduct and will conduct the audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, with the objective of expressing an opinion as to whether the presentation of the financial statements that have been prepared by management with the oversight of those charged with governance, conforms with U.S. generally accepted accounting principles.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. In conducting the audit, we will perform tests of the accounting records and such other procedures, as we consider necessary in the circumstances, based on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud, to provide a reasonable basis for our opinion on the financial statements. We also will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and evaluate the overall financial statement presentation.

Our audit of the financial statements will be planned and performed to obtain reasonable, but not absolute, assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, fraud, and noncompliance with laws and regulations may exist and not be detected by an audit of financial statements even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Also, an audit is not designed to detect matters that are immaterial to the financial statements, and because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to detect abuse.

We will also perform certain limited procedures to the required supplementary information as required by auditing standards generally accepted in the United States of America. However, we will not express an opinion or provide any assurance on the information. Our report relating to the financial statements will include our consideration of required supplementary information.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with the KPMG International Cooperative ("KPMG IBC") a Swiss entity.



We also understand that the CSU's Single Audit Report will include a schedule of expenditures of federal awards (SEFA) and that the CSU's Financial Statements will include other supplementary information which are presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information will be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America with the objective of expressing an opinion as to whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Subject to the remainder of this paragraph, we will issue a written report upon completion of our audit of CSU's financial statements addressed to Board of Trustees of CSU. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add emphasis-of-matter or other-matter paragraphs or withdraw from the engagement. If, during the performance of our audit procedures such circumstances arise, we will communicate to the audit committee our reasons for modification or withdrawal.

If CSU issues an annual report that is available to the public and the annual report contains the audited financial statements and our report thereon, management agrees to provide KPMG LLP (KPMG) a draft of such annual report prior to the report release date of the audited financial statements or, if that is not possible, as soon as practicable prior to the release of the annual report. We will read the other information contained in the annual report in order to identify material inconsistencies, if any, with the audited financial statements. However, we will not perform procedures to corroborate the other information.

Internal Control over Financial Reporting and Compliance and Other Matters

In making our risk assessments as part of planning and performing our audit of the financial statements, we will consider CSU's internal control relevant to the preparation and fair presentation of the financial statements in order to determine the nature, timing, and extent of our audit procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the CSU's internal control.

The objective of our audit of the financial statements is not to report on CSU's internal control and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the financial statements. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of CSU's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, our objective is not to provide an opinion on compliance with such provisions.

In accordance with *Government Auditing Standards*, we will prepare a written report, Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements



Performed in Accordance With *Government Auditing Standards* (GAGAS report), on our consideration of internal control over financial reporting and tests of compliance made as part of our audit of the financial statements. This report will include any material weaknesses and significant deficiencies to the extent they come to our attention, and this report will also include instances of:

- Fraud and noncompliance with provisions of laws or regulations that have a material effect on the financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance;
- Noncompliance with provisions of contracts or grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives; or
- Abuse that is material, either quantitatively or qualitatively.

The report will describe its purpose and will state that it is not suitable for any other purpose.

In accordance with *Government Auditing Standards*, we will also issue a management letter to communicate instances of noncompliance with provisions of contracts or grant agreements or abuse that have an effect on the financial statements that are less than material but warrant the attention of those charged with governance.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the auditee.

Uniform Guidance Audit Services

We will also perform audit procedures with respect to CSU's major federal programs in accordance with Title 2 U.S. Code of Federal Regulations Part 200 (2 CFR 200), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("the Uniform Guidance"). The Uniform Guidance includes specific audit requirements, mainly in the areas of internal control and compliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of CSU's major federal programs that exceed those required by *Government Auditing Standards*.

As part of our audit procedures performed in accordance with the provisions of the Uniform Guidance, we will perform tests to evaluate the effectiveness of the design and operation of internal controls that we consider relevant to preventing or detecting material noncompliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of CSU's major federal programs. The tests of internal control performed in accordance with the Uniform Guidance are less in scope than would be necessary to render an opinion on internal control.

We will perform tests of CSU's compliance with federal statutes, regulations, and the terms and conditions of federal awards we determine to be necessary based on the *OMB Compliance Supplement*. The procedures outlined in the *OMB Compliance Supplement* are those suggested by each federal agency and do not cover all areas of regulations governing each program. Program reviews by federal agencies may identify additional instances of noncompliance.

In addition, we will prepare a written report (single audit report) which 1) provides our opinion on CSU's compliance with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each of its major federal programs and 2) communicates our consideration of



internal control over major federal programs. The single audit report will describe its purpose and will state that it is not suitable for any other purpose.

The Federal Audit Clearinghouse requires the single audit reporting package, which includes the audited financial statements, to be submitted in a PDF format which is text searchable, unencrypted, and unlocked. This Engagement Letter serves as CSU's authorization for the submission of the reporting package in this format.

Offering Documents

Should CSU wish to include or incorporate by reference these financial statements and our audit reports thereon into an offering of exempt securities, prior to our consenting to include or incorporate by reference our reports on such financial statements, we would consider our consent to the inclusion of our report and the terms thereof at that time. We will be required to perform procedures as required by the standards of the American Institute of Certified Public Accountants, including, but not limited to, reading other information incorporated by reference in the offering document and performing subsequent event procedures. Our reading of the other information included or incorporated by reference in the offering document will consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. However, we will not perform procedures to corroborate such other information (including forward-looking statements). The specific terms of our future services with respect to future offering documents will be determined at the time the services are to be performed.

Should CSU wish to include or incorporate by reference these financial statements and our audit reports thereon into an offering of exempt securities without obtaining our consent to include or incorporate by reference our reports on such financial statements, and we are not otherwise associated with the offering document, then CSU agrees to include the following language in the offering document:

"KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement."

Our Responsibility to Communicate with the Audit Committee

We will report to the audit committee or those charged with governance, in writing, the following matters:

- Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.
- Uncorrected misstatements accumulated by us during the audit and the effect that they, individually or in the aggregate, may have on our opinion in the auditor's report, and the effect of uncorrected misstatements related to prior periods.
- Significant difficulties and disagreements with management, if any, encountered during our audit.
- Other matters required to be communicated by auditing standards generally accepted in the United States of America.

We will also read minutes, if any, of relevant committee meetings for consistency with our understanding of the communications made to the audit committee and determine that the audit committee has received copies of all material written communications between ourselves and management. We will also determine that the audit



committee has been informed of i) the initial selection of, or the reasons for any change in, significant accounting policies or their application during the period under audit, ii) the methods used by management to account for significant unusual transactions, and iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

To the extent that they come to our attention, we will inform the appropriate level of management about any instances of noncompliance or suspected noncompliance with laws and regulations, unless they are clearly inconsequential, material errors in the financial statements and any instances of fraud. Further, to the extent they come to our attention, we also will communicate directly to the audit committee any instances of noncompliance or suspected noncompliance with laws and regulations, unless they are clearly inconsequential, material errors in the financial statements, and any instances of fraud that involve senior management or that, in our judgment, cause a material misstatement of the financial statements.

Management Responsibilities

The management of CSU acknowledges and understands that they have responsibility for the preparation and fair presentation, in accordance with U.S. generally accepted accounting principles, of the financial statements and all representations contained therein. Management also is responsible for:

- a. identifying and ensuring that CSU complies with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing us of any known instances of noncompliance or suspected noncompliance with laws, regulations and provisions of contracts and grant agreements;
- b. providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS or single audit report within 14 days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the reports, the reports will indicate the status of management's responses;
- c. distributing the reports issued by KPMG.

Management also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud. Management is also responsible for informing us, of which it has knowledge, of all material weaknesses and significant deficiencies in the design or operation of such controls. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

The management of CSU also acknowledges and understands that they have responsibility for the preparation of the SEFA in accordance with the applicable criteria. Management is also responsible for providing us written representations regarding the supplementary information. Management is also responsible for including our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information, and for including the audited financial statements with any presentation of the supplementary information that includes our report thereon or making the audited financial statements readily available to intended users of the supplementary information no later than the date the supplementary information is issued with our report thereon.



Management of CSU also acknowledges and understands that it is their responsibility to provide us with: i) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and the compliance requirements applicable to its federal programs such as records, documentation, and other matters; ii) additional information that we may request from management for purposes of the audits; and iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. As required by auditing standards generally accepted in the United States of America, we will make specific inquiries of management about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the financial statements.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon, taken as a whole. Because of the importance of management's representations to the effective performance of our services, CSU will release KPMG and its personnel from any claims, liabilities, costs and expenses relating to our services under this Engagement Letter attributable to any misrepresentations in the representation letter referred to above. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.

In relation to compliance with the program requirements applicable to its federal programs, management acknowledges and understands its responsibility for:

- Identifying the CSU's government programs and understanding and complying with the compliance requirements.
- Establishing and maintaining effective controls that provide reasonable assurance that the CSU administers government programs in compliance with the compliance requirements.
- Evaluating and monitoring the CSU's compliance with the compliance requirements.
- Taking corrective action when instances of noncompliance are identified, including corrective action on audit findings of the compliance audit.

In addition to the Uniform Guidance requirements to maintain internal control and comply with the compliance requirements applicable to federal programs as discussed above, the Uniform Guidance also requires CSU to prepare a:

- Schedule of expenditures of federal awards;
- Summary schedule of prior audit findings;
- Corrective action plan; and
- Data collection form (Parts I and II).

While we may be separately engaged to assist you in the preparation of these items, preparation is the responsibility of CSU.



Certain provisions of the Uniform Guidance allow a granting agency to request that a specific program be selected as a major program provided that the federal granting agency is willing to pay the incremental audit cost arising from such selection. CSU agrees to notify KPMG of any such request by a granting agency and to work with KPMG to modify the terms of this Engagement Letter as necessary to accommodate such a request.

To facilitate our audit planning, in accordance with *Government Auditing Standards*, management agrees to identify and provide copies of reports, if applicable, of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented, prior to June 30, 2019.

Non-audit service - Assistance in Preparing Financial Statements

We will assist management in preparing the financial statements and related notes in accordance with U.S. generally accepted accounting principles. We will use information from the trial balance and/or other source documents provided by management to assist management in preparing the financial statements and related notes.

Our responsibility is to assist management in preparing the financial statements and related notes using the information provided by management. We will not assume management responsibilities on behalf of CSU. However, we may provide advice and recommendations to assist management of CSU in performing its responsibilities.

CSU agrees to:

- Assume all management responsibilities, including determining the accuracy and completeness of the financial statements and notes.
- Assign a suitable employee with appropriate skills, knowledge and/or experience to oversee the financial statement preparation assistance and evaluate the adequacy and results of the services.
- Accept responsibility for the results of the financial statement preparation assistance.

Dispute Resolution

Any dispute or claim arising out of relating to this Engagement Letter or the services provided hereunder, or any other audit or attest services provided by or on behalf of KPMG or any its subcontractors or agents to CSU or at its request, shall be ruled by the provisions set for the in the MEA #4422 dated December 17, 2014.

Other Matters

In the event that any term or provision of this Engagement Letter shall be held to be invalid, void or unenforceable, then the remainder of the Engagement Letter shall not be affected, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

This Engagement Letter shall serve as CSU's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between KPMG and CSU and between KPMG and outside specialists or other entities engaged by either KPMG or CSU. CSU acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of KPMG. KPMG will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.



Except as permitted by law or as set forth in this paragraph, neither party shall acquire hereunder any right to use the name or logo of the other party or any part thereof, and any such use shall require the express written consent of the owner party. CSU agrees that KPMG may list CSU as a CSU in KPMG's internal and external marketing materials, including KPMG websites and social media, indicating the general services rendered (e.g., "California State University is an Audit client of KPMG LLP"). Further, for purposes of the services described in this Engagement Letter only, CSU hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of CSU solely for presentations or reports to CSU or for internal KPMG presentations and intranet sites.

CSU and KPMG acknowledge and agree that each shall comply with all applicable United States export control laws and regulations in the performance of each party's respective responsibilities under the Engagement Letter. Unless requested by KPMG to allow it to complete its audit, CSU will not provide KPMG, or grant KPMG access to, (a) information (including technical data or technology), verbally, electronically, or in hardcopy, (b) software or (c) hardware, that is controlled for export by the United States government under the Arms Export Control Act of 1976, Export Administration Act of 1979, the International Traffic in Arms Regulations ("ITAR"), Export Administration Regulations ("EAR"), Department of Energy Part 810 Regulations or Nuclear Regulatory Commission Part 110 Regulations, except information, software or hardware that is classified as EAR99 under the EAR ("Export Controlled Information"). If KPMG requests Export Controlled Information from CSU, CSU shall provide KPMG with notice of provision of Export Controlled Information at least 48 hours prior to providing such Export Controlled Information to KPMG. The CSU may require KPMG to certify the persons and systems receiving export controlled information are compliant with the laws cited herein.

KPMG is a limited liability partnership comprising both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this Engagement Letter. The audit documentation for this engagement is the property of KPMG. If KPMG receives a subpoena; other validly issued administrative, judicial, government or investigative regulatory demand or request, or other legal process requiring it to disclose CSU's confidential information ("Legal Demand"), KPMG shall, unless prohibited by law or such Legal Demand, provide prompt written notice to CSU of such Legal Demand in order to permit it to seek a protective order. So long as KPMG gives notice as provided herein, KPMG shall be entitled to comply with such Legal Demand to the extent required by law, subject to any protective order or the like that may have been entered in the matter. In the event KPMG is requested or authorized by CSU, or is required by law, rule, regulation or Legal Demand in a proceeding or investigation to which KPMG is not a named party or respondent, to produce KPMG's documents or personnel as witnesses or for interviews, or otherwise to make information relating to the service under the Engagement Letter available to a third party, or CSU, CSU shall reimburse KPMG for its professional time, at its then-current standard hourly rates, and expenses, including reasonable attorneys' fees and expenses, incurred in producing documents or personnel or providing information pursuant to such requests, authorizations or requirements.

Pursuant to *Government Auditing Standards*, and subject to applicable provisions of laws and regulations, we are required to make certain audit documentation available in a full and timely manner to others, including Regulators, upon request. In addition, we may also be requested to make certain audit documentation available to Regulators pursuant to authority provided by law or regulation. If so requested, access to such audit documentation will be provided. Furthermore, Regulators may obtain copies of selected audit documentation. Such regulators may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies.



KPMG, as an accounting firm, has an obligation to comply with applicable professional standards. Certain professional standards, including AICPA Code of Professional Conduct Section 1.700, "Confidential CSU Information Rule," adopted by the American Institute of Certified Public Accountants and similar rules adopted by the boards of accountancy of many states, prohibit the disclosure of CSU confidential information without CSU consent, except in limited circumstances. KPMG represents to CSU that KPMG will treat CSU's confidential information in accordance with applicable professional standards.

KPMG may work with and use the services of other members of the international KPMG network of independent firms and entities controlled by, or under common control with, one or more KPMG member firms (together with KPMG, the "KPMG Firms") to provide services to CSU. In connection with the performance of services under this Engagement Letter, the KPMG Firms may, in their discretion, utilize the services of third party service providers within or outside of the United States to complete the services under this Engagement Letter. KPMG Firms and such third parties may have access to your confidential information from offshore locations. In addition, KPMG uses third party service providers within and outside of the United States to provide, at its direction, back-office administrative and clerical, or analytical services to KPMG and these third party service providers may in the performance of such services have access to your confidential information. In particular, KPMG's audit technologies, software productivity tools and certain technology infrastructure and, necessarily, your confidential information, may be hosted in cloud environments operated by KPMG Firms or such third party service providers. In addition, for purposes of fulfilling our professional responsibilities, such as maintaining independence and performing conflict checks, CSU will be listed as a client in internal KPMG systems accessible on a need to know basis to certain professionals in KPMG International member firms. KPMG represents that it has technical, legal and/or other safeguards, measures and controls in place to protect your confidential information from unauthorized disclosure or use.

You also understand and agree that the KPMG Firms, with the assistance of third parties as outlined above, may use all CSU's information for other purposes consistent with our professional standards, such as improving the delivery or quality of audit and other services or technology to you and to other clients, thought leadership projects, to allow you and other clients to evaluate various business transactions and opportunities, and for use in presentations to you, other clients and non-clients. When your information is used outside of the KPMG Firms or such third parties assisting them as outlined above, CSU will not be identified as the source of the information.

It may be necessary or convenient for CSU to use KPMG-owned or -licensed software, software agents, scripts, technologies, tools or applications (collectively "KPMG Technology") designed to extract data from CSU's electronic books and records systems or other systems (collectively, "Systems"), in connection with the audit. CSU understands and agrees that it is solely responsible for following appropriate change management policies, processes and controls relating to use of such technology (including without limitation appropriate backup of CSU's information and Systems) (collectively, "Change Management Processes") before such KPMG Technology is utilized to extract data from the Systems. In the event CSU fails to use such Change Management Processes or if such Change Management Processes prove to be inadequate, CSU acknowledges that the Systems and/or KPMG Technology may not function as intended. In consideration of the foregoing, KPMG hereby grants CSU the right to use KPMG Technology solely to facilitate CSU's necessary or convenient provision of information to KPMG in connection with the audit, and this grant does not extend to any other purposes or use by third parties outside of your organization without our prior written approval, provided that third party contractors of CSU having a need to know in order to perform their services to CSU are permitted to use KPMG Technology to the extent necessary for such parties to perform such services, so long as CSU has technical, legal and/or other safeguards, measures and controls in place to protect such KPMG



Technology and the KPMG confidential information therein from unauthorized disclosure or use. Other than as expressly permitted hereby, CSU agrees to keep KPMG Technology confidential, using no less than a reasonable standard of care to protect it from unauthorized disclosure or use, and to notify KPMG of any legal compulsions to disclose it, in accordance with the provisions governing legal demand of confidential information which appear in this engagement letter with respect to which the KPMG Technology is being used, *mutatis mutandis*. If the KPMG Technology is subject to any third party license terms and conditions before being provided to CSU, CSU may be required to accept such terms and conditions before using the KPMG Technology, in which case KPMG will provide such license terms and conditions to CSU in writing before CSU elects to use the KPMG Technology.

Except as otherwise provided for in this Engagement Letter, neither party may assign, transfer or delegate any of its rights, obligations, claims or proceeds from claims arising under or relating to this Engagement Letter (including by operation of law, in which case the assigning party will, to the extent legally permissible, give as much advance written notice as is reasonably practicable thereof) without the prior written consent of the other party, such consent not to be unreasonably withheld. Any assignment in violation hereof shall be null and void.

As required by *Government Auditing Standards*, we have attached a copy of KPMG's most recent peer review report.

Reports, Services and Associated Fees

Appendix I to this Engagement Letter lists the reports we will issue and the services we will provide as part of this engagement and our fees for professional services to be performed under this Engagement Letter.

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangements supplemental to those in this Engagement Letter.

Our engagement herein is for the provision of annual audit services for the financial statements and the Uniform Guidance for the periods described in Appendix I, and it is understood that such services are provided as a single annual engagement. Pursuant to our arrangement as reflected in this Engagement Letter we will provide the services set forth in Appendix I as a single engagement for each of CSU's subsequent fiscal years until either those charged with governance or we terminate this agreement, or mutually agree to the modification of its terms. The fees for each subsequent year will be annually subject to negotiation and approval by those charged with governance.

This Engagement Letter and any exhibits, attachments and appendices hereto, and amendments thereto agreed in writing by the parties, shall constitute the entire agreement between KPMG and CSU with respect to the subject matter hereof and thereof, and supersede all other previous oral and written representations, understandings or agreements relating to the subject matter of this agreement.



California State University
April 26, 2019
Page 11 of 11

We shall be pleased to discuss this Engagement Letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this Engagement Letter. Please sign and return it to us to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Very truly yours,

KPMG LLP

Mark T. Thomas
Partner

MTT:ls:glb:T1658_v2

Enclosures

California State University

Authorized Signature

Darryl Dearborn
Associate Director, Procurement Operations

Title

5/22/19

Date

Reports, Services and Associated Fees

Based upon our discussions with and representations of management, our fees for services we will perform are estimated as follows:

Audit of financial statements of CSU as of and for the year ended June 30, 2019 per the billing schedule	\$2,320,000
--	-------------

The other reports that we will issue as part of and upon completion of this engagement are as follows:

Reports:

CSU Financial Statements with Revenue Bond Program Supplementary Information
 CSU Financial Statement with Supplementary Information
 CSU Single Audit Report

Other Reports to be Issued:

CSU Risk Management Authority Financial Statements with Supplementary Information
 California State University Institute Financial Statements with Supplementary Information
 Stockton Center Site Authority Financial Statements with Supplementary Information

Other Required Tasks:

GAAP Manual and Year End Workshop

Additional procedures, subject to the CSU's advance approval, including the review of Auxiliary Organization financial information, implementation of GASB pronouncements of unusual complexity, and other additional procedures as necessary (to be billed based on the number of hours incurred and approved by the CSU)	\$100,000
--	-----------

The above estimates are based on the level of experience of the individuals who will perform the services. Our fees are based on significantly discounted hourly rates and included all out-of-pocket expenses. Circumstances encountered during the performance of these services that warrant additional time or expense could cause us to be unable to deliver them within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed.

Where KPMG is reimbursed for expenses, it is KPMG's policy to bill CSU the amount incurred at the time the good or service is purchased. If KPMG subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, KPMG does not credit such payment to the CSU. Instead, KPMG applies such payments to reduce its overhead costs, which costs are taken into account in determining KPMG's standard billing rates and certain transaction charges which may be charged to CSU.

All fees, charges and other amounts payable to KPMG under the Engagement Letter do not include any sales, use, excise, value added, income or other applicable taxes, tariffs or duties, payment of which shall be CSU's sole responsibility, excluding any applicable taxes based on KPMG's net income or taxes arising from the employment or independent contractor relationship between KPMG and its personnel.



Peer Review Program
Administered by the National Peer Review Committee

American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

March 27, 2018

Lynne M Doughtie, CPA
KPMG LLP
345 Park Ave
New York, NY 10154

Dear Ms. Doughtie:

On March 27, 2018, the National Peer Review Committee accepted the peer review report on the most recent System Review of your firm and firm's response thereto.

As you know, the report had a peer review rating of pass with deficiency. The Committee accepted the aforementioned documents with the understanding that the firm has taken the actions outlined in its response to the report. The Committee determined that the corrective actions taken by the firm are sufficient such that no additional remedial action is needed. Compliance with these actions will be monitored during your firm's next review. The due date for your next review is September 30, 2020. This is the date by which all review documents should be completed and submitted to the administering entity.

Your firm's actions as documented in your response demonstrates its commitment to the objectives of the profession's practice-monitoring program.

Sincerely,

Michael Fawley
Chair - National PRC
nprc@aicpa.org 919-402-4502

CC: Michael J Wagner; Stephen R Hicks



Report on the Firm's System of Quality Control

March 21, 2018

To the Partners of KPMG LLP and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of KPMG LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers, and examinations of service organizations [SOC 1 and SOC 2 engagements].

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Deficiency Identified in the Firm's System of Quality Control

We noted the following deficiency during our review:

1. Certain individuals of the firm, including former members of senior management for part of the peer review year ended March 31, 2017, participated in or were aware of improper actions related to audit engagement selections ahead of planned inspections by one of the firm's regulators. These individuals failed to take action to prevent or properly report the knowledge or possession of confidential information by either overriding or failing to enforce controls established by the firm.

PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, NY 10017
T: (646) 471 3000, F: (646) 471 8320, www.pwc.com/us



Actions by these individuals including the involvement of senior audit management caused us to conclude that the failure of these individuals to comply with the firm's quality control policies and procedures related to leadership responsibilities, relevant ethical requirements and monitoring could have created a situation during the peer review year ended March 31, 2017 in which the firm would not have reasonable assurance of performing or reporting in conformity with applicable professional standards in one or more important respects. Accordingly, we have concluded that this matter presented a deficiency in the firm's system of quality control during the applicable period. The firm is taking responsive actions to remediate this deficiency.

Opinion

In our opinion, except for the deficiency previously described, the system of quality control for the accounting and auditing practice of KPMG LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. KPMG LLP has received a peer review rating of *pass with deficiency*.

Purvis Watson LLP



California State University Risk Management Authority

401 Golden Shore-5th Floor, Long Beach, CA 90802
Telephone: 562-951-4621
Facsimile: 562-951-4865

September 30, 2019

KPMG LLP
20 Pacifica Suite 700
Irvine, California 92618

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the financial statements of California State University Risk Management Authority, (the Authority), a discretely presented component unit of the California State University, and the related notes to the financial statements as of and for the year ended June 30, 2019 and 2018, for the purpose of expressing opinions as to whether these financial statements present fairly, in all material respects, the respective financial positions, changes in financial positions, and, where applicable, cash flows thereof in accordance with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of September 30, 2019, the following representations made to you during your audits:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 26, 2019 for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles.
2. We have made available to you:
 - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and

- d. All minutes of the meetings of Board of Directors and Executive Committee, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board and committee actions are included in the summaries.
3. Except as disclosed to you in writing, there have been no communications from regulatory agencies, governmental representatives, employees or others concerning noncompliance with laws and regulations in any jurisdiction, or deficiencies in financial reporting practices or other matters that could have a material adverse effect on the financial statements.
4. There are no known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
5. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
6. There are no side agreements or other arrangements (either written or oral).
7. All events subsequent to the date of the statement of net position and through the date of this letter for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
9. We have disclosed to you all known actual or litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
10. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term "fraud" is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.
11. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the Authority's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*.

12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud affecting the Authority involving:
 - a. Management
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators, or others.
16. We have no knowledge of any officer or Board Member of the Authority, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
17. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
18. We have disclosed to you the identity of our related parties and all the related party relationships and transactions of which we are aware.
19. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party relationships and transactions of which we are aware, in accordance with U.S. generally accepted accounting principles, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments, and amounts receivable from or payable to related parties. The term "related party" refers to government's related organizations, joint ventures, and jointly governed organizations, as defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended; elected and appointed officials of the government; its management; members of the immediate families of elected or appointed officials of the government and its management; and other parties with which the government may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent than one or more of the transacting parties might be prevented from fully pursuing its own separate interests.
 - b. The existence of and transactions with joint ventures and other related organizations.

20. The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
21. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. generally accepted accounting principles. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the Authority's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.
22. We acknowledge our responsibility for the presentation of the required supplementary information which includes, management's discussion and analysis and the schedule of claims development information (Schedule 14), in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:
 - a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.
 - b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period.
 - c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.
23. We acknowledge our responsibility for the presentation of the required supplementary information, which includes the information in Schedules 1 through 13, in accordance with the applicable criteria and:
 - a. Believe the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria;
 - b. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period; and
 - c. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.
24. The significant assumptions used in our fair value measurement and or disclosures are reasonable and appropriately reflect our intent and ability to carry our specific courses of

action on behalf of the entity, where relevant to the fair value measurement and or disclosure.

25. We agree with the findings of specialists in evaluating the valuation of claims reserve and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the basic financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amount derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Respectfully,

California State University Risk Management Authority

A handwritten signature in blue ink, appearing to read "Robert Eaton", written over a horizontal line.

Robert Eaton

*Treasurer
CSU Risk Management Authority*

A handwritten signature in blue ink, appearing to read "Mary Ek", written over a horizontal line.

Mary Ek

*Assistant Vice Chancellor/Controller, Finance Services
CSU Chancellor's Office*

EXCESS INSURANCE RENEWAL REPORT

ISSUE: Most of CSURMA’s coverage programs renewed on July 1. This year was even more challenging than expected as the property and casualty market became extremely firm during the second quarter. We say “firm” rather than “hard” because we still did receive quotes for coverage terms similar to the expiring programs, but pricing increased substantially. In a hard market, there may be no options available that are comparable to the expiring program. Table 1 below shows the renewal cost change rather than the rate change. Additional increases in exposure, such as payroll increase or new buildings add further to the increase in cost.

Table 1
Renewal Cost Change Estimates

Program	AORMA % Change	Campus % Change
Excess Liability	3%	+19%
Property	+16%	+26%
Worker’s Compensation	-8.6%	+5.1%
Builder’s Risk	N/A	Flat Rate
Fine Arts	N/A	0%
SPLIP & SAFECLIP	N/A	-5%
FTIP	N/A	+30%
Aviation	N/A	+10%
Medical Malpractice	N/A	0%
Fidelity	0%	0%

RECOMMENDATION: No action is requested at today’s meeting; this item is for information only.

FISCAL IMPACT: The cost of the insurance programs is included in the proposed budget and renewals that exceed projected costs reduce retained funds in the specific program fund.

BACKGROUND: CSURMA representatives met with CSURMA’s program underwriters in London, New York, Bermuda, San Francisco and Los Angeles. It became clear that the property insurance and Excess Liability Insurance would be the most challenging of the renewals.

Following are comments on the status of programs:

- **Excess Liability** – This program has seen loss development in the first excess layers for both the AORMA and Campus programs. AORMA was spared an increase in the

primary layer; however, the general market for public entities has seen substantial increases mainly driven by employment practices and police professional exposures. Catastrophic verdicts have underwriters concerned about California public entity risks. We are going to be in the market early for the July 2020 renewal as we expect further fallout due to general loss development and underwriters may pull back, increase rates or reduce coverages – or all three.

- **Property** – Property losses to both the AORMA and Campus programs has increased the past three years. While CSU performed well in the wet winter and recent wildfires, related losses and other losses continue to mount. Significant rate decreases in recent years were again partially eroded by increases at this renewal. The outlook for next year will not be known until the end of the calendar year.
- **Workers' Compensation** – CSURMA agreed to a two year rate agreement with EIA on favorable terms. Workers' Compensation has been a bright spot in the California market as a whole and especially for CSU due to improved loss experience.
- **Builders Risk** – This program is stable and the Program Administrator expects flat rate renewal, though general market pressures due to catastrophic property losses may result in an increase. Rates are down 25% in recent years; however, some claims reported by CSU after the renewal may impact next year's cost.
- **Fine Arts** – This program was launched in 2016 and the Program Administrator is pleased to report that underwriters did not increase rates this renewal as losses have stabilized.
- **SPLIP & SAFECLIP** – Perform exceptionally well with no losses and rates dropped by 5%
- **FTIP** – The loss ratio has stabilized at a level acceptable to underwriters. The Program Administrator reports a flat rate renewal with exposure (travel) increases. The overall FTIP program costs increased 30% because one of the coverage parts within FTIP is a three-year policy and it was renewed and invoiced this year.
- **Aviation** – This program has no losses but the market has firmed and we settled with a 10% rate increase.
- **Medical Malpractice** – This program is at minimum premium and we received a flat rate renewal despite a firming market.
- **Fidelity** – Claims have remained low but a claim in the fourth quarter resulted in a flat renewal rather than an expected reduction.

PUBLICATION: None.

ATTACHMENT(S): None.

FY 2020/21 CAMPUS RISK POOLS FUNDING STATUS

ACTUARIAL REPORTS: CAMPUS LIABILITY, CAMPUS WORKERS' COMPENSATION, ATHLETIC INJURY MEDICAL EXPENSE

ISSUE: CSURMA retains the services of an independent actuary to evaluate the liabilities of its major risk pools. The complete draft reports for Campus Liability, Campus Workers' Compensation and Athletic Injury Medical Expense programs are included separately with the agenda packet. Staff has highlighted in the attachments key findings and exhibits. The information provided by the actuary is used to establish fiscal year-end financial reports, and serves as the starting point to develop rates and funding for FY 2020/21, as well as evaluating potential dividends or assessments.

RECOMMENDATION: No action requested; this item is provided for the Board's information.

FISCAL IMPACT: The actuary's findings and recommendations have the direct effect of establishing liabilities reported in CSURMA's financial statements, and information from the actuarial studies are used in rate setting and funding forecasts for FY 2020/21.

BACKGROUND: The complete actuarial reports include discussions on the methodology used by the actuary to establish the financial projections for the campus risk pools. Staff will be present at today's meeting to summarize and comment on the actuary's findings and recommendations.

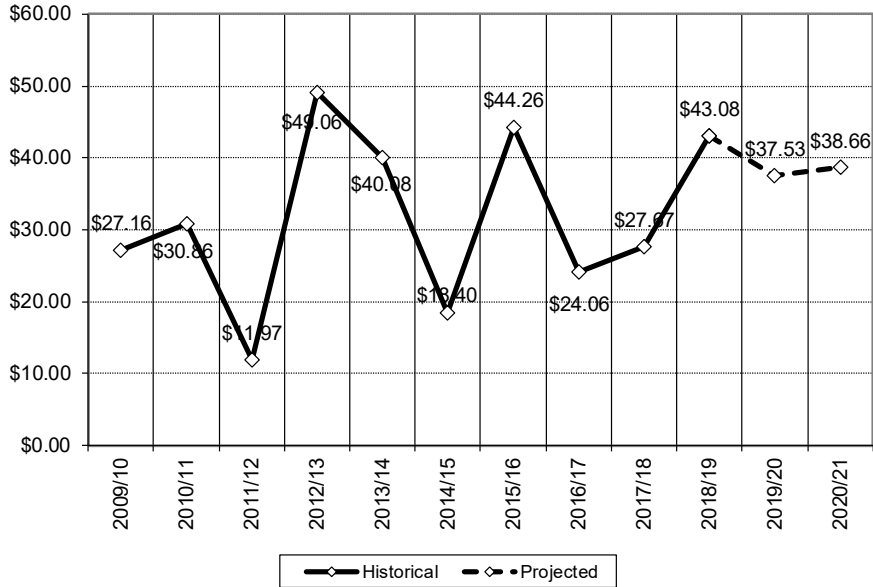
PUBLICATION: None.

ATTACHMENT(S):

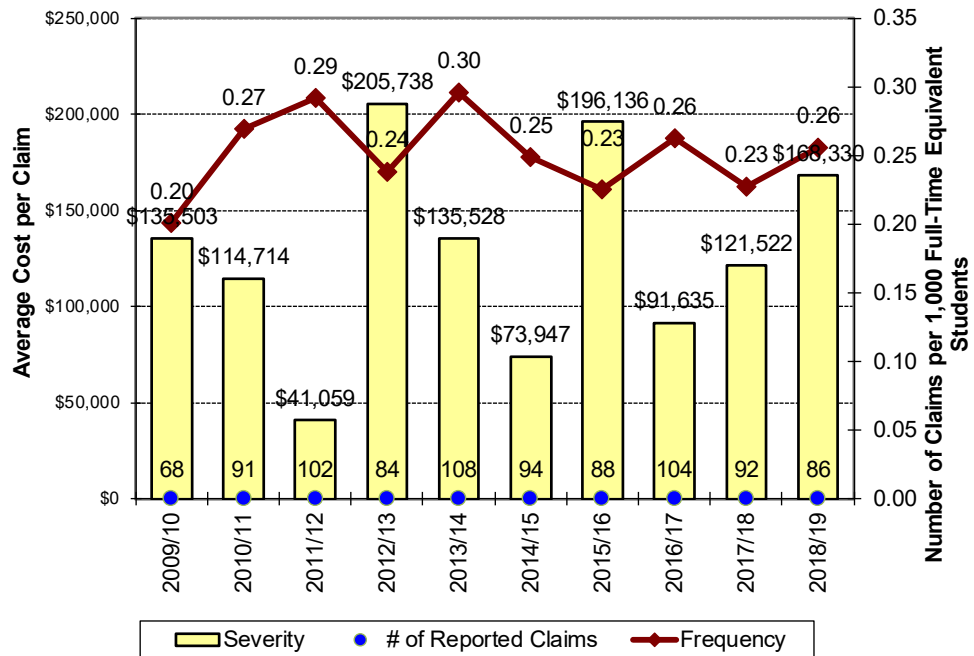
- a. Charts and graphs from the draft actuarial reports valued at June 30, 2019.
- b. Actuary's Recommended Liability Deductible Discount Factors.
- c. Complete copies of the draft actuarial reports dated August 2019 are included separately with the Agenda packet.

CAMPUS LIABILITY

Graph 1 – Loss Rate per Full Time-Equivalent Student

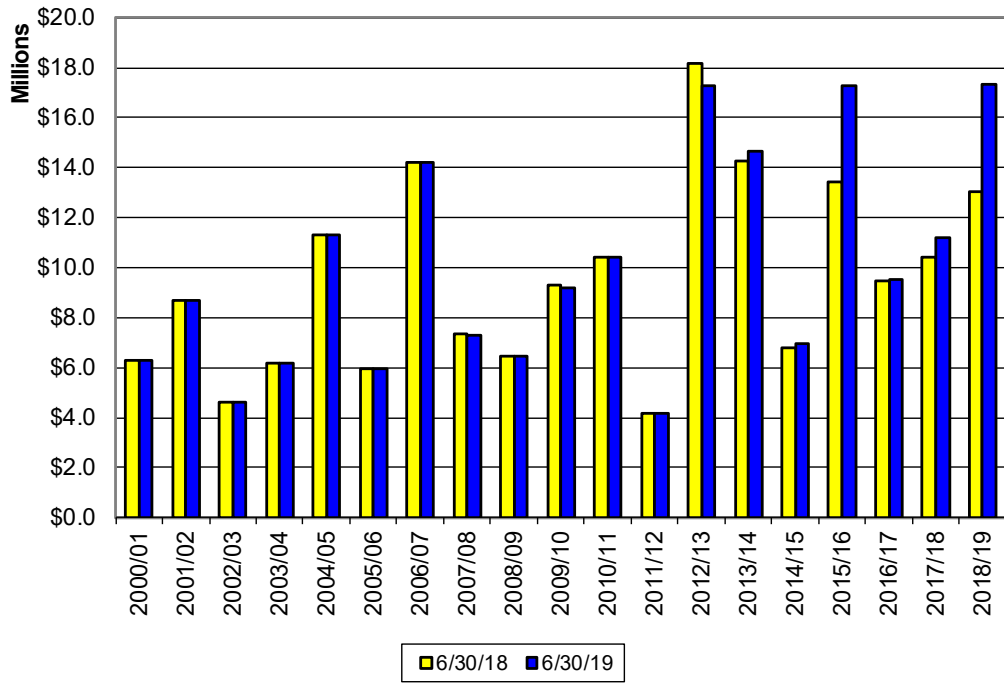


Graph 2 – Frequency and Severity

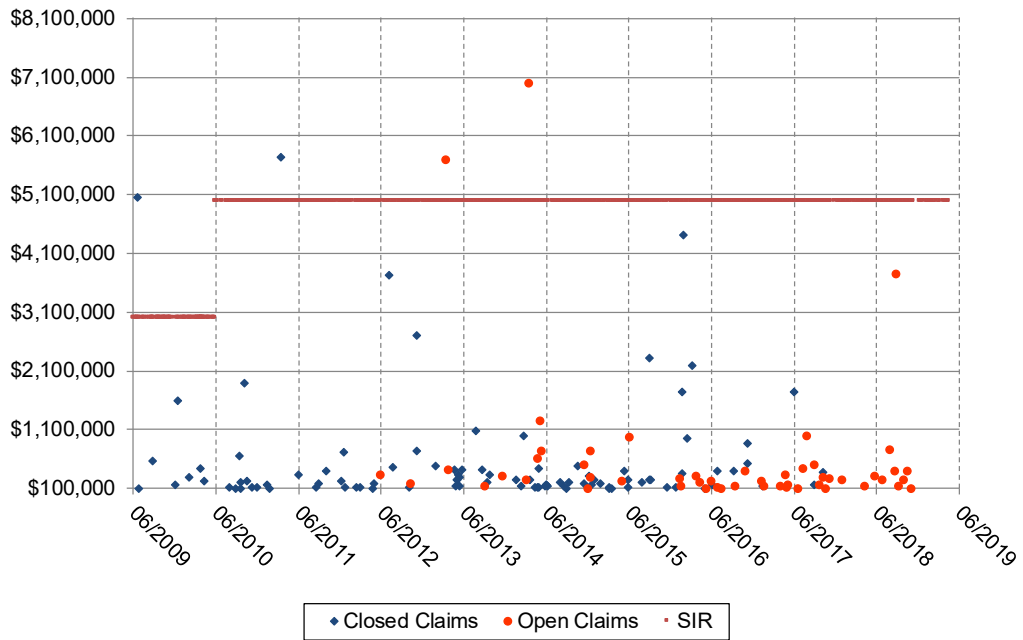


CAMPUS LIABILITY

Graph 3 – Projected Ultimate Limited Losses at June 30, 2018, June 30, 2019

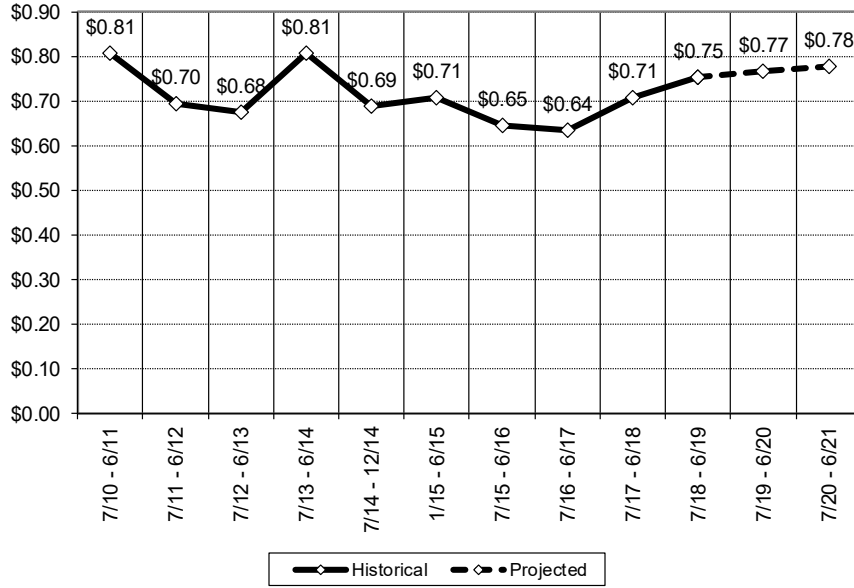


Graph 4 - Claims with Incurred Amount above \$100,000

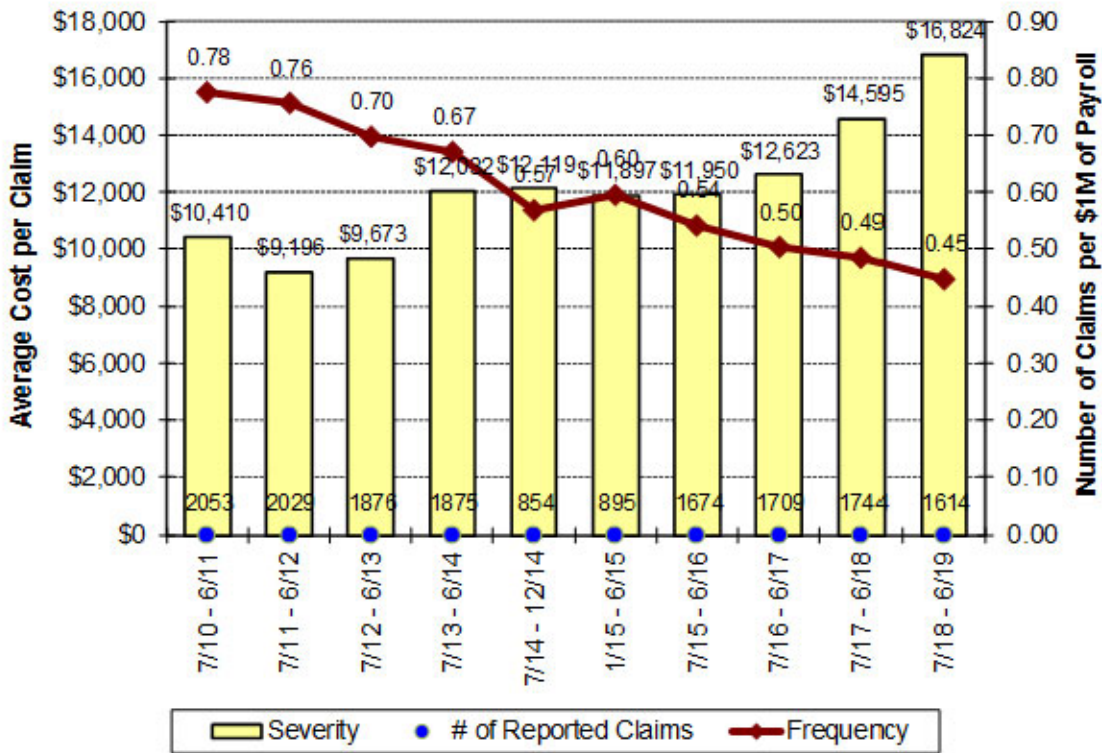


WORKERS' COMPENSATION

Graph 1 - Loss Rate per \$100 of Payroll

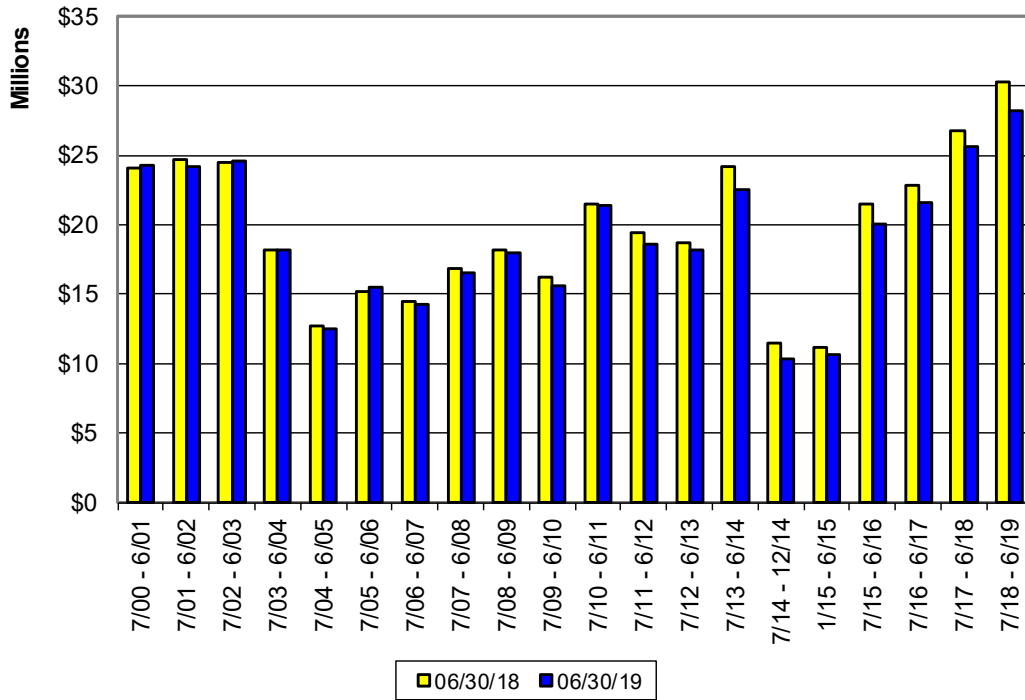


Graph 2 - Frequency and Severity

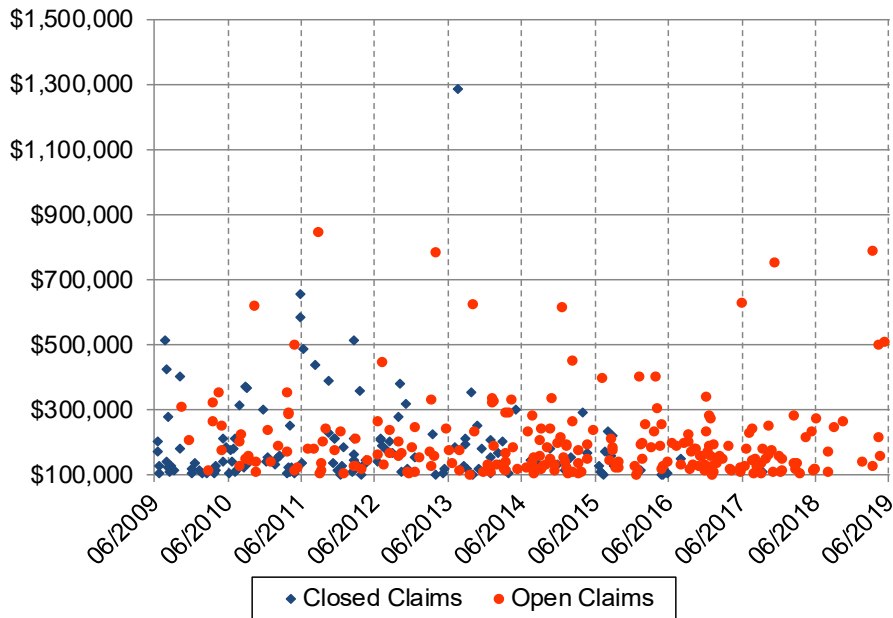


WORKERS' COMPENSATION

Graph 3 - Projected Ultimate Limited Losses at June 30, 2018, June 30, 2019

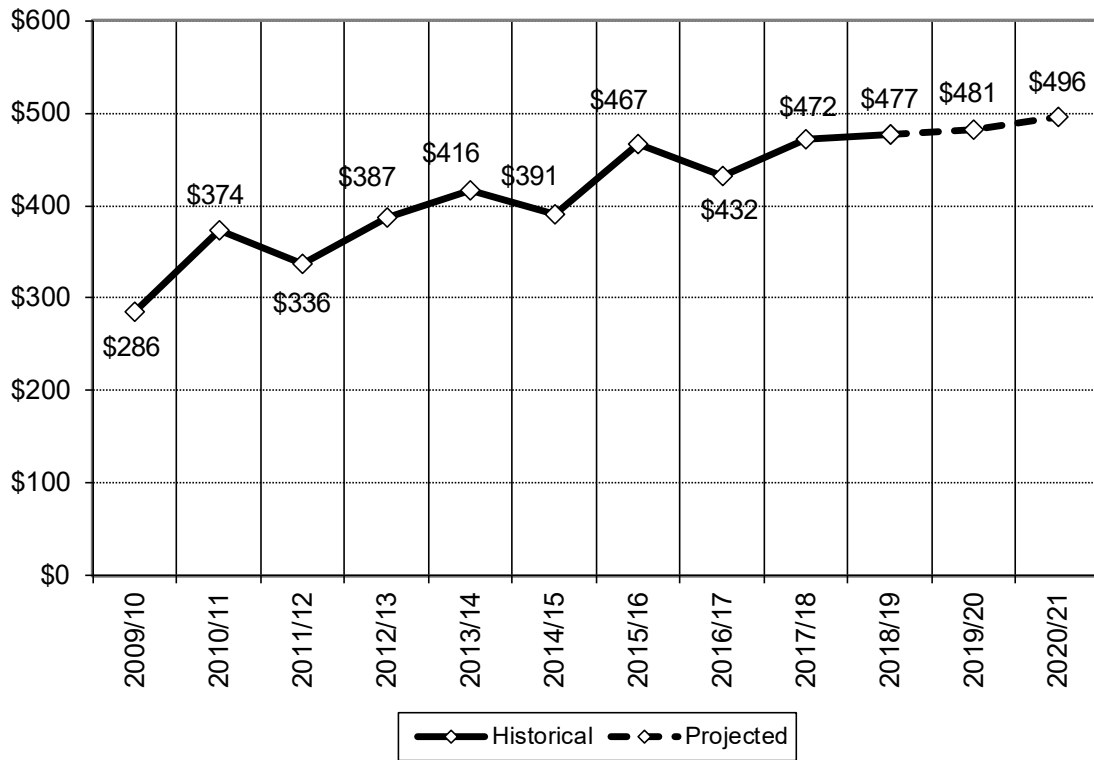


Graph 4 - Claims with Incurred Amount above \$100,000



AIME

Projected Loss Rate per Athlete





August 13, 2019

03031860

California State University Risk Management Authority
 c/o Alliant Insurance Services, Inc.
 100 Pine Street, 11th Floor
 San Francisco, California 94111-5101

Attn: Mr. Daniel Howell
 Program Administrator

**Actuarial Study of the
 General Liability Program
 Indicated Deductible Credits**

We have completed our analysis of the indicated deductible credits for the general liability program of the California State University Risk Management Authority (CSURMA). The indicated deductible credits are shown in Table 1. These credits are based on a \$5 million self-insured retention.

**Table 1
 Indicated Deductible Credits**

	Deductible (1)	Previous Recommended Deductible Credit (2)	Closed Claims Deductible Credit (3)	All Claims Deductible Credit (4)	Recommended by Actuary (5)
(A)	\$35,000	15.0%	12.6%	10.0%	13.0%
(B)	50,000	20.0%	16.5%	13.2%	17.0%
(C)	100,000	30.0%	25.7%	21.4%	25.0%
(D)	250,000	52.0%	40.9%	37.3%	45.0%
(E)	500,000	65.0%	53.4%	51.6%	58.0%
(F)	750,000	75.0%	60.1%	60.3%	70.0%
(G)	900,000	78.0%	63.8%	64.3%	73.0%
(H)	1,000,000	80.0%	66.2%	66.5%	75.0%

Note: (2) is from our August 25, 2016 letter, which was based on claim data valued as of June 30, 2016.
 (3) and (4) are based on the current actuarial study, which was based on claim data valued as of June 30, 2019. The indicated deductible credits reflect claims incurred during 2013/14 through 2018/19.



The recommended deductible credits are less than previously indicated, due to our increased reliance on more recent claim periods.

Please call with any questions you may have. Thank you for the opportunity to be of service.

Respectfully submitted,

Aon Risk Consultants, Inc.

Mujtaba Datto, ACAS, MAAA, FCA
Actuarial Practice Leader

Tracy Fleck, ACAS, MAAA
Senior Consultant and Actuary

Ziruo Wang, FCAS, MAAA
Consultant and Actuary

MD/TF:zw

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DRAFT

CAMPUS RISK POOLS FUNDING STATUS AT JUNE 30, 2019

ISSUE: Each year, Staff evaluates the funding status of CSURMA’s major risk pool programs and presents its findings to the Executive Committee. In its evaluation, Staff uses the most recent actuarial reports, and the financial statements prepared by the Accountant. Staff has completed its evaluation of the funding status for Campus Liability, Campus Workers’ Compensation and Athletic Injury Medical Expense risk pools at June 30, 2019. Funding in excess of the Targeted Funding levels indicate an opportunity to return dividends to campus members.

RECOMMENDATION: No action requested; this item is to provide information for the Board of Directors.

FISCAL IMPACT: Information only.

BACKGROUND: The Executive Committee reviews the funding status of the Campus risk pools at December 31 and at June 30 each year. It has been the Executive Committee’s practice to consider dividends and/or assessments upon a review of the risk pools funding status in light of the audited year-end financial statements. Historically, the Executive Committee has declared dividends amounting to one-half of the available funds that are in excess of the target reserve funding goal.

PUBLICATION: None

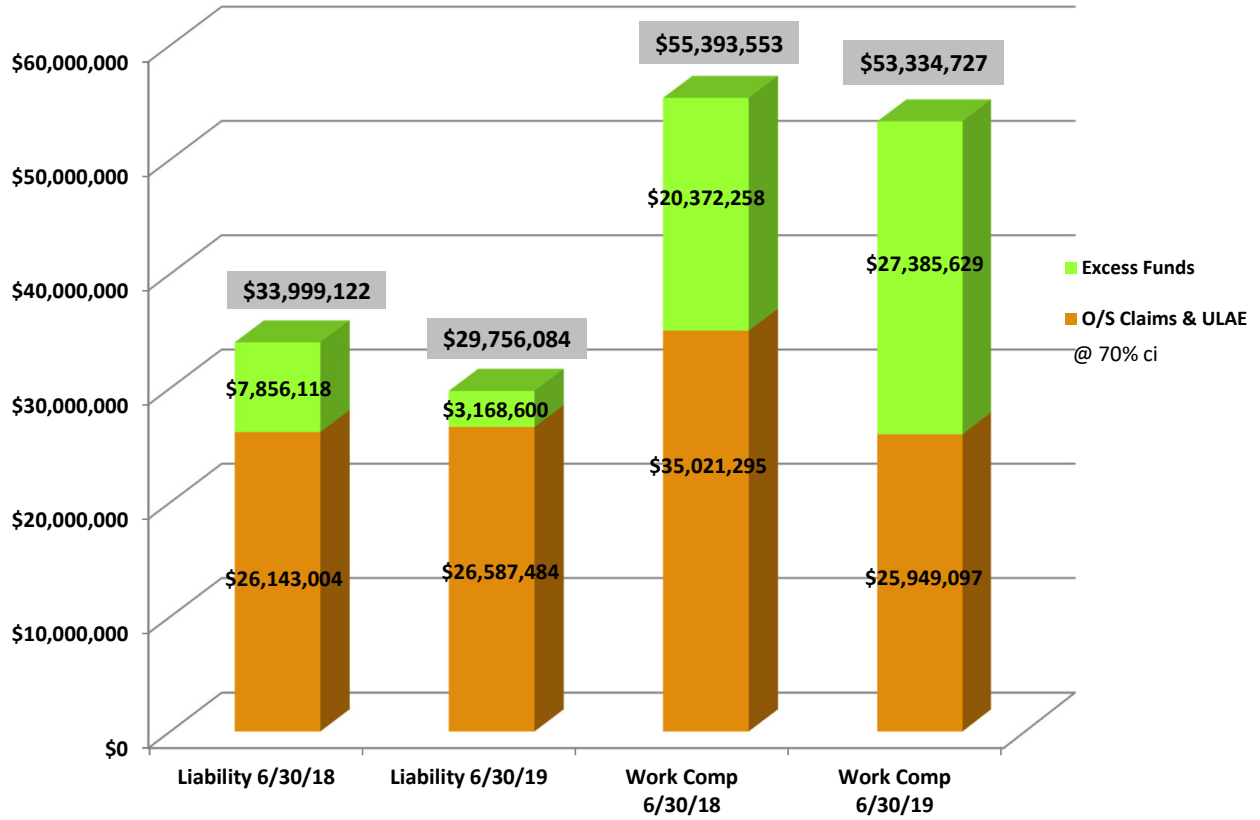
ATTACHMENT(S):

- a. Risk Pools Funding Status at 6/30/19 – *unaudited*
- b. Policy & Procedure No. 7 - Self-Insured Program Funding

Campus Risk Pools

Estimated Funding at FYE 2019

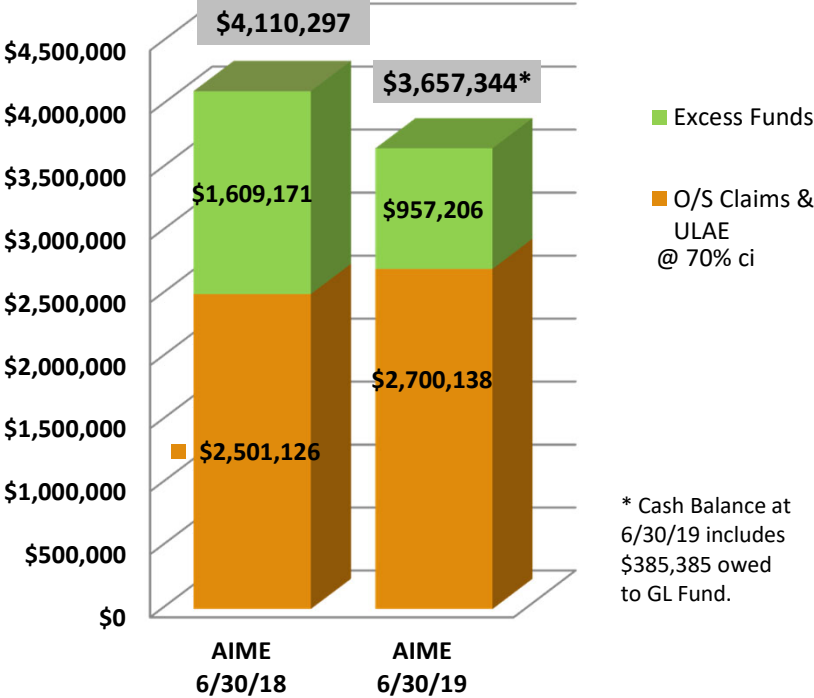
(undiscounted)



Athletic Injury Medical Expense

Estimated Funding at FYE 2019

(undiscounted)



* Cash Balance at 6/30/19 includes \$385,385 owed to GL Fund.



CSURMA

POLICY AND PROCEDURE NO. 7

EFFECTIVE: JANUARY 1, 2000
REVISED: APRIL 27, 2015
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. Adopted funding shall include 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.



CSURMA

POLICY AND PROCEDURE NO. 7

Staff shall make an annual report to the Board of Directors, detailing the self-insurance programs' funding status in accordance with this Policy & Procedure No. 7.

2019 CAMPUS DIVIDENDS AND 2018 CORRECTIONS

ISSUE: Funding in excess of the Target Funding levels indicate an opportunity to return dividends to campus members. Dividends declared by the Executive Committee are allocated to the campuses as a percentage of each campus' total five year deposit contribution in relation to the group's total deposit contribution for the same period. Last year's dividend distribution errantly reversed the allocation percentages for the Liability and Workers' Compensation funds. Although the total distribution was correct, the allocation among campuses should be corrected as some members received less than what they have earned, while others received more. Staff recommends the correction be applied to the 2019 dividend distribution by netting the differences (+/-) by campus as shown in the attachment.

RECOMMENDATION: No action requested; this item is to provide information for the Board of Directors.

FISCAL IMPACT: The total dividends paid in 2018 remain unchanged; only the amounts paid to campuses will be changed, thus there is no fiscal impact. The Executive Committee approved 2019 dividends totaling \$7,219,917 which were paid to campuses in October via Cash Posting Orders.

BACKGROUND: The Executive Committee reviews the funding status of the Campus risk pools at December 31 and at June 30 each year. It has been the Executive Committee's practice to consider dividends and/or assessments upon a review of the risk pools funding status in light of the audited year-end financial statements. Historically, the Executive Committee has declared dividends amounting to one-half of the available funds that are in excess of the target reserve funding goal.

PUBLICATION: None

ATTACHMENT(S):

- a. Target Surplus Funding at 6/30/19 - *unaudited*
- b. Proposed 2019 Dividend Distribution – *with correction for last year's misallocation*
- c. Policy & Procedure No. 13 - Campus Risk Pool Programs Target Reserve Funding Goal

Campus Liability Coverage Fund

Target Surplus Funding Analysis at \$5,000,000 SIR

Estimated at 6/30/19 (unaudited)

Gross Premium (FY 18/19):	\$15,308,368	<i>Liability only</i>
Maximum Retention:	\$5,000,000	<i>each Occurrence</i>
Est. Outstanding Liabilities @ 6/30/19	\$24,170,440	<i>Expected, ULAE, Undsct, Net of Deductibles</i>
Est. Outstanding Liabilities @ 6/30/19	\$26,587,484	<i>at 70% Confidence</i>
Est. Fund Balance @ 6/30/19	\$29,756,084	
Est. Funded Loss & ULAE @ 6/30/19	\$26,587,484	<i>at 70% Confidence</i>
Est. Funding above 70% Conf Level:	\$3,168,600	

Ratio	Target	Indicated Minimum Surplus	Projected Ratio
Premium to Surplus	< 3:1	\$5,102,789	0.51
Surplus to Retention	> 1:1	\$5,000,000	5.95
O/S Reserve to Surplus	≤ 5:1	\$4,834,088	0.81

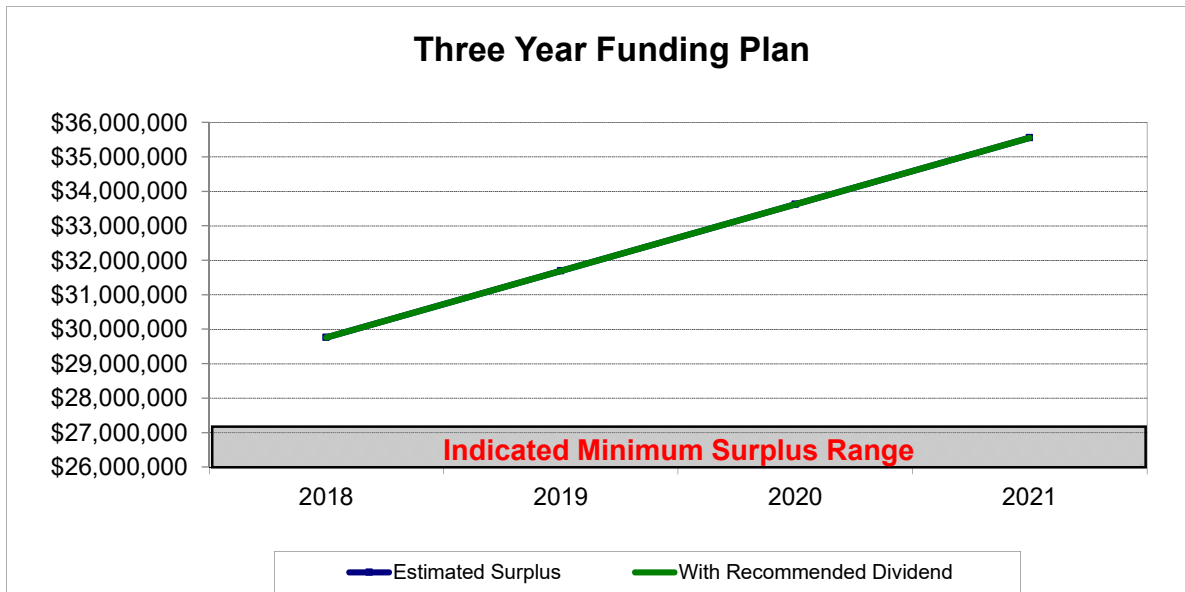
Maximum Dividend Available:	\$0
Recommended Dividend 50%:	\$0

2018/19 Pool Funding

Confidence Levels	Factor	Pool Premium	Surplus
Expected Losses & ULAE Liability	1.000	\$13,802,800	-
at 70% Actuarial Confidence	1.140	\$15,735,500	\$1,932,700

Three Year Funding Plan

	Amount Added to Reserves	Estimated Reserve Balance	Est Reserve Balance Net of Rec'd Dividend
Estimated Balance at 6/30/18	N/A	\$29,756,084	\$29,756,084
2018/19 - Collection @ 70% CL	\$1,932,700	\$31,688,784	\$31,688,784
2019/20 - Collection @ 70% CL	\$1,932,700	\$33,621,484	\$33,621,484
2020/21 - Collection @ 70% CL	\$1,932,700	\$35,554,184	\$35,554,184



Campus Workers' Compensation Coverage Fund
Target Surplus Funding Analysis at \$2,500,000 SIR
Estimated at 6/30/19 (unaudited)

Gross Premium (FY 18/19):	\$38,837,384
Maximum Retention:	\$2,500,000 <i>each Occurrence</i>
Est. Outstanding Liabilities @ 6/30/19	\$25,193,298 <i>Expected, ULAE, Undiscounted</i>
Est. Outstanding Liabilities @ 6/30/19	\$25,949,097 <i>at 70% Confidence</i>
Est. Fund Balance @ 6/30/19	\$53,334,727
Est. Funded Loss & ULAE @ 6/30/19	\$25,949,097 <i>at 70% Confidence</i>
Est. Funding above 70% Conf Level:	\$27,385,629

Ratio	Target	Indicated Minimum Surplus	Projected Ratio
Premium to Surplus	< 3:1	\$12,945,795	0.73
Surplus to Retention	> 2:1	\$5,000,000	21.33
O/S Reserve to Surplus	≤ 5:1	\$5,038,660	0.47

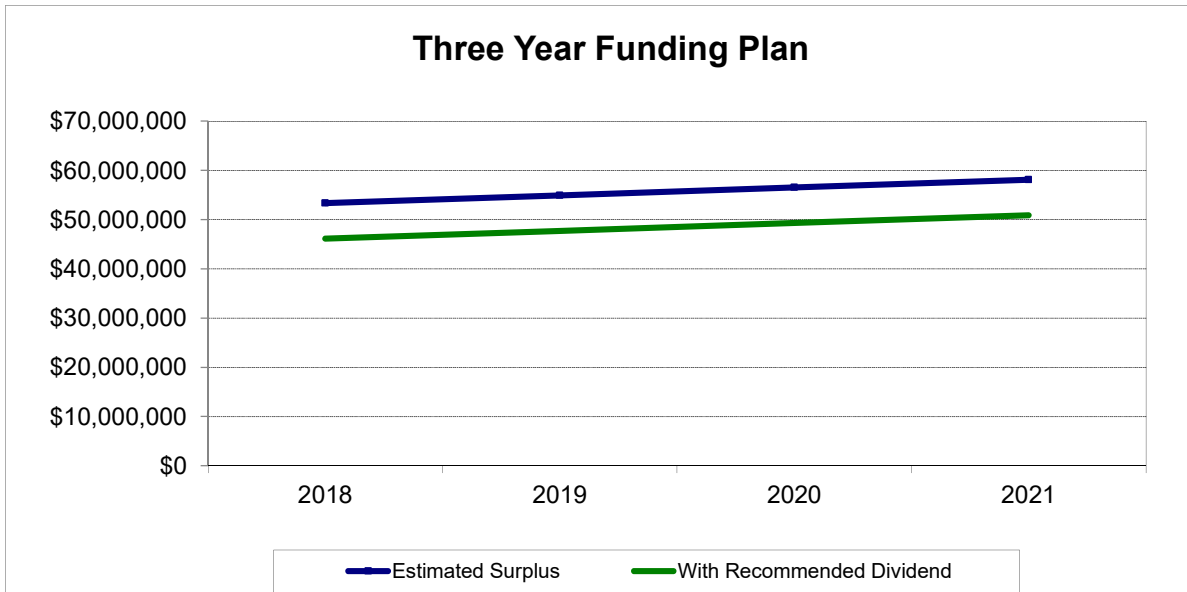
Maximum Dividend Available:	\$14,439,835
Recommended Dividend 50%:	\$7,219,917

2018/19 Pool Funding

Confidence Levels	Factor	Pool Premium	Surplus
Expected Losses & ULAE Liability	1.000	\$31,674,500	-
at 70% Actuarial Confidence	1.050	\$33,258,500	\$1,584,000

Three Year Funding Plan

	Amount Added to Reserves	Estimated Reserve Balance	Est Reserve Balance Net of Rec'd Dividend
Estimated Balance at 6/30/18	N/A	\$53,334,727	\$46,114,809
2018/19 - Collection @ 70% CL	\$1,584,000	\$54,918,727	\$47,698,809
2019/20 - Collection @ 70% CL	\$1,584,000	\$56,502,727	\$49,282,809
2020/21 - Collection @ 70% CL	\$1,584,000	\$58,086,727	\$50,866,809



Athletic Injury Medical Expense Coverage Fund

Target Surplus Funding Analysis at \$90,000 SIR

Estimated at 6/30/19 (unaudited)

Gross Premium (FY 18/19):	\$4,660,547
Maximum Retention:	\$90,000 <i>each Occurrence</i>
Est. Outstanding Liabilities @ 6/30/19	\$2,571,560 <i>Expected, ULAE, Undiscounted</i>
Est. Outstanding Liabilities @ 6/30/19	\$2,700,138 <i>at 70% Confidence</i>
Est. Fund Balance @ 6/30/19	\$3,657,344 <i>includes \$385,385 balance due on \$500,000 loan.</i>
Est. Funded Loss & ULAE @ 6/30/19	\$2,700,138 <i>at 70% Confidence</i>
Est. Funding above 70% Conf Level:	\$957,206

Ratio	Target	Indicated Minimum Surplus	Projected Ratio
Premium to Surplus	< 6:1	\$776,758	1.27
Surplus to Retention	> 5:1	\$450,000	40.64
O/S Reserve to Surplus	≤ 5:1	\$514,312	0.70

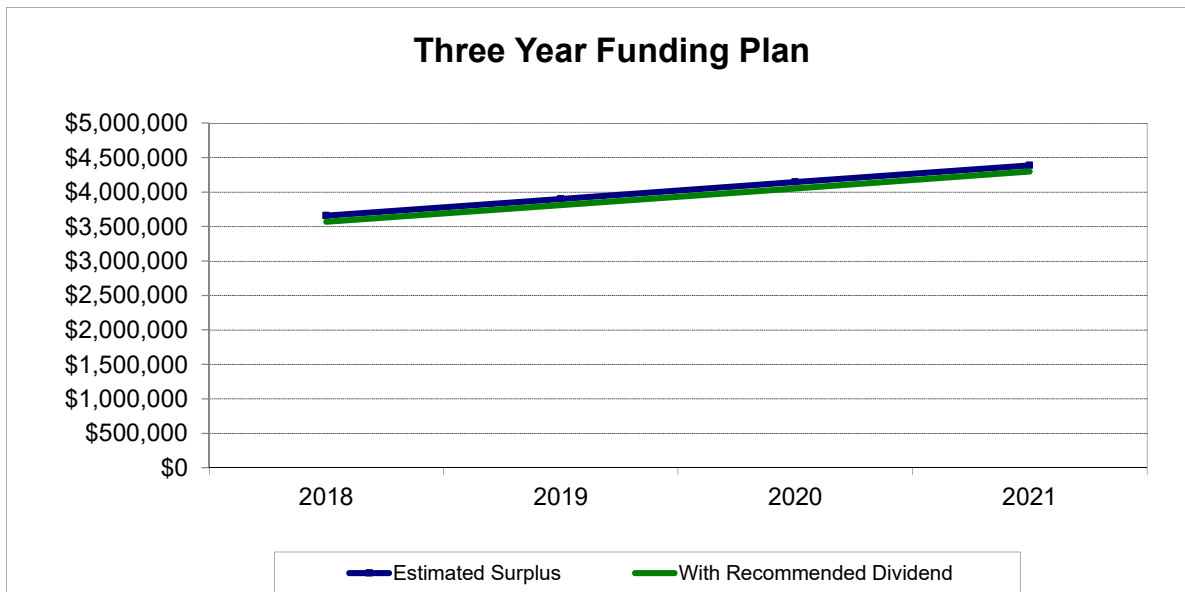
Maximum Dividend Available:	\$180,448
Recommended Dividend 50%:	\$90,224

2018/19 Pool Funding

Confidence Levels	Factor	Pool Premium	Surplus
Expected Losses & ULAE Liability	1.000	\$4,055,700	-
at 70% Actuarial Confidence	1.060	\$4,299,042	\$243,342

Three Year Funding Plan

	Amount Added to Reserves	Estimated Reserve Balance	Est Reserve Balance Net of Rec'd Dividend
Estimated Balance at 6/30/18	N/A	\$3,657,344	\$3,567,120
2018/19 - Collection @ 70% CL	\$243,342	\$3,900,686	\$3,810,462
2019/20 - Collection @ 70% CL	\$243,342	\$4,144,028	\$4,053,804
2020/21 - Collection @ 70% CL	\$243,342	\$4,387,370	\$4,297,146



Liability	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	5 Years FY 13-18	5 Years FY 14-19
Bakersfield	364,805	310,962	249,010	253,052	256,139	238,924	1,433,968	1,308,087
Channel Islands	328,652	378,619	380,863	395,355	518,623	322,943	2,002,112	1,996,403
Chico	487,576	417,769	471,840	586,897	685,604	713,145	2,649,686	2,875,255
Dominguez Hills	775,974	786,761	656,421	582,161	594,082	487,843	3,395,399	3,107,268
East Bay	378,121	533,670	664,359	616,564	547,545	451,784	2,740,259	2,813,922
Fresno	1,587,770	1,215,727	578,279	422,003	478,356	534,681	4,282,135	3,229,046
Fullerton	553,533	571,387	612,215	718,597	1,088,731	1,227,488	3,544,463	4,218,418
Humboldt	486,110	492,860	667,694	473,564	389,093	353,478	2,509,321	2,376,689
Long Beach	832,019	898,634	944,461	854,592	857,596	781,658	4,387,302	4,336,941
Los Angeles	345,777	377,708	430,157	572,292	855,882	1,227,374	2,581,816	3,463,413
Maritime Academy	147,284	178,359	197,129	228,161	222,407	173,592	973,340	999,648
Monterey Bay	354,511	226,955	229,050	214,057	204,416	226,524	1,228,989	1,101,002
Northridge	624,813	677,319	849,858	882,036	1,065,954	1,266,648	4,099,980	4,741,815
Pomona	601,781	700,741	460,720	635,469	672,465	590,867	3,071,176	3,060,262
Sacramento	781,922	572,563	677,609	690,332	820,709	757,460	3,543,135	3,518,673
San Bernardino	708,195	431,706	612,907	865,150	975,812	886,047	3,593,770	3,771,622
San Diego	613,503	642,467	493,947	574,083	619,322	696,135	2,943,322	3,025,954
San Francisco	551,985	615,717	592,703	550,435	875,661	1,342,458	3,186,501	3,976,974
San Jose	754,175	791,016	803,049	906,352	895,901	1,025,483	4,150,493	4,421,801
San Luis Obispo	377,009	607,355	703,411	724,461	821,065	672,200	3,233,301	3,528,492
San Marcos	344,410	368,362	371,865	401,904	419,992	423,641	1,906,533	1,985,764
Sonoma	534,989	400,327	350,411	433,010	830,764	980,952	2,549,501	2,995,464
Stanislaus	253,644	315,721	409,179	384,428	382,054	357,251	1,745,026	1,848,633
Chancellor's Office	299,893	329,593	392,925	542,350	629,284	434,572	2,194,045	2,328,724
Total	13,088,451	12,842,298	12,800,062	13,507,305	15,707,457	16,173,148	67,945,573	71,030,270

WC	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	5 Years FY 13-18	5 Years FY 14-19
Bakersfield	541,487	643,287	743,819	780,939	734,465	811,282	3,443,997	3,713,792
Channel Islands	636,413	706,473	745,186	727,419	702,091	755,243	3,517,582	3,636,412
Chico	1,167,653	1,321,996	1,358,833	1,328,110	1,229,320	1,298,121	6,405,912	6,536,380
Dominguez Hills	989,475	1,118,339	1,198,461	1,189,225	1,178,179	1,249,625	5,673,679	5,933,829
East Bay	1,319,044	1,562,771	1,830,035	1,912,297	1,802,027	1,837,628	8,426,174	8,944,758
Fresno	1,283,886	1,375,505	1,470,333	1,464,874	1,373,201	1,454,412	6,967,799	7,138,325
Fullerton	1,634,592	1,789,656	1,978,347	2,086,179	2,098,075	2,378,904	9,586,849	10,331,161
Humboldt	769,970	815,757	867,885	926,451	857,860	932,224	4,237,923	4,400,177
Long Beach	2,420,619	3,097,256	3,487,296	3,431,016	3,297,593	3,362,819	15,733,780	16,675,980
Los Angeles	1,874,294	2,095,824	2,478,627	2,447,688	2,419,144	2,637,717	11,315,577	12,079,000
Maritime Academy	171,759	169,214	182,440	189,579	187,586	221,231	900,578	950,050
Monterey Bay	530,868	614,793	669,471	688,711	641,241	681,454	3,145,084	3,295,670
Northridge	1,983,323	2,244,325	2,756,466	2,822,922	2,827,512	3,158,562	12,634,548	13,809,787
Pomona	1,934,464	2,250,555	2,518,139	2,685,042	2,513,850	2,490,233	11,902,050	12,457,819
Sacramento	1,388,168	1,539,314	1,607,260	1,597,645	1,500,000	1,557,550	7,632,387	7,801,769
San Bernardino	1,057,486	1,194,128	1,397,577	1,367,698	1,285,608	1,384,940	6,302,497	6,629,951
San Diego	2,100,021	2,288,056	3,125,916	3,015,178	2,793,751	2,935,608	13,322,922	14,158,509
San Francisco	2,175,855	2,407,806	2,545,888	2,445,638	2,325,557	2,689,598	11,900,744	12,414,487
San Jose	1,577,896	1,731,410	1,941,148	1,896,781	1,794,650	1,928,260	8,941,885	9,292,249
San Luis Obispo	1,666,991	1,777,283	2,036,977	1,989,729	1,992,203	2,176,620	9,463,183	9,972,812
San Marcos	466,781	541,205	637,213	682,328	743,163	756,145	3,070,690	3,360,054
Sonoma	605,672	738,931	804,138	849,191	819,708	897,045	3,817,640	4,109,013
Stanislaus	681,659	697,574	779,993	754,092	710,618	706,284	3,623,936	3,648,561
Chancellor's Office	470,557	474,701	583,538	544,483	510,219	535,879	2,583,498	2,648,820
Total	29,448,933	33,196,159	37,744,986	37,823,215	36,337,621	38,837,384	174,550,914	183,939,365

2018	Five Years Premium: FY 2013-18				Earned Dividend			5 Years			Diff Total
	GL	WC	GL %	WC %	GL	WC	Total	GL	WC	Total	
Bakersfield	1,433,968	3,443,997	2.11%	1.97%	23,796	71,965	95,761	76,976	22,247	99,223	(3,462)
Channel Islands	2,002,112	3,517,582	2.95%	2.02%	33,224	73,502	106,726	107,475	22,722	130,197	(23,471)
Chico	2,649,686	6,405,912	3.90%	3.67%	43,970	133,856	177,826	142,237	41,379	183,616	(5,790)
Dominguez Hills	3,395,399	5,673,679	5.00%	3.25%	56,345	118,556	174,901	182,267	36,649	218,916	(44,015)
East Bay	2,740,259	8,426,174	4.03%	4.83%	45,473	176,071	221,544	147,099	54,429	201,528	20,016
Fresno	4,282,135	6,967,799	6.30%	3.99%	71,060	145,597	216,657	229,868	45,009	274,877	(58,220)
Fullerton	3,544,463	9,586,849	5.22%	5.49%	58,818	200,324	259,142	190,269	61,927	252,196	6,946
Humboldt	2,509,321	4,237,923	3.69%	2.43%	41,641	88,554	130,195	134,702	27,375	162,077	(31,882)
Long Beach	4,387,302	15,733,780	6.46%	9.01%	72,804	328,770	401,574	235,514	101,634	337,148	64,426
Los Angeles	2,581,816	11,315,577	3.80%	6.48%	42,844	236,447	279,291	138,594	73,094	211,688	67,603
Maritime Academy	973,340	900,578	1.43%	0.52%	16,152	18,818	34,970	52,250	5,817	58,067	(23,097)
Monterey Bay	1,228,989	3,145,084	1.81%	1.80%	20,394	65,719	86,113	65,973	20,316	86,289	(176)
Northridge	4,099,980	12,634,548	6.03%	7.24%	68,037	264,008	332,045	220,090	81,613	301,703	30,342
Pomona	3,071,176	11,902,050	4.52%	6.82%	50,965	248,702	299,667	164,863	76,882	241,745	57,922
Sacramento	3,543,135	7,632,387	5.21%	4.37%	58,796	159,484	218,280	190,198	49,302	239,500	(21,220)
San Bernardino	3,593,770	6,302,497	5.29%	3.61%	59,637	131,695	191,332	192,916	40,711	233,627	(42,295)
San Diego	2,943,322	13,322,922	4.33%	7.63%	48,843	278,392	327,235	158,000	86,060	244,060	83,175
San Francisco	3,186,501	11,900,744	4.69%	6.82%	52,878	248,675	301,553	171,054	76,873	247,927	53,626
San Jose	4,150,493	8,941,885	6.11%	5.12%	68,875	186,847	255,722	222,801	57,761	280,562	(24,840)
San Luis Obispo	3,233,301	9,463,183	4.76%	5.42%	53,655	197,740	251,395	173,566	61,128	234,694	16,701
San Marcos	1,906,533	3,070,690	2.81%	1.76%	31,638	64,164	95,802	102,344	19,835	122,179	(26,377)
Sonoma	2,549,501	3,817,640	3.75%	2.19%	42,308	79,772	122,080	136,859	24,660	161,519	(39,439)
Stanislaus	1,745,026	3,623,936	2.57%	2.08%	28,958	75,725	104,683	93,674	23,409	117,083	(12,400)
Chancellor's Office	2,194,045	2,583,498	3.23%	1.48%	36,409	53,984	90,393	117,778	16,688	134,466	(44,073)
Total	\$67,945,573	\$174,550,914	100.00%	100.00%	\$1,127,520	\$3,647,367	\$4,774,887	\$3,647,367	\$1,127,520	\$4,774,887	\$0

9/7/18 EC **\$1,127,520** **\$3,647,367** **\$4,774,887**

2019	Five Years Premium: FY 2014-19				2019 Estimated Dividend			Correction for 2018	Net Dividend
	GL	WC	GL %	WC %	GL	WC	Total		
Bakersfield	1,308,087	3,713,792	1.84%	2.02%	0	145,772	145,772	(3,462)	142,310
Channel Islands	1,996,403	3,636,412	2.81%	1.98%	0	142,735	142,735	(23,471)	119,264
Chico	2,875,255	6,536,380	4.05%	3.55%	0	256,563	256,563	(5,790)	250,773
Dominguez Hills	3,107,268	5,933,829	4.37%	3.23%	0	232,912	232,912	(44,015)	188,897
East Bay	2,813,922	8,944,758	3.96%	4.86%	0	351,096	351,096	20,016	371,112
Fresno	3,229,046	7,138,325	4.55%	3.88%	0	280,191	280,191	(58,220)	221,971
Fullerton	4,218,418	10,331,161	5.94%	5.62%	0	405,515	405,515	6,946	412,461
Humboldt	2,376,689	4,400,177	3.35%	2.39%	0	172,714	172,714	(31,882)	140,832
Long Beach	4,336,941	16,675,980	6.11%	9.07%	0	654,559	654,559	64,426	718,985
Los Angeles	3,463,413	12,079,000	4.88%	6.57%	0	474,120	474,120	67,603	541,723
Maritime Academy	999,648	950,050	1.41%	0.52%	0	37,291	37,291	(23,097)	14,194
Monterey Bay	1,101,002	3,295,670	1.55%	1.79%	0	129,360	129,360	(176)	129,184
Northridge	4,741,815	13,809,787	6.68%	7.51%	0	542,056	542,056	30,342	572,398
Pomona	3,060,262	12,457,819	4.31%	6.77%	0	488,990	488,990	57,922	546,912
Sacramento	3,518,673	7,801,769	4.95%	4.24%	0	306,232	306,232	(21,220)	285,012
San Bernardino	3,771,622	6,629,951	5.31%	3.60%	0	260,236	260,236	(42,295)	217,941
San Diego	3,025,954	14,158,509	4.26%	7.70%	0	555,744	555,744	83,175	638,919
San Francisco	3,976,974	12,414,487	5.60%	6.75%	0	487,289	487,289	53,626	540,915
San Jose	4,421,801	9,292,249	6.23%	5.05%	0	364,736	364,736	(24,840)	339,896
San Luis Obispo	3,528,492	9,972,812	4.97%	5.42%	0	391,449	391,449	16,701	408,150
San Marcos	1,985,764	3,360,054	2.80%	1.83%	0	131,888	131,888	(26,377)	105,511
Sonoma	2,995,464	4,109,013	4.22%	2.23%	0	161,285	161,285	(39,439)	121,846
Stanislaus	1,848,633	3,648,561	2.60%	1.98%	0	143,212	143,212	(12,400)	130,812
Chancellor's Office	2,328,724	2,648,820	3.28%	1.44%	0	103,970	103,970	(44,073)	59,897
Total	\$71,030,270	\$183,939,365	100.00%	100.00%	\$0	\$7,219,917	\$7,219,917	\$0	\$7,219,917

Estimated **\$0** **\$7,219,917** **\$7,219,917**



CSURMA

POLICY AND PROCEDURE NO. 13

ADOPTED: OCTOBER 28, 2011

EFFECTIVE: OCTOBER 28, 2011

REVISED: APRIL 27, 2015

SUBJECT: CAMPUS RISK POOL PROGRAMS TARGET
RESERVE FUNDING GOAL

In an effort to assure the long term financial strength of the Campus Risk Pool Programs that include an element of self-insurance, the CSURMA Board of Directors desires to fund the Programs in a responsible manner. Furthermore, in recognition that there is a high degree of uncertainty in actuarial estimates due to the possibility of occasional catastrophic claims and inconsistent or inaccurate case reserving, the Board of Directors desires to establish a Target Reserve Funding Goal that will guide the CSURMA Executive Committee in making annual funding decisions for the Programs.

Should there be any discrepancy between this document and either the MEMORANDUMS OF COVERAGE or PARTICIPATION AGREEMENTS between the Executive Committee and the MEMBER, the MEMORANDUMS OF COVERAGE and the PARTICIPATION AGREEMENTS will govern.

POLICY

The Target Reserve Goal is hereby established to be, at a minimum, the actuarially determined expected liability (approximately 55% confidence level), discounted for investment. In evaluating the Programs’ funding position relative to the Target Reserve Funding Goal as a part of each year's ratemaking process, the Committee shall take into consideration the following ratios: Gross Premium to Unencumbered Reserve Ratio, Unencumbered Reserve to Pool Retention Ratio and Outstanding Reserves to Unencumbered Reserve Ratio.

The Committee may take action to set higher or lower confidence levels based on CSURMA’s goals to retain more or less risk. The Target Reserve Goal and Target Unencumbered Reserve Ratios described in this policy have been selected to take into account the nature of the Campus Risk Pool programs that include a relatively large and stable exposure and a single covered entity with substantial financial capacity.

PROCEDURE

- 1. Annual Actuarial Study** - Each year the Program Director will engage CSURMA’s accredited independent actuary to perform an actuarial analysis of the Workers’ Compensation, AIME and Liability Programs. This analysis shall include estimates of the outstanding losses (including IBNR) at various confidence levels as well as estimates of ultimate losses for the upcoming year(s). The analysis shall also compare the current

program funding against the outstanding liabilities and determine the confidence level to which the program is currently funded. Because the Property, SAFECLIP, SPLIP and Crime

Programs have an annual aggregate retention, an actuarial analysis may not be performed. Also, no actuarial study is required for the IDL/NDL/UI Program as that program covers very short tail statutory benefits.

- 2. Calculation of Industry Ratios** - The Program Administrator Director will also calculate certain insurance industry ratios to help analyze the Program's current financial position as follows:

Gross Premium to Unencumbered Reserve Ratio: Target <3:1

This ratio is a measure of how the unencumbered reserves are leveraged against possible pricing inaccuracies. A low ratio is desirable.

**Unencumbered Reserve to Pool Retention Ratio: Target >1:1 (LIABILITY)
Target >2:1 (WORKERS' COMP)**

This ratio is a measure of the maximum amount that unencumbered reserves could decline due to a single loss. A high ratio is desirable.

Outstanding Reserves to Unencumbered Reserve Ratio: Target ≤ 5:1

This ratio is a measure of how unencumbered reserves are leveraged against possible reserve inaccuracies. A low ratio is desirable.

- 3. Application of Target Surplus Criteria** – After an annual review of the Target Unencumbered Reserve Ratios, the Executive Committee will determine whether it is desirable to increase, decrease, or stabilize reserves. Their recommendations will be forwarded to the Board of Directors. If the Board of Directors desires to decrease reserves, it may approve a funding level below the 55% confidence level. Conversely, a funding decision above the 55% confidence level will indicate a bias toward increasing reserves. A determination to fund at the 55% confidence level will reflect the Executive Committee's desire to keep surplus at the current level.

Because the Property, SAFECLIP, SPLIP and Crime Programs have annual aggregate retentions, and therefore no actuarial study is performed, the Target Reserve Funding shall be the amount of funds that exceed the maximum liability retained by the program for the upcoming program year plus the expected value for all open claims from current and prior years. The Executive Committee will approve the annual funding for each program.

The Program Target Reserve Funding and Dividend Calculation Report will be prepared for each self-funded program and presented to the Executive Committee after the end of each fiscal year.

4. **Dividends** – Dividends may be available from the amount of reserves exceeding the Target Reserve amount established by the Executive Committee. The allocation of any dividend shall be pursuant to the formula approved by the Executive Committee.

5. **Assessments** – Assessments may be required when the Executive Committee determines that the amount of reserves is not sufficient and can best be remedied by an extraordinary assessment. The allocation of any assessment shall be pursuant to the formula approved by the Executive Committee.

MEMBER APPEAL PROCESS

If a MEMBER wishes to appeal any decision regarding the application of the Target Surplus Policy, the MEMBER must present an appeal in writing to the CSURMA Secretary within 30 days of the disputed decision. The Secretary shall place the Member’s appeal on the Executive Committee’s agenda at its next regularly scheduled meeting. The Executive Committee will review the appeal and inform the Member of the final decision within 5 business days of the final decision.

If a Member wishes to appeal the Executive Committee’s decision, the Member will notify the CSURMA Secretary in writing within 5 business days of receipt of the Executive Committee’s decision. The CSURMA Executive Committee will then review the appeal at its next meeting or sooner. The CSURMA Executive Committee’s decision will be the final determination.

DEFINITIONS:

CSURMA EXECUTIVE COMMITTEE – The California State University Risk Management Authority Executive Committee, a committee of the CSURMA providing management and oversight to the CSURMA. The Executive Committee is comprised of the Chair, the Vice Chair, and seven “At Large” members.

CSURMA - The California State University Risk Management Authority, a California Joint Powers Authority, comprised of the California State University and its Auxiliary Organizations.

GROSS PREMIUM - Includes pool premium and reinsurance/excess insurance premium but does not include administrative costs.

IBNR – Incurred but Not Reported losses

OUTSTANDING RESERVES - The sum total of unpaid case reserves in the pool layer as determined by the various claims examiners.

POOL RETENTION - The maximum amount of exposure to a single loss retained by the pool over the most recent 5 years.

SURPLUS - The amount of cash equivalent available to pay claims in excess of actuarial expected losses discounted for investment income.

CONFIDENCE LEVEL: A confidence level is the statistical certainty that an actuary believes funding will be sufficient. For example, an 80% confidence level means that the actuary believes funding will be sufficient in eight years out of ten.

FY 2020/21 RATES AND GROSS FUNDING
CAMPUS COVERAGE PROGRAMS

ISSUE: Upon the recommendation of the Executive Committee, the Board of Directors adopts rates and funding for the upcoming fiscal year at its Fall meeting. Staff has prepared FY 2020/21 funding recommendations for the Campus coverage programs using the draft actuarial reports completed August 2019.

Campus Liability include premium deposits for the Student Professional Liability Insurance Program (*SPLIP*), Student Academic Field Experience for Credit Liability Insurance Program (*SAFECLIP*) and the new Club Liability Insurance Program (*CLIP*). Campus Property include premium deposits for Blanket Employee Fidelity, Cyber Risk, Fine Arts Artifacts & Archives (*FAAAP*), and earthquake insurance. Automobile Liability is self-insured by the State Motor Vehicle Insurance Account (*MVIA*), whose cost is determined by the Office of Risk and Insurance Management (*ORIM*). The costs for the purchased insurance programs (*SPLIP*, *SAFECLIP*, *Property*, *Fidelity*, and *Cyber*) are estimates at this time since actual rates will not be known until negotiations are finalized in June 2020.

The following summarizes total program costs, with individual campus costs shown in the attachments to this item:

Campus Coverage Programs
FY 2020/21 Proposed Gross Funding

Coverage Program	FY 19/20 Approved	FY 20/21 Proposed	\$ Chg	% Chg
Liability	\$18,605,268	\$23,335,193	\$4,729,925	25.4%
Workers' Compensation	40,781,992	40,946,923	164,931	0.4%
IDL/NDI/UI	16,800,000	17,304,000	504,000	3.0%
Property	11,381,659	13,962,468	2,580,809	22.7%
AIME	4,760,949	4,965,335	204,386	4.3%
Automobile Liability	1,408,547	1,055,497	(353,050)	-25.1%
Total	\$93,738,415	\$101,569,416	\$7,831,001	8.4%
Liability funding is undiscounted for anticipated investment income.				
Workers' Compensation is discounted for anticipated investment income.				
AIME Committee approved gross funding; cost per campus to be approved at a future AIME meeting.				

RECOMMENDATION: The Executive Committee recommends to the Board of Directors adoption of the Campus coverage programs funding for FY 2020/21 as presented above. The Executive Committee's recent practice has been to recommend funding of the Liability program at rates undiscounted for anticipated investment income, and funding of the Workers' Compensation program at discounted rates, with authority delegated by the Board of Directors for the Executive Committee to finalize funding on either a discounted or undiscounted basis when it meets in the spring.

FISCAL IMPACT: Calculations of the recommended funding for the Campus coverage programs are in accordance with the policies and procedures and rating plans adopted and approved by the Board of Directors.

BACKGROUND: CSURMA employs an independent actuary, Aon Risk Consultants, to project claim costs for its General / Errors & Omissions Liability, Workers' Compensation and Athletic Injury Medical Expense programs. The actuary's reports dated August 2019 were used to calculate funding proposals for FY 2020/21.

The Board is asked to focus on the aggregate program funding issues at this time. Campuses should contact Rob Leong (415-403-1441) for any specific questions as to how their cost was calculated. Total funding for AIME has been approved by the AIME Committee; final cost per campus to be approved at a future AIME meeting.

PUBLICATION: None.

ATTACHMENT(S):

- a. FY 2020/21 Campus Coverage Programs Proposed Funding (*Draft*)
- b. Policy & Procedure No.7 – Self-Insured Program Funding

CSURMA RISK POOL FY 2020/21
Total Program Cost

<i>Campus</i>	<i>Adopted FY 19/20</i>	<i>Proposed FY 20/21</i>	<i>\$ Chg</i>	<i>% Chg</i>
Bakersfield	\$1,750,255	\$1,860,075	\$109,820	6.3%
Channel Islands	1,981,612	2,053,352	71,740	3.6%
Chico	3,139,882	3,350,775	210,893	6.7%
Dominguez Hills	3,075,057	3,757,572	682,515	22.2%
East Bay	3,408,842	3,345,819	(63,023)	-1.8%
Fresno	3,862,021	4,311,329	449,308	11.6%
Fullerton	6,081,516	6,761,301	679,785	11.2%
Humboldt	2,479,343	2,475,672	(3,671)	-0.1%
Long Beach	6,167,535	6,981,166	813,631	13.2%
Los Angeles	5,780,532	6,333,978	553,446	9.6%
Maritime Academy	692,181	804,287	112,106	16.2%
Monterey Bay	1,784,246	1,758,656	(25,590)	-1.4%
Northridge	7,701,478	8,022,328	320,850	4.2%
Pomona	4,534,860	4,795,516	260,656	5.7%
Sacramento	4,819,948	5,167,867	347,919	7.2%
San Bernardino	3,819,110	4,511,700	692,590	18.1%
San Diego	5,984,051	5,560,052	(423,999)	-7.1%
San Francisco	7,182,803	8,299,904	1,117,101	15.6%
San Jose	5,907,224	6,699,087	791,863	13.4%
San Luis Obispo	5,178,629	5,563,822	385,193	7.4%
San Marcos	2,175,508	2,438,660	263,152	12.1%
Sonoma	3,272,219	3,682,644	410,425	12.5%
Stanislaus	1,772,681	1,740,251	(32,430)	-1.8%
Chancellor's Office	1,186,882	1,293,603	106,721	9.0%
Total:	\$93,738,415	\$101,569,416	\$7,831,001	8.4%

**CSURMA RISK POOL FY 2020/21
Liability Program Cost**

<i>Campus</i>	<i>Adopted FY 19/20 undiscounted</i>	<i>Proposed FY 20/21 undiscounted</i>	<i>\$ Chg</i>	<i>% Chg</i>
Bakersfield	\$276,379	\$319,862	\$43,483	15.7%
Channel Islands	359,342	413,499	54,157	15.1%
Chico	736,170	799,693	63,523	8.6%
Dominguez Hills	536,862	918,316	381,454	71.1%
East Bay	424,188	409,480	(14,708)	-3.5%
Fresno	586,448	873,932	287,484	49.0%
Fullerton	1,688,230	2,076,858	388,628	23.0%
Humboldt	403,976	363,755	(40,221)	-10.0%
Long Beach	651,685	823,018	171,333	26.3%
Los Angeles	1,493,288	1,954,476	461,188	30.9%
Maritime Academy	163,690	192,528	28,838	17.6%
Monterey Bay	300,423	334,440	34,017	11.3%
Northridge	1,337,318	1,426,765	89,447	6.7%
Pomona	625,529	733,347	107,818	17.2%
Sacramento	811,193	770,597	(40,596)	-5.0%
San Bernardino	1,113,334	1,451,704	338,370	30.4%
San Diego	723,084	881,765	158,681	21.9%
San Francisco	2,147,255	3,041,462	894,207	41.6%
San Jose	1,084,313	1,474,472	390,159	36.0%
San Luis Obispo	675,923	1,036,738	360,815	53.4%
San Marcos	447,177	614,158	166,981	37.3%
Sonoma	1,182,073	1,510,991	328,918	27.8%
Stanislaus	372,722	341,018	(31,704)	-8.5%
Chancellor's Office	464,666	572,319	107,653	23.2%
Total:	\$18,605,268	\$23,335,193	\$4,729,925	25.4%

SPLIP, SAFECLIP included in above.

Club Liability Insurance Program (CLIP) began 7/1/18. Funding begins FY 19/20.

**CSURMA RISK POOL FY 2020/21
Workers' Compensation Program Cost**

<i>Campus</i>	<i>Adopted FY 19/20 discounted</i>	<i>Proposed FY 20/21 discounted</i>	<i>\$ Chg</i>	<i>% Chg</i>
Bakersfield	\$805,407	\$803,913	(\$1,494)	-0.2%
Channel Islands	864,316	832,294	(32,022)	-3.7%
Chico	1,370,715	1,393,776	23,061	1.7%
Dominguez Hills	1,397,399	1,580,445	183,046	13.1%
East Bay	1,789,708	1,655,627	(134,081)	-7.5%
Fresno	1,593,721	1,649,147	55,426	3.5%
Fullerton	2,506,200	2,529,218	23,018	0.9%
Humboldt	1,029,524	1,021,345	(8,179)	-0.8%
Long Beach	3,164,813	3,437,719	272,906	8.6%
Los Angeles	2,724,279	2,613,661	(110,618)	-4.1%
Maritime Academy	274,573	331,040	56,467	20.6%
Monterey Bay	680,731	659,205	(21,526)	-3.2%
Northridge	3,526,073	3,375,323	(150,750)	-4.3%
Pomona	2,538,962	2,458,170	(80,792)	-3.2%
Sacramento	1,780,785	1,897,974	117,189	6.6%
San Bernardino	1,527,120	1,789,168	262,048	17.2%
San Diego	2,969,935	2,420,364	(549,571)	-18.5%
San Francisco	2,799,396	2,926,250	126,854	4.5%
San Jose	2,024,177	2,027,651	3,474	0.2%
San Luis Obispo	2,344,388	2,341,928	(2,460)	-0.1%
San Marcos	807,441	862,315	54,874	6.8%
Sonoma	915,510	954,428	38,918	4.3%
Stanislaus	761,118	807,889	46,771	6.1%
Chancellor's Office	585,701	578,073	(7,628)	-1.3%
Total:	\$40,781,992	\$40,946,923	\$164,931	0.4%

**CSURMA RISK POOL FY 2020/21
IDL/NDI/UI Program Cost**

<i>Campus</i>	<i>Adjusted FY 19/20</i>	<i>Adjusted FY 20/21</i>	<i>\$ Chg</i>	<i>% Chg</i>
Bakersfield	\$226,497	\$215,608	(\$10,889)	-4.8%
Channel Islands	467,004	479,273	12,269	2.6%
Chico	488,081	536,429	48,348	9.9%
Dominguez Hills	559,666	618,627	58,961	10.5%
East Bay	706,781	721,723	14,942	2.1%
Fresno	540,434	569,741	29,307	5.4%
Fullerton	1,024,926	1,084,397	59,471	5.8%
Humboldt	613,125	624,687	11,562	1.9%
Long Beach	1,307,257	1,367,417	60,160	4.6%
Los Angeles	842,975	904,160	61,185	7.3%
Maritime Academy	161,588	177,469	15,881	9.8%
Monterey Bay	427,376	439,300	11,924	2.8%
Northridge	1,561,741	1,724,034	162,293	10.4%
Pomona	711,662	722,209	10,547	1.5%
Sacramento	828,756	882,117	53,361	6.4%
San Bernardino	678,925	652,973	(25,952)	-3.8%
San Diego	774,146	739,014	(35,132)	-4.5%
San Francisco	1,177,200	1,130,209	(46,991)	-4.0%
San Jose	1,191,448	1,199,780	8,332	0.7%
San Luis Obispo	960,275	978,964	18,689	1.9%
San Marcos	502,219	535,738	33,519	6.7%
Sonoma	625,548	594,933	(30,615)	-4.9%
Stanislaus	330,086	314,620	(15,466)	-4.7%
Chancellor's Office	92,284	90,578	(1,706)	-1.8%
Total:	\$16,800,000	\$17,304,000	\$504,000	3.0%

Industrial Disability Leave, Nonindustrial Disability Insurance, Unemployment Insurance

**CSURMA RISK POOL FY 2020/21
Property Program Cost**

<i>Campus</i>	<i>Adjusted FY 19/20</i>	<i>Adjusted FY 20/21</i>	<i>\$ Chg</i>	<i>% Chg</i>
Bakersfield	\$182,743	\$202,095	\$19,352	10.6%
Channel Islands	240,506	291,457	50,951	21.2%
Chico	449,504	541,491	91,987	20.5%
Dominguez Hills	225,404	265,548	40,144	17.8%
East Bay	398,962	479,787	80,825	20.3%
Fresno	503,710	608,703	104,993	20.8%
Fullerton	626,684	759,131	132,447	21.1%
Humboldt	321,065	387,978	66,913	20.8%
Long Beach	718,593	921,630	203,037	28.3%
Los Angeles	587,412	754,504	167,092	28.4%
Maritime Academy	58,176	75,124	16,948	29.1%
Monterey Bay	201,029	206,250	5,221	2.6%
Northridge	867,317	1,044,770	177,453	20.5%
Pomona	534,459	763,946	229,487	42.9%
Sacramento	612,504	767,003	154,499	25.2%
San Bernardino	390,403	531,000	140,597	36.0%
San Diego	908,723	1,028,065	119,342	13.1%
San Francisco	937,703	1,107,964	170,261	18.2%
San Jose	1,092,660	1,409,570	316,910	29.0%
San Luis Obispo	607,945	708,886	100,941	16.6%
San Marcos	264,526	319,954	55,428	21.0%
Sonoma	415,694	528,626	112,932	27.2%
Stanislaus	192,260	206,758	14,498	7.5%
Chancellor's Office	43,677	52,228	8,551	19.6%
Total:	\$11,381,659	\$13,962,468	\$2,580,809	22.7%

Beginning FY 17/18, SPWB facilities are campus responsibility as the "Systemwide" central fund has been dissolved.

Does not include adjustments due to addition/deletions of buildings.

Includes Crime (Fidelity), Cyber Risks. Fine Arts

CSURMA RISK POOL FY 2020/21
Athletic Injury Medical Expense Program Cost
(AIME)

<i>Campus</i>	<i>Adopted FY 19/20</i>	<i>Proposed FY 20/21</i>	<i>\$ Chg</i>	<i>% Chg</i>
Bakersfield	\$210,171	\$289,660	\$79,489	37.8%
Channel Islands				
Chico	45,245	42,962	(2,283)	-5.0%
Dominguez Hills	319,418	348,127	28,709	9.0%
East Bay	51,232	51,277	45	0.1%
Fresno	511,876	517,531	5,655	1.1%
Fullerton	162,305	257,668	95,363	58.8%
Humboldt	66,198	53,017	(13,181)	-19.9%
Long Beach	237,326	362,580	125,254	52.8%
Los Angeles	92,666	73,586	(19,080)	-20.6%
Maritime Academy	21,404	21,448	44	0.2%
Monterey Bay	147,525	96,797	(50,728)	-34.4%
Northridge	340,292	393,157	52,865	15.5%
Pomona	49,414	60,172	10,758	21.8%
Sacramento	713,816	796,754	82,938	11.6%
San Bernardino	41,700	40,110	(1,590)	-3.8%
San Diego	531,111	433,172	(97,939)	-18.4%
San Francisco	87,435	55,166	(32,269)	-36.9%
San Jose	442,563	534,394	91,831	20.7%
San Luis Obispo	424,078	374,069	(50,009)	-11.8%
San Marcos	107,581	67,238	(40,343)	-37.5%
Sonoma	79,901	53,802	(26,099)	-32.7%
Stanislaus	77,692	42,648	(35,044)	-45.1%
Chancellor's Office				
Total:	\$4,760,949	\$4,965,335	\$204,386	4.3%

**CSURMA RISK POOL FY 2020/21
Auto Liability (VELSIP) Program Cost**

<i>Campus</i>	<i>Adopted FY 19/20</i>	<i>Proposed FY 20/21</i>	<i>\$ Chg</i>	<i>% Chg</i>
Bakersfield	\$49,058	\$28,937	(\$20,121)	-41.0%
Channel Islands	50,444	36,829	(13,615)	-27.0%
Chico	50,167	36,424	(13,743)	-27.4%
Dominguez Hills	36,308	26,509	(9,799)	-27.0%
East Bay	37,971	27,925	(10,046)	-26.5%
Fresno	125,832	92,275	(33,557)	-26.7%
Fullerton	73,171	54,029	(19,142)	-26.2%
Humboldt	45,455	24,890	(20,565)	-45.2%
Long Beach	87,861	68,802	(19,059)	-21.7%
Los Angeles	39,912	33,591	(6,321)	-15.8%
Maritime Academy	12,750	6,678	(6,072)	-47.6%
Monterey Bay	27,162	22,664	(4,498)	-16.6%
Northridge	68,737	58,279	(10,458)	-15.2%
Pomona	74,834	57,672	(17,162)	-22.9%
Sacramento	72,894	53,422	(19,472)	-26.7%
San Bernardino	67,628	46,745	(20,883)	-30.9%
San Diego	77,052	57,672	(19,380)	-25.2%
San Francisco	33,814	38,853	5,039	14.9%
San Jose	72,063	53,220	(18,843)	-26.1%
San Luis Obispo	166,020	123,237	(42,783)	-25.8%
San Marcos	46,564	39,257	(7,307)	-15.7%
Sonoma	53,493	39,864	(13,629)	-25.5%
Stanislaus	38,803	27,318	(11,485)	-29.6%
Chancellor's Office	554	405	(149)	-26.9%
Total:	\$1,408,547	\$1,055,497	(\$353,050)	-25.1%

Allocated per reported Fleet count submitted to Chancellor's Office and DGS.

Auto Liability is managed by the State Vehicle Liability Self-Insurance Program (VELSIP), which which also determines the program's total cost each year.



CSURMA

POLICY AND PROCEDURE NO. 7

EFFECTIVE: JANUARY 1, 2000
REVISED: APRIL 27, 2015
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. Adopted funding shall include 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.



CSURMA

POLICY AND PROCEDURE NO. 7

Staff shall make an annual report to the Board of Directors, detailing the self-insurance programs' funding status in accordance with this Policy & Procedure No. 7.

**POLICY AND PROCEDURE NO. 20 - OWNER CONTROLLED
INSURANCE PROGRAM**

ISSUE: CSURMA agreed to pay insurance premiums for campus construction projects that are enrolled in the Owner-Controlled Insurance Program (*OCIP*) managed by Capital Planning Design & Construction (*CPDC*). Previously, *OCIP* premiums were paid by campus projects. The change in procedure enables construction projects to realize savings expected to be derived by *OCIP*. The change also serve to facilitate premium payments, including project audits and premium adjustments. *OCIP* premiums paid by CSURMA are to be reimbursed by the projects via *CPDC*. The new procedures are to begin with *OCIP 2*. *CPDC*, the *OCIP* broker, and CSURMA staff met on August 22, 2019 to iron out details for Policy and Procedure No. 20, which serves to memorialize the understanding and responsibilities of *CPDC* and CSURMA.

RECOMMENDATION: The Executive Committee reviewed and approved amendments to Policy and Procedure No. 20 and recommends the Board to adopt the amendments as presented.

FISCAL IMPACT: The proposed amendments impact on CSURMA's operating budget in regards to cash flow, but does not impact CSURMA's actual operating costs since direct costs for *OCIP* premiums are reimbursed by the projects. The proposed timeline for reimbursements is at the project's midpoint during construction and at project completion.

BACKGROUND: CSURMA established *OCIP* to insure the University's construction activities. *OCIP* provides General Liability and Workers' Compensation insurance for capital projects with construction values of \$10,000,000 and more. *OCIP* is supplemented by other insurance, namely Contractors Pollution Liability (*CPL*) and Owner's Protective Professional Indemnity (*OPPI*). Separately, *BRIP* insures direct damage to CSU's major capital outlay projects, typically projects with \$650,000 and more in construction values. The Executive Committee approved amendments to P&P No. 24 (*BRIP*) at its April 25, 2018 meeting, and formed a task group to review and edit P&P No. 20 (*OCIP*).

ATTACHMENT(S):

- a. Draft Policy & Procedure No. 20



CSURMA

POLICY AND PROCEDURE NO. 20

ADOPTED: September 13, 2013

AMENDED: November 6, 2013
December 5, 2014 (OCIP I Extension)
April 25, 2018 (OCIP II)

EFFECTIVE: January 1, 2012 (OCIP I)
December 31, 2014 (OCIP I Extension)
January 31, 2018 (OCIP II)
August 20, 2019 (OCIP IIb)

SUBJECT: Owner Controlled Insurance Program

PURPOSE:

CSURMA launched the Owner Controlled Insurance Program (OCIP) to realize a cost savings, improve coverage, and efficiently administer General Liability, Completed Operations Liability, Property, and Workers' Compensation coverage for all contractors performing construction work on CSU's construction projects over \$10M as established by the CSU Chancellor's Office Capital Planning, Design and Construction Office (CPDC). Additionally, CSURMA purchased insurance covering Contractor's Pollution Liability (CPL) and Owner's Protective Professional Indemnity (OPPI) to supplement OCIP. Separately, CSURMA maintains a Builder's Risk Insurance Program (BRIP), which is addressed in Policy & Procedure No. 24. The purpose of this Policy and Procedure No. 20 is to describe the operation of the program and provide a process for CSURMA and CPDC to collaborate on administering the program efficiently and effectively.

POLICY:

It is the policy of CSURMA that the Program Administrator, Chancellor's Office Accounting Department (Accounting) and Systemwide Office of Risk Management will collaborate with CPDC to administer the OCIP as described in this Policy and Procedure.

PROCEDURE:

PART A: CSURMA OCIP II

Section I: General Procedures

1. CSURMA shall pay the insurance premiums and deductible collateral up front to the Program Administrator, and added premiums through audit; i.e., the quarterly report of projects enrolled during the quarter. CSURMA will recover the advanced monies from Campus Projects on a project-by-project basis, as described herein.
2. The insurance premiums shall include the costs for Contractor's Pollution Liability (CPL) and Owner's Protective Professional Indemnity (OPPI). CSURMA shall pay the insurance premiums up front, including any additional premiums that arise from audits. CSURMA shall invoice Campus Projects the



amounts it paid for CPL and OPPI for each enrolled project CPDC shall promptly review the invoice and upon agreement of the amount, Campus Projects shall remit the amount to CSURMA.

3. The Program Administrator shall manage the OCIP carrier contracts, collect required data from the contractors directly each month, and develop and maintain a quarterly report which will be used by CSURMA and CPDC to determine the cost of the OCIP on a per-project basis. The quarterly report shall contain:
 - Projects started, continuing, or completed in each quarter.
 - Completed projects shall not drop off report.
 - Project start and completion dates.
 - CPDC project name and CPDC project number.
 - Initial Construction Contract Value, which varies by procurement method as follows:
 - For CM at Risk or Design-Bid-Build: Total construction contract award amount.
 - For Design-Build: Total contract award minus pre-construction and design costs
 - Initial premiums and deductible collateral for each project.
 - Updated, final / completed premiums and deductible collateral for each project based on final labor costs and loss rates.
 - Total premiums and deductible collateral for all projects.
 - Audited final labor costs.
 - Final labor costs as a percentage of the Initial Construction Contract Value for each project.
 - Contractor bid credits collected through deductive change orders.
 - Column to indicate which projects are subject to Bid Credit Tracking
 - Claims & loss report with actual to date loss rate (provided separately).
4. For OCIP II and any extension or renewal thereof, the Program Administrator’s billings to CSURMA will be based on the construction value enrolled in each quarter as reported on the quarterly report and approved by CPDC. The program’s fixed premium and collateral will be calculated by the carrier based upon the construction values in the approved quarterly report. At program inception, the Program Administrator will invoice CSURMA the fixed deposit premium and the collateral.

Payment Provisions - All invoicing shall be done on templates as agreed upon by CPDC and CSURMA.

Section 2: OCIP Enrollment and Invoicing

1. The Program Administrator shall enroll new projects in OCIP with an Initial Construction Contract Value of \$10 million or more during the construction contract award process (including projects that are in multiple phases with a cumulative value of at least \$10 million). There will be a pre-enrollment period for contractors and their subcontractors in the months leading up to a construction contract award. During this time the contractors will receive enrollment and safety information and will submit cost of insurance documentation for the policies the CSURMA OCIP will replace.
2. After CPDC and CSURMA approve the quarterly reports, Alliant will provide the carrier with the construction value enrolled in the quarter. The carrier will use those values as the basis to invoice CSURMA for the insurance costs. CPDC will review the invoices and the supporting information provided by Alliant and approve or reject the invoices.
3. Upon approval of the invoices by CPDC, Alliant will forward the invoices to CSURMA along with supporting documentation and CPDC’s approval.
4. CSURMA will receive all funds collected for the contractors’ insurance costs by project through change orders. Those costs will be identified by Alliant and provided to CSURMA. The funds transfer will



take place via Cash Posting Order (CPO). Alliant will maintain an accounting of the identified funds each quarter and include the information in the quarterly report.

Section 3: OCIP Project Completion Activities

1. At the completion of a project the Program Administrator shall add to the quarterly report:
 - Final labor costs.
 - Project completion date.
 - Final premium amounts.
 - Confirmation that all contractor closeout materials have been submitted.
 - Within 30 days of completion the Program Administrator shall separately provide a clearance letter to CPDC for release of contractor retention.
 - Final value of change orders for contractors' insurance costs.
 - Other required information as described in Section #2.
2. As described above, the Program Administrator shall submit the quarterly report to CPDC for review and approval.
3. Upon CPDC's approval of the invoices, CSURMA shall collect the monies invoiced via CPO to recover, or credit as necessary, the final premiums from the project.

Section 4: OCIP Program Closeout

1. After completion of a project, and over the duration of OCIP policy coverage, the Program Administrator shall continue to administer project claims.
2. Because the benefits of the OCIP apply system wide, CSURMA shall not allocate a charge for missed investment income on advanced premiums.

Section 5: OCIP Program Savings (Dividends)

In respect of dividends that may be earned by the OCIP, CSURMA and CPDC agreed as follows:

1. Because actual dividends are dependent on the actual loss experience of all projects insured by the OCIP, the loss amount (i.e., *expected losses*) used by the insurers to estimate the amount of dividends will likely differ because *actual losses* will not be known until some time after the conclusion of the OCIP coverage period.
2. To enable CPDC to determine ultimate project insurance costs and to facilitate premium adjustments, CSURMA and CPDC agreed to a premium payment process such that all premium invoices will be paid by CSURMA, and Campus Projects will reimburse CSURMA the Project's Net Insurance Cost.
3. CSURMA and CPDC mutually agreed that actual dividends paid under the Program will be retained by CSURMA, and CSURMA solely retains all rights to determine the disposition of any and all dividends.

PART B: CSURMA OCIP II b

Section 1: General Procedures



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- 5. CSURMA shall pay the insurance premiums and deductible collateral up front to the Program Administrator, and CSURMA will recover the advanced monies on a project-by-project basis, through CPDC, as described herein.
- 6. The Program Administrator shall manage the OCIP carrier contracts, collect required data from the contractors directly each month, and develop and maintain a quarterly report which will be used by CSURMA to invoice CPDC for the cost of the OCIP on a per-project basis. The quarterly report shall contain:
 - Projects started, continuing, or completed in each quarter
 - Completed projects shall not drop off report
 - Project start and completion dates
 - Project name and project number
 - Initial Construction Contract Value, which varies by procurement method as follows:
 - For CM at Risk or Design-Bid-Build: Total construction contract award amount
 - For Design-Build: Total contract award minus pre-construction and design costs
 - Initial premiums and deductible collateral for each project
 - Updated, final / completed premiums and deductible collateral for each project based on final labor costs and loss rates.
 - Total premiums and deductible collateral for all projects
 - Audited final labor costs
 - Final labor costs as a percentage of the Initial Construction Contract Value for each project
 - Estimated final value for reduced contractor insurance costs for each project
 - Claims & loss report with actual to date loss rate (provided separately).
- 7. For the initial Program Period (OCIP II b), the Program Administrator's billings to CSURMA will be based on the programs' fixed premiums and a 68% loss rate of the maximum aggregate deductible, which equates to a 2.072% project billing rate relative to the Initial Construction Contract Value (a total of \$10,358,204.00 program cost).
- 8. CSURMA's billings to CPDC (the projects?) will be based on a pro-rata portion of the fixed premiums at a 1.7% (?) project billing rate relative to the Initial Construction Contract Value of projects as enrolled.
- 9. For OCIP I, CPDC will provide a guarantee for \$1,519,400 of Deductible Collateral and Loss Adjusting Factor to cover the difference between the 68% loss rate CSURMA has billed for and the 100% loss rate. This guarantee will be backed by CPDC's seismic self insured trust fund account. If OCIP I's loss rate exceeds a 68% loss rate, CPDC will reimburse CSURMA the actual cost difference up to \$1,519,400.
- 10. For OCIP I, CSURMA will underwrite an additional \$2,000,000 to bring the total of the Deductible Collateral and Loss Conversion Factor costs down. This equates to a 25.5% Loss Rate and a total 1.672% billing rate relative to the Initial Construction Contract Value of projects as enrolled.
- 11. When the Program Administrator reconciles the total program costs for OCIP II b with CSURMA based on actual percentage loss of the deductible collateral, CSURMA shall reconcile its invoicing to CPDC to reflect those adjusted actual costs, and, if the loss rate is under 25%, CSURMA shall credit CPDC as appropriate for the actual program costs. Reconciliation of OCIP I is expected 18-24 months after the completion of the initial 5-year program, but may happen sooner.
- 12. If there is a credit described in Paragraph 6 above, the credit may, upon agreement by CPDC, be applied to a second OCIP II program, and/or any unapplied funds shall be returned by CSURMA to CPDC for deposit in the system-wide seismic self-insured trust fund account.

Commented [HJ1]: This needs discussion

Commented [HJ2]: Jim Holobaugh, will you revise this information to bring up to date with OCIP II b?

Commented [HJ3]: Holobaugh, does this still hold for II b?



Section 2: OCIP Enrollment and Invoicing

5. The Program Administrator shall enroll new projects in OCIP with an Initial Construction Contract Value of \$10,000,000 or more during the construction contract award process. There will be a pre-enrollment period for contractors and their subcontractors in the months leading up to a construction contract award. During this time the contractors will receive enrollment and safety information and will submit cost of insurance documentation for the policies the CSURMA OCIP will replace.
- ~~6. Projects with an Initial Construction Contract Value that is less than \$10,000,000 may enroll in OCIP upon the recommendation of CPDC and approval by the Program Underwriters.~~
7. The Program Administrator shall provide a quarterly report, adding new projects that have started construction during the quarter, along with the initial premium for each project. The Program Administrator will also provide updated information to the existing projects in the quarterly report. The Program Administrator shall submit the quarterly report to Accounting and CPDC program administrators simultaneously for review and approval.
- ~~8. When CPDC and CSURMA approve the quarterly reports CSURMA accounting will use them as the basis to invoice CPDC the projects for the initial insurance costs of the enrolled projects based on a 1.7% of Initial Construction Contract Value. CPDC will approve or reject CSURMA invoices via email within 10 business days of receipt.~~
9. All invoicing shall be done on templates as agreed upon by CPDC and CSURMA.
10. Upon approval of the invoices by CPDC, CSURMA shall collect the monies invoiced for the projects via Cash Posting Order (CPO).
- ~~11. CPDC shall maintain a separate account for OCIP, and CSURMA shall collect the monies invoiced from that account via CPO.~~

Section 3: OCIP Project Completion Activities

4. At the completion of a project The Program Administrator shall add to the quarterly report:
 - Final labor costs
 - Project completion date
 - Final premium amounts
 - Confirmation that all contractor closeout materials have been submitted. Within 30 days of completion the Program Administrator shall separately provide a clearance letter to CPDC for release of contractor retention.
 - Other required information as described in "Procedure" Section #2.
5. As described above, the Program Administrator shall submit the quarterly report to Accounting and CPDC for review and approval.
6. The Program Administrator's quarterly reports will be used as the basis for CSURMA accounting to invoice CPDC the projects for the final additive or deductive reconciliation of insurance costs for the enrolled projects, based on final labor costs.
7. To benefit enrolled projects with predictable OCIP insurance costs, there shall be no premium adjustment for projects that are completed within five percent (5%) of their original projected premium cost. Projects that are completed with a final calculated premium cost exceeding 105% of their original projected premium cost shall be invoiced at 0.73% of the amount exceeding 105%. Projects that are



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completed with a final calculated premium cost lower than 95% of their original projected premium cost shall be credited the amount less than the original projected premium cost.

8. Upon CPDC's approval of the invoices, CSURMA shall collect the monies invoiced via CPO to recover, or credit as necessary, the final premiums from the project.

Section 4: OCIP Program Closeout

3. After completion of a project, and over the duration of OCIP policy coverage, the Program Administrator shall continue to administer project claims.

4. Following completion of the initial OCIP II b program term, CSU, acting through CPDC, may close out or re-enroll in a second CSURMA OCIP II program with the Program Administrator and the carrier(s). At that time premium dividends and deductible obligations will be subject to a final settlement based on total construction value and actual loss rates. During and after this time the Program Administrator and the carriers may still be actively involved with outstanding claims, but the projects' premiums and dividends may be closed.

5. Any additive or deductive adjustments made to the total program costs based on the reconciliation(s) described above shall be passed through to CPDC via a CSURMA reconciliation billing. This is expected no later than 18-24 months after the CSURMA OCIP II b program closeout.

~~6. In no case shall CPDC pay in excess of CSURMA's actual costs for OCIP I, as identified in Section 1 (3). These actual costs are anticipated to be \$10,358,204 as adjusted by actual loss rates and the total cost of enrolled projects.~~

~~3. Because the benefits of the OCIP apply systemwide, CSURMA shall not allocate a charge for missed investment income on advanced premiums.~~

PART C: CSURMA BRIP

Section 1: General Administration

1. Annually by the program anniversary date of July 1, the Program Administrator, the Program Underwriters, and CPDC shall develop a quarterly payment schedule based on anticipated project enrollment. A schedule of premium deposits would include: July 1 for new policy year deposit, October 1, first quarter premiums, January 1 for second quarter premiums, and April 1 for third quarter premiums. For subsequent years, the July 1 deposit would include all projects enrolled in the fourth quarter along with the new policy year deposit.
2. The quarterly payment schedule of premium deposits may be adjusted by mutual agreement with the underwriters if project starts or construction amounts vary from the information on which the anticipated payment schedule is based.
3. a) Premium Deposit Invoice.
The Program Administrator shall provide quarterly premium deposit invoices to CPDC based upon the agreed upon quarterly premium deposit payment schedule, and these invoices will include the project name and CPDC project number. CPDC will pay these premium deposit invoices within 30 business days of receipt.
- b) Reconciliation Invoice.
The Program Administrator shall also provide quarterly reconciliation invoices to CPDC, based on CPDC's quarterly reports. These reports shall contain, for the preceding quarter detail of initial



premiums for actual new construction starts and final premium adjustments on completed projects that are deemed closed by CPDC. The quarterly reconciliation invoices shall also detail all CPDC payments of premium deposit invoices made and credit previous payment of premium deposit invoices from the actual amount due on each invoice. If the quarterly reconciliation invoice after the application of previously paid premium deposit invoices, is 1) a net credit, this credit shall be debited from the next quarterly premium deposit invoice due as identified in the premium deposit payment schedule, 2), if a net add, the amount shall be carried over to the following quarterly premium deposit invoice or year-end premium audit invoice calculation.

4. The Program Administrator will identify and include applicable premium taxes / fees to be added to each invoice at the rates established by the Department of Insurance. CPDC completed, closed projects exceeding \$5,000,000 in construction cost will pay the applicable final adjusted premium and tax /fee rate, when invoiced, based on the policy year when originally enrolled in BRIP.
5. The Program Administrator will provide the carrier's endorsements to CPDC naming each project enrolled with each reconciliation invoice. The endorsements will include each project's name and CPDC project number. Additionally The Program Administrator will prepare and send evidence of coverage certificates immediately as each project is enrolled as required by campuses for their contractors performing work on enrolled projects.

PART D: Definitions

As used in this Policy and Procedure, the following terms are defined:

Accounting: CSURMA has engaged the CSU Chancellor's Office Department of Financial Services to perform OCIP accounting duties on behalf of CSURMA.

Campus Projects: means CSU's construction projects that are enrolled in the Program.

CSURMA: CSURMA is the California State University Risk Management Authority which is a joint powers authority separate from the CSU and its participating auxiliary organizations. CSURMA has established various programs for insurance and self-insurance to serve the University, including OCIP.

CPDC: CSU's Department of Capital Planning, Design and Construction in the Chancellor's Office is the primary client for the OCIP and the designated representative for managing the program internal to the CSU. CPDC serves as the Program's administrative overseer to ensure the accuracy of all construction values, project insurance costs, bid-credit tracking and savings, and other information necessary for the Program's quarterly reports.

OCIP Initial Construction Contract Value - varies by procurement method as follows:

- For CM at Risk or Design-Bid-Build: total construction contract award amount.
- For Design-Build: total contract award less pre-construction and design costs.

Program: means the Owner Controlled Insurance Program (OCIP), Owner's Protective Professional Indemnity (OPPI), and Contractor's Pollution Liability (CPL) insuring the CSU's construction projects.

Program Administrator: CSURMA has appointed Alliant Insurance Services, Inc. as Program Administrator responsible for designing and implementing the OCIP serving the CSU and auxiliary organization participants.



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Project's Net Insurance Cost: means the final cost chargeable to Campus Projects for OCIP, OPPI, and CPL. The final costs shall be calculated to include the cost savings anticipated from the future payment of dividends by the program's insurers.

Program Underwriters: The insurance companies that underwrite the Program's insurance policies.

Systemwide Office of Risk Management: CSURMA has engaged the CSU Chancellor's Office Department of Risk Management to provide risk management consulting services to the CSURMA including oversight of the programs.

POLICY AND PROCEDURE NO. 27 - PROCESS FOR APPROVING NEW PROGRAMS, SERVICES OR FUNDING SUPPORT

ISSUE: CSURMA exists in a dynamic operating environment and new approaches to addressing loss prevention and risk financing arise regularly. As part of its Long Range Action Plan, the Executive Committee asked staff to develop a policy and procedure to direct the process of evaluation and approval of new programs, services and funding support.

RECOMMENDATION: The Executive Committee recommends approval of Policy and Procedure No. 27 – Process for Approving New Programs, Services or Funding Support.

FISCAL IMPACT: There is no direct cost from action at today’s meeting. Adoption of the policy and procedure is expected to formalize the process of addressing the requests for new programs, services and funding support so that CSURMA’s financial position and ability to serve the CSU community is maintained.

BACKGROUND: Please see attached DRAFT Policy and Procedure.

PUBLICATION: If approved, Policy and Procedure No. 27 will be uploaded to the CSURMA website.

ATTACHMENT(S):

- a. DRAFT Policy and Procedure No. 27 – Process for Approving New Programs, Services or Funding Support



CSURMA

POLICY AND PROCEDURE NO. 27

ADOPTED: **NOVEMBER 8, 2019**

EFFECTIVE: **NOVEMBER 8, 2019**

SUBJECT: **PROCESS FOR APPROVING NEW PROGRAMS, SERVICES OR FUNDING SUPPORT**

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:

CSURMA was established to support the risk management and risk financing efforts of the CSU and its auxiliary organizations. It is incumbent on CSURMA that its financial position be safeguarded so that it can achieve its mission. To safeguard CSURMA's financial position each request to establish a new program, service or funding support shall be reviewed in accord with this Policy and Procedure prior to implementation.

PROCEDURE:

When a new program service or request for funding support is identified, it shall be presented by the proposer to the CSURMA Secretary-Auditor for review. If the Secretary-Auditor agrees that the request should be considered further it will be evaluated as described in this Policy and Procedure. If the Secretary-Auditor does not agree to continue consideration, the proposer may ask the CSURMA Executive Committee or AORMA Committee for further consideration at the next available meeting.

If the item is to be moved forward after consideration in the paragraph above, the following process will be initiated:

1. The Program Administrator shall review the proposal and develop information on the following items:
 - a. Source of funding and expected annual cost in the short and long term
 - b. Expected operating impact on CSURMA
 - c. Expected cash flow and financial outlook
 - d. Identified impact of program and relationship to CSURMA mission
 - e. Overall recommendation, if any, to proceed
 - f. Report on foregoing to Secretary-Auditor
 - g. Operating expense on campus as well as impact to the campus budget.

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2. The Secretary-Auditor shall review the Program Administrator's proposal review and either remand for further evaluation or make a recommendation to the CSURMA Treasurer for further review.
3. The Treasurer shall review the proposal review and remand for further consideration or make a recommendation to the CSURMA Executive Committee or AORMA Committee.
4. The decision of the CSURMA Executive Committee or AORMA Committee on whether to proceed shall be final.
5. Any renewal of a previously approved program service or funding support will be subject to review as outlined in Procedures 1 through 4.

CAMPUS RISK POOLS RATING PLANS TASK GROUP

ISSUE: The Executive Committee established the Rating Plans Task Groups (*RPTG*) to review and recommend refinements to the cost allocation formulas for the Campus risk pools, if any. Additionally, the RPTG was tasked to review the recommendations produced by the coverage counsel hired by CSURMA, whose objective was to ensure CSURMA's Memorandums of Liability Coverage (*MOCs*) remain responsive to member needs.

The RPTG met on July 29, 2019 and August 20, 2019. RPTG members and staff will provide a report on the task group's findings and recommendations at today's meeting. Final adoption of any proposed amendments to the rating plans and MOCs are to be referred to the Board of Directors for approval.

RECOMMENDATION: The Executive Committee reviewed and approved the RPTG's findings and recommendations, and recommends the Board accept the report as final.

FISCAL IMPACT: None. The rating plans serve to distribute budgeted costs to members using calculation formulas approved by the Board of Directors. Proposed amendments to the coverage forms may impact required funding in the future, which is dependent on loss experience.

BACKGROUND:

PUBLICATIONS: None

ATTACHMENT(S):

- a. 2019 Campus Programs Rating Plans Task Group Report (*draft*)
- b. CSURMA Coverage Counsel Liability MOCs Review
- c. DRAFT Campus Liability MOC

Campus Risk Pools

Rating Plans Task Group Report

Draft Report

August 20, 2019

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- F. Liability Deductible Credit Factors Analysis
- G. Coverage Counsel Recommendations (*letter dated July 26, 2019*)
- H. Campus Liability MOC (*with proposed edits*)
- I. Liability Reinsurance MOC (*with proposed edits*)

I. EXECUTIVE SUMMARY

A. Task Group Assignment and Responsibility

The Executive Committee established the Rating Plans Task Group (*RPTG*) on January 13, 2019 to review CSURMA's funding policies and rating plans for the Campus risk pools and to explore possible refinements to the rating formulas as may be desired for the good of the membership. The RPTG was also tasked with a review of the Liability Memorandums of Coverage (*MOCs*) to ensure the coverage documents remain responsive to member needs, with a comparison to coverage forms in use by other public entity risk pools, commercial insurers and reinsurers.

The RPTG's recommendations for amendments to the funding policies and rating plans, if any, are to be used for calculating the annual contributions for each Campus member for the next three fiscal periods beginning July 1, 2020. The RPTG's findings and recommendations may be presented to the CSU Chief Administrators & Business Officers (*CABO*) on October 22-23, 2019 as a matter of information, and will be presented to the Board of Directors for adoption at its meeting on November 8, 2019.

The RPTG was directed to evaluate the funding policies and rating plans for the following Campus coverage programs:

1. Workers' Compensation
2. General/Errors & Omissions Liability
3. Industrial Disability Leave, Non-Industrial Disability Leave, Unemployment Insurance (*IDL/NDI/UI*)
4. Property
5. Automobile Liability
6. Athletic Injury Medical Expense (*AIME*)

AORMA Coverage Programs

The RPTG did not review the rating plans of the Auxiliary Organizations Risk Management Alliance (*AORMA*) nor its Liability Memorandum of Coverage because responsibility for the auxiliary organizations coverage plans have been delegated to the AORMA Committee, who develops and oversees the coverage terms and rating plans for all AORMA programs.

B. Task Group Members

1. The 2019 RPTG consisted of:

- Kevin Saunders - *Vice President, Administration & Finance (RPTG Chair)*
CSU Monterey Bay, CSURMA Executive Committee Member
- Scott Apel - *Vice President, Administration & Finance*
CSU Long Beach, CSURMA Executive Committee Member
- Thom Davis - *Vice President, Business & Administration*
CSU Bakersfield, CSURMA Executive Committee Member
- Lisa Kao - *Associate Director, EH&S, Risk Management & Sustainability*
CSU Fresno, CSURMA Executive Committee Member
- Zachary Gifford - *Director, Systemwide Risk Management*
CSU Office of the Chancellor; CSURMA Secretary-Auditor

2. The 2019 RPTG was staffed by:

- Daniel Howell - *Senior Executive Vice President, Alliant Insurance Services*
CSURMA Program Director
- Robert Leong - *First Vice President, Alliant Insurance Services*
CSURMA Program Administrator
- Susan Leung - *Vice President, Alliant Insurance Services*
CSURMA Program Administrator

II. BACKGROUND

A. Purpose

The RPTG was tasked with a thorough review of the funding policies and rating plans for the following Campus coverage programs:

1. Workers' Compensation
2. General/Errors & Omissions Liability
3. Property
4. Industrial Disability Leave, Non-Industrial Disability Leave
Unemployment Insurance (*IDL/NDI/UI*)

5. Automobile Liability
6. Athletic Injury Medical Expense (*AIME*)

The current rating plans used by CSURMA were developed and adopted in 1994, and reviewed and modified in 1998, 2001, 2004, 2007, 2010, 2013, and 2016.

It had been agreed following the last rating plan review that the rating plans would be reviewed again in 2019. A review is appropriate at this time because Campuses are eligible to change their Liability program deductibles every three years. The next deductible selection opportunity will be effective July 1, 2020.

B. Meetings

The RPTG held two meetings. The initial meeting was held on July 29, 2019 at CSU Long Beach. This meeting focused on reviewing the current rating plans and the Liability Memorandums of Coverage, and to explore refinements of each for further consideration by the task group. A second meeting was held on August 20, 2019 via a teleconference. The second meeting followed up with a review of the suggested changes to the rating plans, liability deductible factors, coverage memorandums, finalization of its recommendations to the Executive Committee, and approval of the draft RPTG report.

C. Rating Plans Philosophy

At its meeting on July 29, 2019, the RPTG reaffirmed the goal of the CSURMA rating plans to balance Campus accountability for performance with the need for rate stability. Accountability is needed to encourage Campus loss control efforts. Rate stability is a goal so that Campuses can project annual costs for budget preparation and management purposes. Overall, the rating plans should fairly allocate the costs of the programs to the Campuses.

D. Fiscal Impact

The RPTG's findings and recommendations *will not affect aggregate funding* of the Campus coverage programs. Aggregate funding is based on an independent actuarial analysis, which develops cost projections for the General/E&O Liability, Workers' Compensation, and Athletic Injury Medical Expense (*AIME*) risk pools. Aggregate funding for all other coverage programs are based on actual expenditures for the coverage layers retained by the respective risk pools, and includes insurance, claims, and operating expenses.

The RPTG’s recommendations, however, *will affect how that aggregate funding is shared among the Campuses*. The rating plans define how the costs for each coverage program are allocated to each Campus.

The projected costs for the coverages, along with the funding policy adopted by the Board of Directors, are reviewed annually by the Executive Committee, presented to the Chief Administrative & Business Officers (*CABO*), and referred to the Board of Directors with a recommendation for the Board to adopt the proposed annual costs. The Board also retains authority to approve and adopt changes to the rating plans and the coverage forms.

III. FINDINGS

A. Pooled Programs Funding Status

At its March 7-8, 2019 Long Range Planning meeting, the Executive Committee reviewed the funding status for the Workers’ Compensation, General/E&O Liability and AIME risk pools. The review was based on the interim financial statements as of December 31, 2018 prepared by CSURMA Accounting, and projected to fiscal year ending June 30, 2019 by the Program Administrator.

The Board of Directors adopted a policy to fund the programs at the actuary’s expected loss level, which ranges between 50%-55% actuarial confidence for each coverage program respectively. The Executive Committee found the fund balance projected to June 30, 2019 exceeded the amount necessary for funding at the 70% actuarial confidence level, which as a matter of practice is CSURMA’s Target Equity. Target Equity provides additional funds in excess of the actuary’s expected loss estimates to allow funding for a risk margin.

B. Target Equity

At its March 7-8, 2019 Long Range Planning meeting, the Executive Committee determined a final evaluation of the pooled programs funding status in relation to CSURMA’s Target Equity shall be made upon a review of the audited financial statements at June 30, 2019 and the updated actuarial projections, at which time a dividend may be declared. The final review is to include the independent actuarial studies completed for the valuation of the estimated outstanding claim liabilities at June 30, 2019, and expected recoveries from reinsurance and member deductibles.

C. Overall Review

1. Rating Plans

The rating plans were developed in 1994 and reviewed in 1998, 2001, 2004, 2007, 2010, 2013, and 2016. The RPTG recommended modifications in 1998, 2001, 2004, 2013, and 2016, which were approved by the Executive Committee and adopted by the Board of Directors. No modifications to the rating plans were recommended in 2007 nor 2010.

For this 2019 review, the RPTG found the current rating plans are fair and achieve program objectives, and recommends continuing the rating plans without alteration.

As CSURMA's coverage programs gain additional experience, it is expected that the rating plans will be reviewed again in the future so that they continue to achieve the goals of The California State University.

2. Liability Memoranda of Coverage

CSURMA engaged independent counsel, Byrne Conley of Gibbons & Conley – Attorneys at Law, to review CSURMA's Liability Memorandums of Coverage (*MOCs*) for Campus Liability, AORMA Liability and Liability Reinsurance. The objectives of this engagement was to compare CSURMA's coverage documents to the coverage forms in use by other risk pools in the state, and to propose recommendations for improvement, if any, with due consideration of current and emerging case law and legislation.

Counsel's recommendations for all Liability MOCs are summarized in a letter dated July 26, 2019 and attached as Appendix G. The RPTG reviewed counsel's recommendations for the Campus Liability MOC and the Liability Reinsurance MOC, and delegated the review of the AORMA Liability MOC to the AORMA Committee.

The RPTG found counsel's recommendations to be beneficial and thusly recommended certain edits to the Campus Liability MOC and the Liability Reinsurance MOC described respectively in Appendix H (*Campus Liability MOC*) and Appendix I (*Liability Reinsurance MOC*).

IV. RECOMMENDATIONS

A. FUNDING POLICY

- F-1.** At its March 7-8, 2019 Long Range Planning meeting, the Executive Committee found the goals of the CSURMA Policy & Procedure No. 7 “Self-Insured Program Funding” have been achieved and no changes were needed.

The RPTG recommends the funding for future program years be continued in accordance with Policy & Procedure No. 7.

B. RATING PLANS

1. WORKERS’ COMPENSATION

- WC-1** The RPTG reviewed the current rating formula for Workers’ Compensation, which uses an algorithm based on Actual Payroll, and an Experience Modification Factor (*X-Mod*) calculated from actual claim payments made in each of the past five fiscal years by Campus, without limitation (*i.e., no “loss collars”*).

The RPTG finds the present rating formula remains consistent with CSURMA’s rating philosophy and achieves the primary rating goals of fairness and budget stability for all members.

The RPTG recommends maintaining the current Workers’ Compensation rating plan without alteration.

2. GENERAL/ERRORS & OMISSIONS LIABILITY

- L-1** The RPTG reviewed the current rating formula for General/E&O Liability, uses an algorithm based on Actual Payroll and an Experience Modification Factor (*X-Mod*) calculated from actual claim payments made in each of the past five fiscal years by Campus, limited by \$35,000 per occurrence minimum to \$500,000 per occurrence maximum (*i.e., “collared losses”*).

The RPTG discussed the cost for the new Club Liability Insurance Program (*CLIP*) could better correlated to Enrollment (*Full-time Equivalent Students*) rather than Payroll as an allocation method, however the cost difference among members was determined to be

insignificant and deemed administratively unworthy of an additional rating basis. Highlights of the analysis for each Campus is attached as Appendix E (*Club Liability Cost Allocation Basis*).

The RPTG finds the present rating formula remains consistent with CSURMA's rating philosophy and achieves the primary rating goals of fairness and budget stability for all members.

The RPTG recommends maintaining the current rating plan for General/E&O Liability without alteration.

- L-2** The RPTG recommends adjusting the Liability Deductible Credit Factors per the actuary's recommendation dated August 13, 2019 beginning with FY 20/21 rates. For comparative analysis, the new deductible credit factors would have increased FY 19/20 program funding by \$1,506,042 (+8.09%) at present Campus deductible selections. The effect of the Liability Deductible Credit Factors on FY 19/20 rates by campus are highlighted in Appendix F (*Liability Deductible Credit Factors Analysis*).

The RPTG recommends the Executive Committee review the deductible options in light of program integrity, with the thought of increasing the minimum deductible option from \$35,000 per Occurrence to \$50,000 per occurrence, and to direct another review of the deductible options at the next RPTG review in 2022.

The RPTG reaffirms self-supporting funds continue to have a \$35,000 deductible regardless of the deductible selected by the Campuses.

3. INDUSTRIAL DISABILITY LEAVE, NONINDUSTRIAL DISABILITY LEAVE, UNEMPLOYMENT INSURANCE (IDL/NDI/UI)

- IDL-1** The RPTG reviewed the current rating formula for IDL/NDI/UI, which is a "banking plan" wherein Campuses pay a proportionate share of total costs based on a five year rolling average of actual expenditures by Campus as a percentage of total expenditures for the group.

The RPTG finds the present rating formula remains consistent with CSURMA's rating philosophy and achieves the primary rating goals of fairness and budget stability for all members.

The RPTG recommends maintaining the current rating plan for IDL/NDI/UI without alteration.

4. PROPERTY

P-1 The RPTG reviewed the current rating formula for Property, which calculates deposit contributions based on each members' Total Insured Values (*TIV*) and selected deductible. Property deposit contributions include funding for Cyber Risk, Employee Fidelity (*Crime*), Fine Arts, Flood (*NFIP*), Pollution, and Earthquake. NFIP is charged to the specific campus where the coverage is necessary. Crime is allocated per member's payroll.

The RPTG finds the present rating formula remains consistent with CSURMA's rating philosophy and achieves the primary rating goals of fairness and budget stability for all members.

The RPTG recommends maintaining the current rating plan for Property without alteration.

5. AUTOMOBILE LIABILITY

AL-1 The RPTG reviewed the current rating formula for Automobile Liability, whose total cost is determined by the annual allocation of the State Motor Vehicle Insurance Account (*MVIA*) to the State University. The member's share of MVIA costs is calculated as a percentage of vehicle counts tabulated by the Chancellor's Office. Since MVIA's allocation is issued after CSURMA has completed deposit calculations for the upcoming year, the Automobile Liability deposit calculation is based on MVIA's prior year's allocation; i.e., CSURMA rates are one year in arrears.

The RPTG finds the present rating formula remains consistent with CSURMA's rating philosophy and achieves the primary rating goals of fairness and budget stability for all members.

The RPTG recommends maintaining the current rating plan for Automobile Liability without alteration.

6. ATHLETIC INJURY MEDICAL EXPENSE (AIME)

AI-1 The RPTG reviewed AIME's rating plan, which is an algorithm based on number of participants by sport by gender by campus. Loss rates are developed by an independent actuary and the deposit premium is calculated for each member based on the member's actual claims activity over a rolling five year period.

The RPTG finds the present rating formula remains consistent with CSURMA's rating philosophy and achieves the primary rating goals of fairness and budget stability for all members.

Authority for AIME's rating plan had been delegated to the AIME Committee. The RPTG recommends to continue the delegation of authority for the AIME Committee to review and manage the AIME risk pool rating plan.

C. **LIABILITY MEMORANDUMS OF COVERAGE (*Liability MOCs*)**

The Liability MOCs included for coverage counsel's review are:

- a. Campus Liability MOC: covers all 23 CSU campuses and the Chancellor's Office.
- b. AORMA Liability MOC: covers all CSU Auxiliary Organizations who have been accepted as covered members.
- c. Liability Reinsurance MOC: the coverage agreement used by the first excess layer excess/reinsurers to define their layer of coverage.

The RPTG reviewed coverage counsel's findings and recommendations, which are summarized in a letter dated July 26, 2019 and included as Appendix G. The RPTG's response to counsel's recommendations are highlighted in edits to the respective MOCs, and are included herein as Appendix H (*Campus Liability MOC*) and Appendix I (*Liability Reinsurance MOC*). CSURMA's General Counsel will be directed to make a final review before edits are finalized for adoption by the Board of Directors, which are to become effective July 1, 2020.

The RPTG recommends the Executive Committee review and approve proposed edits to the MOCs described in Appendix H (*Campus Liability MOC*) and Appendix I (*Liability Reinsurance MOC*), making changes as it deems

appropriate, and make a recommendation that the Board of Directors adopt the edits at the Board's next meeting.

The RPTG did not review counsel's recommendations for the AORMA Liability MOC, rather the RPTG delegated its review to the AORMA Committee.

V. GENERAL RECOMMENDATION

G-1 The RPTG recommends that a comprehensive review of the rating plans be initiated in Spring 2022 so that appropriate changes can be considered before adoption of the rates for 2023/24.

VI. CONCLUSION

The RPTG's evaluation of the rating plans has reaffirmed the plans' core appropriateness and effectiveness in determining each member's fair share of the CSU's cost for coverage. The RPTG recommends maintaining all present rating plans without alteration, which is expected to continue to benefit CSU in the long run. To the extent aggregate funding levels remain stable, it is expected that members will not see significant cost fluctuations except to the extent their own loss experience impacts their cost.

The RPTG recommends the Executive Committee:

1. Continue all rating plans without alteration.
2. Delegate authority to the AIME Committee to review and manage the AIME risk pool rating plan.
3. Approve Liability Deductible Credit Factors per actuary's letter dated August 13, 2019.
4. Consider increasing the minimum deductible option from \$35,000 each Occurrence to \$50,000 each Occurrence.
5. Approve edits to the Campus Liability MOC and Liability Reinsurance MOC as presented in Appendix H (*Campus Liability MOC*) and Appendix I (*Liability Reinsurance MOC*) with changes it deems appropriate, and
6. Forward all proposed changes to the Board of Directions for adoption.

Appendix A

2019 CAMPUS RISK POOLS RATING PLANS TASK GROUP Project Timetable

DATE	RESPONSIBLE	ACTIVITY
June 2019	Program Administrator	<ol style="list-style-type: none"> 1. Finalize logistics for RPTG meeting. 2. Engage actuary. 3. Request updated claims summary, actual payroll, etc. 4. Coordinate data transfer to actuary, accounting and financial auditor. 5. Engage Coverage Counsel for MOC review.
July 2019	Program Administrator	<ol style="list-style-type: none"> 1. Review current rating plans. 2. Develop recommendations for the RPTG's consideration.
July 29, 2019 (CSULB)	Rating Plans Task Group	<ol style="list-style-type: none"> 1. Review current rating plans. 2. Develop rating modifications, if any, for further review. 3. Review Coverage Counsel's recommended edits for Campus Liability MOC and Liability Reinsurance MOC. 4. Develop recommendation for Liability MOC edits.
August 2019	Program Administrator	<ol style="list-style-type: none"> 1. Draft preliminary RPTG Report. 2. Draft Liability MOCs with RPTG-approved changes and recommendation for EC.
August 15, 2019	Independent Actuary	<ol style="list-style-type: none"> 1. Calculate outstanding claims liabilities for GL, WC and AIME. 2. Develop GL, WC and AIME risk pool funding recommendations for FY 20/21.
August 20, 2019 (teleconference)	Rating Plans Task Group	<ol style="list-style-type: none"> 1. Review/finalize edits to Liability MOC per Coverage Counsel's recommendations and as accepted by RPTG. 2. Review/finalize draft RPTG Report per RPTG's findings and recommendations.
August 2019	Program Administrator	<ol style="list-style-type: none"> 1. Calculate FY 20/21 deposit contributions based on actuarial recommendations.
September 6, 2019	Executive Committee	<ol style="list-style-type: none"> 1. Review/accept actuarial reports. 2. Review RPTG recommendations. 3. Review and approve staff calculations of proposed FY 20/21 rates and deposit contributions. 4. Make recommendation to BOD to approve

DATE	RESPONSIBLE	ACTIVITY
		any rating plan modifications and to adopt rates and deposit calculations for FY 20/21. 5. Review/approve edits to Liability MOCs, and make recommendation to BOD to adopt changes.
October 22-23, 2019	CABO (San Bernardino)	1. Presentation to CABO as necessary of proposed changes to rating plans and MOCs.
November 8, 2019	Executive Committee	1. Final review/approval of staff's calculations of proposed FY 20/21 rates and deposit contributions.
November 8, 2019	Board of Directors	1. Review/accept RPTG Report. 2. Review/adopt campus risk pools funding and rates for FY 20/21. 3. Review/approve/adopt recommended edits to Liability MOCs.
November 2019	Program Administrator	1. Develop campus costs for Liability Deductible options. 2. Complete cost analysis for each campus for each Liability Deductible option. 3. Notices to campuses of FY 20/21 costs, including Liability Deductible options.
December 2019	Program Administrators	1. Receive Liability Deductible Selections from campuses. 2. Send confirmation to campuses of selected Liability Deductible for FY 20/21, FY 21/22 and FY 22/23.
July 1, 2020	CSURMA Accounting	1. Adopted risk pool rating plans and campus-selected Liability Deductible become effective, campuses invoiced by CSURMA.

Appendix B

CSURMA POLICY & PROCEDURE No. 7

EFFECTIVE: JANUARY 1, 2000
REVISED: APRIL 27, 2015
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. Adopted funding shall include 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;

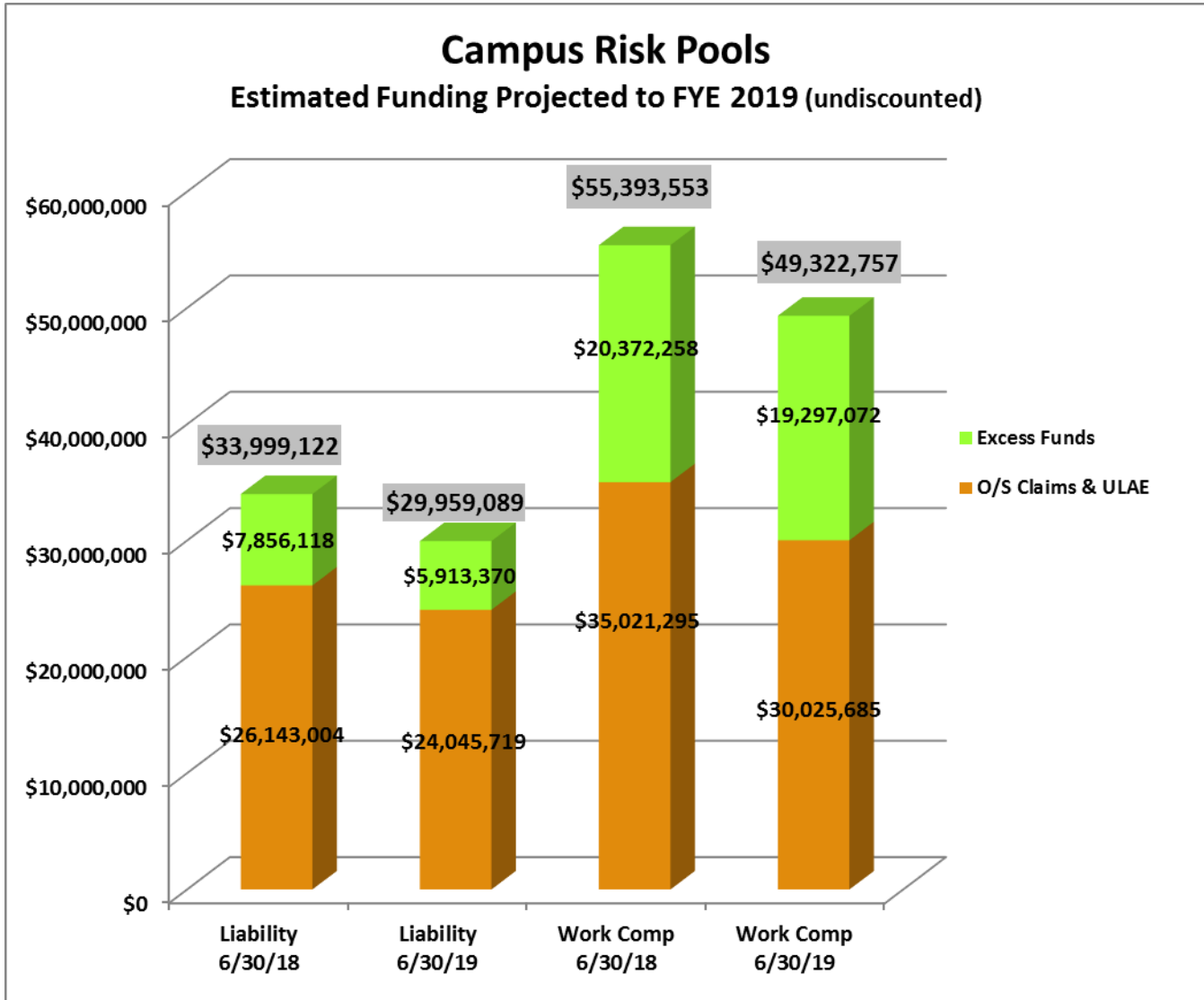
- Current year expected liabilities shall be funded on an accrual (incurred) basis; and
- At such time as all outstanding liabilities are fully funded, a reasonable risk margin shall be funded.

Staff shall make an annual report to the Board of Directors, detailing the self-insurance programs' funding status in accordance with this Policy & Procedure No. 7

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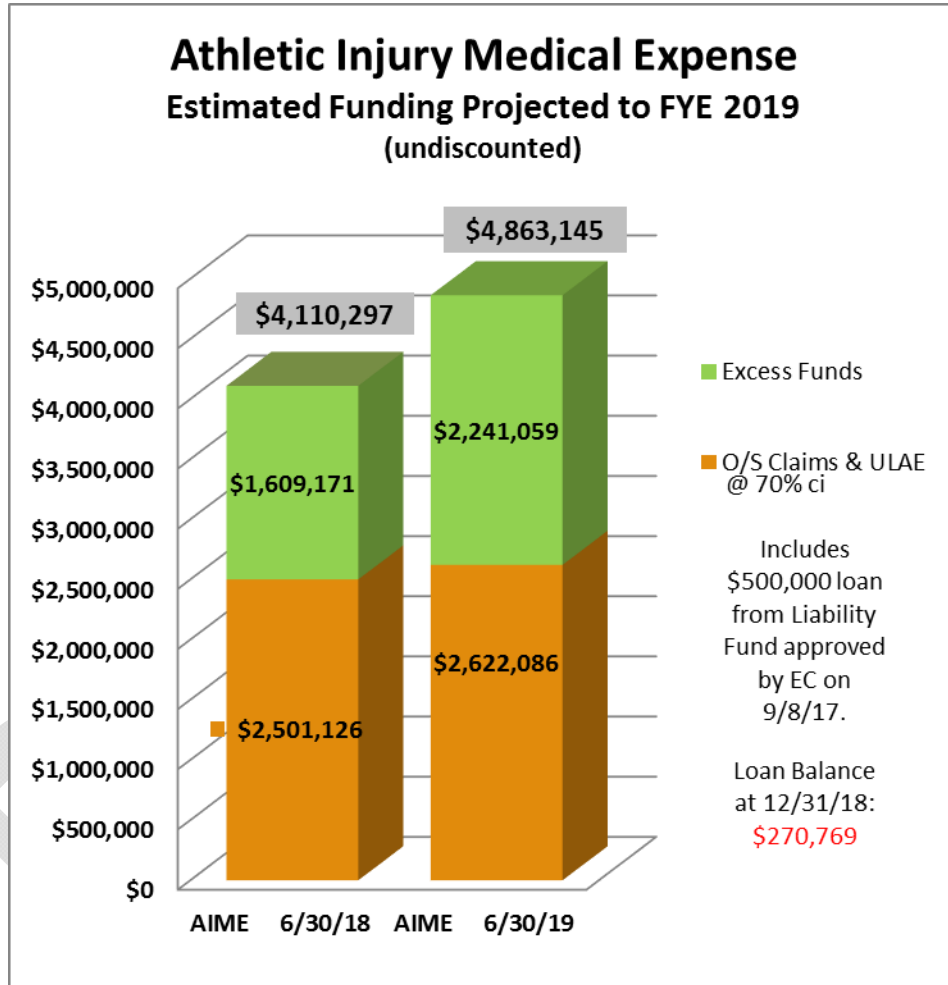
Appendix C

Pooled Programs Funding Status as of December 31, 2018 projected to June 30, 2019



Appendix C

Pooled Programs Funding Status as of December 31, 2018 projected to June 30, 2019



Appendix D

Target Equity as of December 31, 2018 projected to June 30, 2019

- **Campus Liability**
- **Campus Workers' Compensation**
- **Athletic Injury Medical Expense**

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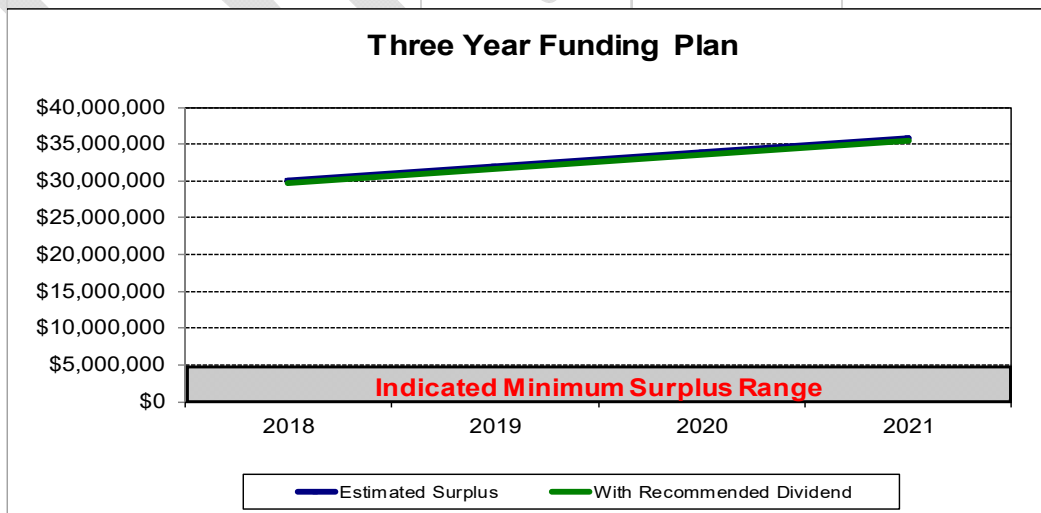
Campus Liability Coverage Fund			
Target Surplus Funding Analysis at \$5,000,000 SIR			
Projected to 6/30/19 (unaudited)			
Gross Premium (FY 18/19):	\$16,173,148		
Maximum Retention:	\$5,000,000	each Occurrence	
Est. Outstanding Liabilities @ 6/30/19	\$22,000,591	Expected, ULAE, Undsct, Net of Deductibles	
Est. Outstanding Liabilities @ 6/30/19	\$24,045,719	at 70% Confidence	
Est. Fund Balance @ 6/30/19	\$29,959,089		
Est. Funded Loss & ULAE @ 6/30/19	\$24,045,719	at 70% Confidence	
Est. Funding above 70% Conf Level:	\$5,913,370		

Ratio	Target	Indicated Minimum Surplus	Projected Ratio
Premium to Surplus	< 3:1	\$5,391,049	0.54
Surplus to Retention	> 1:1	\$5,000,000	5.99
O/S Reserve to Surplus	≤ 5:1	\$4,400,118	0.73

Maximum Dividend Available:	\$522,320
Recommended Dividend 50%:	\$261,160

2018/19 Pool Funding			
Confidence Levels	Factor	Pool Premium	Surplus
Expected Losses & ULAE Liability	1.000	\$13,802,800	-
at 70% Actuarial Confidence	1.140	\$15,735,500	\$1,932,700

Three Year Funding Plan			
	Amount Added to Reserves	Estimated Reserve Balance	Est Reserve Balance Net of Rec'd Dividend
Estimated Balance at 6/30/18	N/A	\$29,959,089	\$29,697,929
2018/19 - Collection @ 70% CL	\$1,932,700	\$31,891,789	\$31,630,629
2019/20 - Collection @ 70% CL	\$1,932,700	\$33,824,489	\$33,563,329
2020/21 - Collection @ 70% CL	\$1,932,700	\$35,757,189	\$35,496,029



Campus Workers' Compensation Coverage Fund

Target Surplus Funding Analysis at \$2,500,000 SIR

Projected to 6/30/19 (unaudited)

Gross Premium (FY 18/19):	\$38,837,384	
Maximum Retention:	\$2,500,000	<i>each Occurrence</i>
Est. Outstanding Liabilities @ 6/30/19	\$28,923,825	<i>Expected, ULAE, Undiscounted</i>
Est. Outstanding Liabilities @ 6/30/19	\$30,025,685	<i>at 70% Confidence</i>
Est. Fund Balance @ 6/30/19	\$49,322,757	
Est. Funded Loss & ULAE @ 6/30/19	\$30,025,685	<i>at 70% Confidence</i>
Est. Funding above 70% Conf Level:	\$19,297,072	

Ratio	Target	Indicated Minimum Surplus	Projected Ratio
Premium to Surplus	< 3:1	\$12,945,795	0.79
Surplus to Retention	> 2:1	\$5,000,000	19.73
O/S Reserve to Surplus	≤ 5:1	\$5,784,765	0.59

Maximum Dividend Available:	\$6,351,277
Recommended Dividend 50%:	\$3,175,639

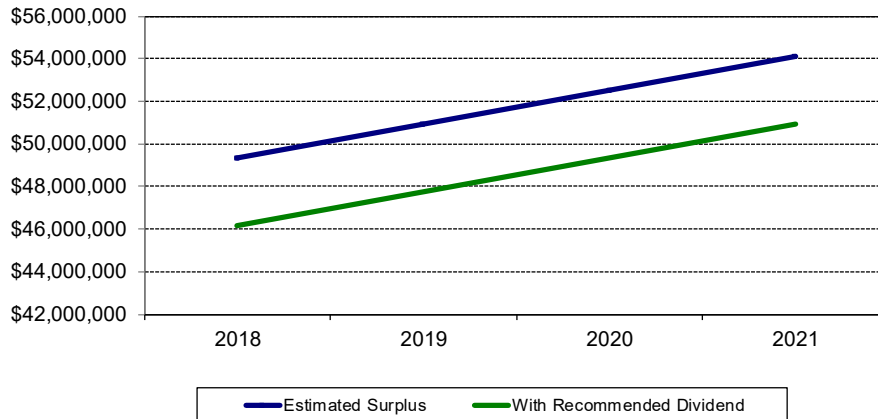
2018/19 Pool Funding

Confidence Levels	Factor	Pool Premium	Surplus
Expected Losses & ULAE Liability	1.000	\$31,674,500	-
at 70% Actuarial Confidence	1.050	\$33,258,500	\$1,584,000

Three Year Funding Plan

	Amount Added to Reserves	Estimated Reserve Balance	Est Reserve Balance Net of Rec'd Dividend
Estimated Balance at 6/30/18	N/A	\$49,322,757	\$46,147,118
2018/19 - Collection @ 70% CL	\$1,584,000	\$50,906,757	\$47,731,118
2019/20 - Collection @ 70% CL	\$1,584,000	\$52,490,757	\$49,315,118
2020/21 - Collection @ 70% CL	\$1,584,000	\$54,074,757	\$50,899,118

Three Year Funding Plan



Athletic Injury Medical Expense Coverage Fund			
Target Surplus Funding Analysis at \$90,000 SIR			
<i>Projected to 6/30/19 (unaudited)</i>			
Gross Premium (FY 18/19):	\$4,660,547		
Maximum Retention:	\$90,000	<i>each Occurrence</i>	
Est. Outstanding Liabilities @ 6/30/19	\$2,502,900	<i>Expected, ULAE, Undiscounted</i>	
Est. Outstanding Liabilities @ 6/30/19	\$2,622,086	<i>at 70% Confidence</i>	
Est. Fund Balance @ 6/30/19	\$4,863,145	<i>includes \$500,000 interfund transfer from Liability Fund.</i>	
Est. Funded Loss & ULAE @ 6/30/19	\$2,622,086	<i>at 70% Confidence</i>	
Est. Funding above 70% Conf Level:	\$2,241,059		

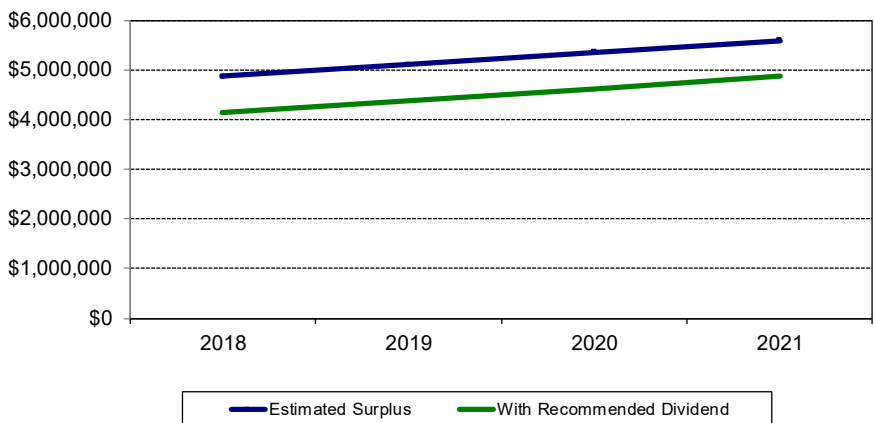
Ratio	Target	Indicated Minimum Surplus	Projected Ratio
Premium to Surplus	< 6:1	\$776,758	0.96
Surplus to Retention	> 5:1	\$450,000	54.03
O/S Reserve to Surplus	≤ 5:1	\$500,580	0.51

Maximum Dividend Available:	\$1,464,301		
Recommended Dividend 50% :	\$732,151	<i>Return to Liability Fund; remaining balance is \$385,385.</i>	

2018/19 Pool Funding			
Confidence Levels	Factor	Pool Premium	Surplus
Expected Losses & ULAE Liability	1.000	\$4,055,700	-
at 70% Actuarial Confidence	1.060	\$4,299,042	\$243,342

Three Year Funding Plan			
	Amount Added to Reserves	Estimated Reserve Balance	Est Reserve Balance Net of Rec'd Dividend
Estimated Balance at 6/30/18	N/A	\$4,863,145	\$4,130,994
2018/19 - Collection @ 70% CL	\$243,342	\$5,106,487	\$4,374,336
2019/20 - Collection @ 70% CL	\$243,342	\$5,349,829	\$4,617,678
2020/21 - Collection @ 70% CL	\$243,342	\$5,593,171	\$4,861,020

Three Year Funding Plan



Year	Estimated Surplus	With Recommended Dividend
2018	\$4,863,145	\$4,130,994
2019	\$5,106,487	\$4,374,336
2020	\$5,349,829	\$4,617,678
2021	\$5,593,171	\$4,861,020

Appendix E

Club Liability Cost Allocation Basis

<i>Campus</i>	PAYROLL		FTES^a		CLIP Allocated by		
	<i>2018/19</i>	<i>%</i>	<i>Fall 2018</i>	<i>%</i>	<i>Payroll</i>	<i>FTES</i>	<i>Diff</i>
Bakersfield	79,551,178	2.17%	9,211.6	2.20%	3,469	3,525	(56)
Channel Islands	71,701,602	1.95%	6,277.3	1.50%	3,127	2,402	724
Chico	132,785,659	3.62%	16,437.3	3.93%	5,790	6,291	(500)
Dominguez Hills	109,615,900	2.99%	12,711.5	3.04%	4,780	4,865	(85)
East Bay	124,393,547	3.39%	12,371.2	2.96%	5,424	4,735	690
Fresno	174,317,161	4.75%	22,236.0	5.32%	7,602	8,510	(909)
Fullerton	255,250,582	6.96%	32,529.8	7.78%	11,131	12,450	(1,319)
Humboldt	80,737,105	2.20%	7,362.0	1.76%	3,521	2,818	703
Long Beach	271,525,371	7.40%	31,571.0	7.55%	11,840	12,083	(242)
Los Angeles	181,157,203	4.94%	23,605.7	5.65%	7,900	9,034	(1,135)
Maritime Academy	27,374,147	0.75%	1,106.6	0.26%	1,194	424	770
Monterey Bay	71,744,107	1.96%	6,700.8	1.60%	3,129	2,565	564
Northridge	264,977,220	7.22%	32,409.1	7.75%	11,555	12,404	(849)
Pomona	177,921,618	4.85%	23,078.2	5.52%	7,759	8,832	(1,074)
Sacramento	215,717,789	5.88%	26,719.4	6.39%	9,407	10,226	(819)
San Bernardino	142,228,394	3.88%	17,748.6	4.25%	6,202	6,793	(591)
San Diego	267,593,070	7.29%	31,987.8	7.65%	11,669	12,242	(573)
San Francisco	244,408,903	6.66%	25,093.6	6.00%	10,658	9,604	1,054
San Jose	249,476,877	6.80%	27,978.9	6.69%	10,879	10,708	171
San Luis Obispo	226,142,853	6.16%	21,204.2	5.07%	9,861	8,115	1,746
San Marcos	116,357,000	3.17%	12,288.3	2.94%	5,074	4,703	371
Sonoma	99,260,268	2.71%	8,673.5	2.07%	4,328	3,320	1,009
Stanislaus	84,872,152	2.31%	8,760.3	2.10%	3,701	3,353	348
Campus Totals	3,669,109,703	100.00%	418,062.7	100.00%	160,000	160,000	0
FTES ^a : Full-time Equivalent Students							

Appendix F

Liability Deductible Credit Factors Analysis

CAMPUS LIABILITY DEPOSIT CONTRIBUTIONS FY 2019/20 Program Deposits

Campus	Current Deductible Factors			New Deductible Factors			\$ Chg	% Chg
	Campus Deductible	Deductible Credit	Total Deposit	Campus Deductible	Deductible Credit	Total Deposit		
Bakersfield	\$35,000	15.0%	\$276,379	\$35,000	13.0%	\$279,849	\$3,470	1.3%
Channel Islands	\$35,000	15.0%	\$359,342	\$35,000	13.0%	\$365,044	\$5,702	1.6%
Chico	\$250,000	52.0%	\$736,170	\$250,000	45.0%	\$809,461	\$73,291	10.0%
Dominguez Hills	\$100,000	30.0%	\$536,862	\$100,000	25.0%	\$561,288	\$24,426	4.5%
East Bay	\$750,000	75.0%	\$424,188	\$750,000	70.0%	\$464,370	\$40,182	9.5%
Fresno	\$100,000	30.0%	\$586,448	\$100,000	25.0%	\$606,228	\$19,780	3.4%
Fullerton	\$250,000	52.0%	\$1,688,230	\$250,000	45.0%	\$1,865,502	\$177,272	10.5%
Humboldt	\$250,000	52.0%	\$403,976	\$250,000	45.0%	\$443,048	\$39,072	9.7%
Long Beach	\$250,000	52.0%	\$651,685	\$250,000	45.0%	\$677,844	\$26,159	4.0%
Los Angeles	\$250,000	52.0%	\$1,493,288	\$250,000	45.0%	\$1,662,406	\$169,118	11.3%
Maritime Academy	\$50,000	20.0%	\$163,690	\$50,000	17.0%	\$168,364	\$4,674	2.9%
Monterey Bay	\$35,000	15.0%	\$300,423	\$35,000	13.0%	\$304,722	\$4,299	1.4%
Northridge	\$750,000	75.0%	\$1,337,318	\$750,000	70.0%	\$1,507,659	\$170,341	12.7%
Pomona	\$250,000	52.0%	\$625,529	\$250,000	45.0%	\$675,453	\$49,924	8.0%
Sacramento	\$500,000	65.0%	\$811,193	\$500,000	58.0%	\$897,069	\$85,876	10.6%
San Bernardino	\$50,000	20.0%	\$1,113,334	\$50,000	17.0%	\$1,145,938	\$32,604	2.9%
San Diego	\$900,000	78.0%	\$723,084	\$900,000	73.0%	\$785,612	\$62,528	8.6%
San Francisco	\$250,000	52.0%	\$2,147,255	\$250,000	45.0%	\$2,403,223	\$255,968	11.9%
San Jose	\$750,000	75.0%	\$1,084,313	\$750,000	70.0%	\$1,218,662	\$134,349	12.4%
San Luis Obispo	\$250,000	52.0%	\$675,923	\$250,000	45.0%	\$723,031	\$47,108	7.0%
San Marcos	\$50,000	20.0%	\$447,177	\$50,000	17.0%	\$456,946	\$9,769	2.2%
Sonoma	\$50,000	20.0%	\$1,182,073	\$50,000	17.0%	\$1,220,514	\$38,441	3.3%
Stanislaus	\$35,000	15.0%	\$372,722	\$35,000	13.0%	\$378,324	\$5,602	1.5%
Chancellor's Office	\$100,000	30.0%	\$464,666	\$100,000	25.0%	\$490,753	\$26,087	5.6%
Total			\$18,605,268			\$0	\$1,506,042	8.1%

Actuary: 8/25/16		Actuary: 8/13/19		
Deductible	Credit	Deductible	Credit	Chg
\$35,000	15.0%	\$35,000	13.0%	-2.0%
50,000	20.0%	50,000	17.0%	-3.0%
100,000	30.0%	100,000	25.0%	-5.0%
250,000	52.0%	250,000	45.0%	-7.0%
500,000	65.0%	500,000	58.0%	-7.0%
750,000	75.0%	750,000	70.0%	-5.0%
900,000	78.0%	900,000	73.0%	-5.0%
1,000,000	80.0%	1,000,000	75.0%	-5.0%

Appendix G

Coverage Counsel's Review of CSURMA's Liability Memorandums of Coverage

Gibbons & Conley letter dated July 26, 2019

DRAFT

Appendix H

Campus Liability MOC *(with proposed edits)*

DRAFT

Appendix I

Liability Reinsurance MOC *(with proposed edits)*

DRAFT

A. Byrne Conley
Peter A. Urhausen
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July 26, 2019

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

Re. *CSURMA MOC review*

Dear Rob:

I reviewed the CSURMA Memoranda of Coverage for potential updates. Overall, of course, the MOC language is in good shape. So my comments are confined to added language that I have seen used elsewhere, or identifying issues CSURMA might want to discuss internally.

CSURMA MEMBER MOC

- At page 4, Definition 5, CSURMA defines “Bodily Injury” more broadly than the ISO CGL form in that “pure” emotional distress is covered even absent physical injury to the person. In the 1991 case *AIM v. Culcasi*, the court decided that pure emotional distress claims are not covered. CSURMA’s approach is fine, but is broader than typical CGL coverage. Most pools do this. I mention this here only because part of the “Personal Injury” definition duplicates this and I have a comment on that duplication, below.
- At page 4, Definition 4, I am not sure whether a DFEH or EEOC claim is considered to be within the definition, before a right to sue letter is issued. Many pools treat this as an administrative expense rather than a covered defense cost. Since CSURMA Members have deductibles of \$35,000 or more, it may not come up very often. But I have seen agencies incur \$30,000 or more in investigation costs solely in investigating a claim and responding to FEHA. If this is to be excluded from coverage, you could add the following to the “Claim” definition: “Claim does not include and administrative claim filed with the Equal Opportunity Employment Commission, the California Department of Fair Employment and Housing, Public Employment Relations Board or other similar state or federal administrative agency.”
- At page 6, Definition 11, Damages, I would add “pre-judgment interest and” before “interest on judgments” because I think it is included in “those sums determined to be owed” and is clearer as an item of Damages rather than Loss Adjustment Expenses. (Also you have a couple of “defense only” items in the declarations page, so I think pre-judgment interest should be considered part of Damages and not Loss Adjustment Expenses.)
- At page 6, Definition 11, Damages, second paragraph, after “retroactive or prospective benefits,” I would add “severance payments” which is already excluded by the language,

but I think puts the reader on more express notice. I would also add “Damages shall also not include any wages, salary or benefits owed for work actually performed.” The point is that lost wages because of wrongful termination would be covered Damages, but a court order that workers be paid additional amounts (either retrospective or prospective), for example under an equal pay claim or a wages and hours claim, should be considered an administrative expense, not an insurance pool coverage expense. This comes up, for example, where police officers sue for extra compensation for time putting on their uniforms or attending pre-shift briefings. It has come up in meal break or rest break disputes. If it is salary for work performed, the Member should pay it as an administrative expense.

- Also at page 6, Definition 11, Damages, you might consider: “Damages with respect to Employment Practices Liability shall not include amounts awarded under a labor grievance or arbitration pursuant to a collective bargaining agreement.”
- At page 8, Definition 21, “Loss Adjustment Expense” I would delete “post-judgment interest, pre-judgment interest (unless included as part of an award)” since these should be under the “Damages” definition. I would also eliminate “costs and expenses in connection with coverage questions and legal actions and other associated costs and expenses” since those are typically outside of either covered Damages or Defense Costs. If the Member retains coverage counsel, the Member should pay for it, and if CSURMA retains coverage counsel, it should not be counted against the Member’s Deductible or Limit of Liability.
- Page 9, Definition 24, Mold, is OK but if you want to make it clearer, it could be defined as “Any fungus or mycota or any byproduct or type of infestation produced by such fungus or mycota, including but not limited to mold, mildew, mycotoxins, spores, bacterial pathogens, or any biogenic aerosols.” The existing sentence could follow this.
- Page 9, Definition 26, Personal Injury, part B “Shock, mental anguish, mental injury, or humiliation” appears to duplicate part of the Bodily Injury definition, mentioned above, and is really a type of damage, not an offense as are the other subparts of the Personal Injury definition. It could be deleted as duplicative. One difference between Bodily Injury coverage and Personal Injury coverage is that the Occurrence definition normally requires an “accident” for Bodily Injury while Personal Injury requires an “offense,” but CSURMA employs a broader definition including “or event” so intentional conduct causing damages neither expected nor intended is already covered. So, I believe you could eliminate the duplication without narrowing Member coverage.
- Page 9, Definition 27, Pollutants, consider adding: “Pollutants includes any material defined as hazardous in Sections 66261.10 through 66261.126 of Title 22 of the California Code of Regulations.” This helps in the event of a dispute re what is a pollutant.
- Page 10, Definition 33, Ultimate Net Loss, in the second sentence I would delete “includes defense attorney fees and costs of the Member in defense of the Claim and also includes court Costs,” and instead would have it simply say “Ultimate Net Loss includes Loss Adjustment Expenses.” Then delete “, and other associated costs and expenses, but does not include any salaries of the Member’s regular Employees.” I would delete the

next sentence regarding back wages as well, since it is addressed above. I would then keep the last sentence indicating that UNL applies only to covered claims. .

- At page 13, and of Section III – Defense and Settlement, consider adding the following at the end: “If CSURMA assumes the control of the handling of a claim, the Member shall be obligated to pay at the direction of CSURMA any sum necessary for the settlement of a claim, or to satisfy liability imposed by law, up to the applicable Deductible.”
- At page 13, Section IV, sixth paragraph, I would add “to all Covered Parties” after “one Limit of Liability Coverage will apply.”
- I also think the paragraph starting “For the purpose of determining...” might fit better if moved two paragraphs down, to start in front of “An Occurrence or Wrongful Act with a duration...” There is nothing wrong with the current form but since the two deal with duration of a continuous occurrence, they would fit better together.
- Page 14, Exclusion 1, Aircraft, I would add “Aircraft does not include Small Unmanned Aircraft as defined in 14 Code of Federal Regulations section 107.3.” (I.e., drones.)
- Page 14, Exclusion 3, Automobiles, I was not clear on why there is an exception for parking vehicles that are not owned, rented or loaned to the Member when all autos owned, operated by, rented or loaned to the Member are already excluded. Also these exclusions typically say “Use includes loading and unloading.” I presume there is separate auto coverage. Is the intent to exclude auto coverage but provide coverage for parking valets, only?
- Page 15, Exclusion 8, Breach of Contractual Obligations, we do not refer specifically to the fact that this does not apply to contractually assumed liability arising from the Member’s operations. I am not sure it is necessary, if you want the broadest coverage possible, but usually we list this as an exception; indicating that contractual assumption of liability is covered but the agreement must arise out of or be incidental to the Member’s operations, must be in place before the Occurrence, and does not extend to professional liability of engineers. Contractually assumed liability is covered per Section I – Coverages, part 1 in the current form. (See also Exclusion 4 at page 8 of the excess liability form.)
- Page 16, Exclusion 13, Land Use, is fine as is, but often I see this combined with language excluding condemnation and inverse condemnation. Such exclusions in turn may make exceptions to ensure coverage for accidental property damage caused by flooding or subsidence, and in turn may or may not include coverage for a plaintiff’s attorney fees and expert witness costs. This might not be relevant for CSURMA’s members, but I can supply sample language if needed. Exclusion 7 in the AORMA form and Exclusion 7 in the excess form accomplish this, and are good as far as they go, but without any exception bringing back in coverage for flooding or land subsidence claims (which may be intentional). Keep in mind that when a property damage claim based on flooding or subsidence occurs, and there are causes of action for nuisance and dangerous condition combined with an inverse condemnation cause of action, the tort based damages may be covered, depending on how the case is tried.
- Page 18, Exclusion 16, section “B” at the bottom of the pollution exclusion, I believe should refer to “Bodily Injury” rather than “Personal Injury.”

- Page 19, Exclusion 16, section “E” of the “nothing contained in” part should read “currently owns, rents or occupies or owned, rented or occupied at the time of the actual discharge....”
- Page 20, Exclusion 19, I would add: “Refund or restitution of taxes, fees, or assessments.” The AORMA form and excess form, each at Exclusion 15, do this.
- In the Exclusions, here is one that I normally recommend: “Bid Specifications/Cost Overruns (a) Claims arising out of estimates of probable cost or cost estimates being exceeded or faulty preparation of bid specifications or plans including architectural plans. (b) Mechanic’s lien claims, stop notice claims, change order claims, or similar claims by contractors for the value of services or materials provided; this exclusion extends to such claims however denominated, including claims of breach of oral or written contract, third-party beneficiary claims, *quantum meruit* claims, and/or open account claims.” These are not claims for compensatory damages, but rather contract claims. I think the intent is to exclude these under Exclusion 8, but this language makes it clear that it applies to subcontractors with which the Member has no contract, as well.
- In several pools I have added a specific exclusion for citizen suits under the Clean Water Act. However it does not appear that exposure applies to our Members.
- Here is another exclusion to consider: “Claims by any Member against its own past or present elected or appointed officials, employees or volunteers, where such claim seeks damages or restitution payable to the Member.”
- Exclusion 27.A. in the excess form regarding written publication of known false material could be considered for the Member form. Of course the exclusion would not apply to the Member unless the Member directed it.
- Page 20, Section VII – Conditions, part 1, I suggest adding: “Under no circumstances shall CSURMA be liable for consequential damages, ‘bad faith’ damages, or any sums beyond the amounts due under Section I – Coverages, plus interest at the same rate as the Authority earned on investments for the time period involved.” This is based on a bad faith suit filed by a Southern California city against its pool, where the city sought consequential damages over and above the coverage itself.
- Page 20, Section VII – Conditions, Section 2 – since arbitration, when requested, is a condition precedent to suit, is the arbitration non-binding?
- Page 22, Section VII – Conditions, Section 10, consider adding: “CSURMA shall be entitled to complete access to the Member’s claim file, the defense attorney’s complete file, and all investigation material and reports, including all evaluations and information on negotiations. The Member shall be responsible to report on the progress of the litigation and any significant developments at least quarterly to the Authority, and to provide the Authority with simultaneous copies of all correspondence provided to the covered party by its defense attorneys and/or agents.
- There is a Medical Professional Liability Coverage form attached. Exclusions are referenced but I did not see the language of them. The part of the form I saw looks fine.

Again, overall the form looks good to me, and I hope these suggestions are helpful.

AORMA MEMORANDUM OF COVERAGE

It appears the Definitions are the same with minor adjustments. Definition 21 does not have the additional paragraph re minimum qualifications of counsel, which is not needed as this is a primary form with a defense duty. Definition 24 is alphabetically out of order, compared to the CSURMA Members' form. Definition 26 does not include the assault portion of the Personal Injury definition, but includes civil rights coverage, so I see no difference in coverage. There is no Products Hazard definition, not needed because the AORMA form has no such exclusion. Definition 34 for Unmanned Aerial Vehicle is not in the CSURMA Members' form (consider the suggestion made above for the Aircraft exclusion; I am not sure "designed for the transport of equipment" is a limitation we should use in the definition). The Wrongful Act definition is a little different, focusing on the Member rather than the Covered Individual, but seems to have the same effect for coverage purposes.

The comments made above for Definitions above would apply to the AORMA Form definitions as well. The Comments regarding Section IV – Limitations would apply as well. Comments re the Exclusions would apply where the Exclusions are the same, so I will comment only on the differences in the forms.

At page 17, we do not exclude Auto Physical Damage, as we do in the Member's MOC form. Presumably there is a separate APD policy. Presumably physical damage to owned autos is excluded by the more general Exclusion 23 for Owned Property.

At page 17, Exclusion 4, do we want to exclude drones? Does the definition of Unmanned Aerial Vehicles exclude drones unless they are designed for the transport of equipment?

Page 19, Exclusion 13 for intentional conduct, does not have the first part of Exclusion 11 from the Members' form, relating to "liability based on the Member's obtaining of financial gain to which the Member was not legally entitled." Is this a deliberate omission? We might want to make it conform with Exclusion 11 in the Members' form.

Page 24, Exclusion 25, the Subsidence Exclusion is good, it follows the leading case, exclusionary language found effective by the Court of Appeal in the case of *ICSOP v. Carlsbad*.

I did not have any changes for Conditions other than those suggested above for the Members' form.

I did not have any changes to suggest in the Uninsured Motorist form (it was a little hard to follow regarding limits being reduced by available insurance, but clearly that is how the form applies). I did not have any changes to suggest in the Fiduciary Liability endorsement.

EXCESS FORM

As Mimi Long indicated, this form has been reconciled to the two mentioned above. So my notes on this are limited.

Exclusion 16.C at page 15, relating to cost of modifying a building to accommodate people, should be a separate exclusion for all coverages, not just EPL. The cost of upgrading facility access in response to a suit by a member of the public would similarly not be covered. We may want to add similar language to Exclusion 14 of the Member form – just to reinforce that the pool does not pay to upgrade Member property.

Section VIII – Conditions, part 3, has a binding arbitration clause. It varies from the underlying forms in that it is a single arbitrator rather than a panel, is done under the laws of Minnesota, and apparently is binding. Presumably this is negotiated with reinsurers, but I think it might be preferable to use a three person panel and the arbitration rules of the California Code of Civil Procedure, just for uniformity.

Please let me know if I can be of further assistance, or if you want me to attend any committee meetings to go into further detail on these items. Also, I can put out a red line, strikeout version of proposed changes if you would like.

Very truly yours,

GIBBONS & CONLEY


A. BYRNE CONLEY



**CALIFORNIA STATE UNIVERSITY RISK MANAGEMENT AUTHORITY
MEMORANDUM OF LIABILITY COVERAGE**

DECLARATIONS

Item 1: Named Covered Party:

- California State University Risk Management Authority (CSURMA)
- The State of California as respects the Trustees of the California State University
- The California State University (CSU)
- All campuses of the CSU as listed in Item 4

Item 2: Coverage Period:

July 1, 2019~~20~~ to July 1, 2020-2021 at 12:01AM

Item 3: Limits of Liability:

\$5,000,000	Ultimate Net Loss - Each Occurrence or Wrongful Act
-------------	--

Sublimits of Liability (provided by Campus Liability Risk Pool):

\$5,000,000	Medical Malpractice (for Medical Doctors and the Student Health Centers)
\$1,000,000	Funds, Grants or Appropriations (defense only)
\$1,000,000	Land Use (defense only)
\$1,000,000	Nuclear Materials (limited coverage)
\$5,000,000	Automobile Liability (excess) – non-salaried drivers only; e.g., student volunteers

Item 4: Member Deductibles:

\$0	The State of California as respects the Trustees of the California State University
\$0	California State University Risk Management Authority (CSURMA)
\$35,000	California State University, Bakersfield
\$35,000	California State University, Channel Islands
\$250,000	California State University, Chico
\$100,000	California State University, Dominguez Hills
\$750,000	California State University, East Bay
\$100,000	California State University, Fresno
\$250,000	California State University, Fullerton
\$250,000	Humboldt State University
\$250,000	California State University, Long Beach
\$250,000	California State University, Los Angeles
\$50,000	California State University Maritime Academy



\$35,000	California State University, Monterey Bay
\$750,000	California State University, Northridge
\$250,000	California State Polytechnic University, Pomona
\$500,000	California State University, Sacramento
\$50,000	California State University, San Bernardino
\$900,000	San Diego State University
\$250,000	San Francisco State University
\$750,000	San Jose State University
\$250,000	California Polytechnic State University, San Luis Obispo
\$50,000	California State University, San Marcos
\$50,000	Sonoma State University
\$35,000	California State University, Stanislaus
\$100,000	California State University, Chancellor's Office

Item 5: Liability Claims Administrator:

The California State University
 Office of Systemwide Risk Management
 Attn: Director of Systemwide Risk Management
 562-951-4568 – Direct
 562-951-4859 – Fax
zgifford@calstate.edu – email

Authorized Signature



CALIFORNIA STATE UNIVERSITY RISK MANAGEMENT AUTHORITY Campus Liability Coverage Program Memorandum of Coverage

Various provisions in this Memorandum restrict coverage. Read the entire Memorandum carefully to determine Member rights, duties and what is and is not covered.

Throughout this Memorandum, words and phrases that appear in **boldface** type have special meanings. They are defined in SECTION I – DEFINITIONS and/or with respect to Covered Parties in SECTION IV – COVERED PARTIES.

The California State University Risk Management Authority (hereinafter called CSURMA) is an intergovernmental agency, risk sharing, joint powers authority, duly formed pursuant to California Government Code Sections 6500 *et seq.*

This Memorandum does not provide insurance, but instead provides for pooled self-insurance. This Memorandum is a negotiated agreement among the **Members** of the CSURMA, and none of the parties to the document are entitled to rely on any contract interpretation principles which require interpretation of ambiguous language against the drafter of such agreement. This document shall be applied according to the principles of contract law, giving full effect to the intent of the **Members** of the CSURMA, acting through the Board of Directors in adopting this document. As the CSURMA is not an insurer, it has no obligation to issue reservation of rights letters, nor does it have an obligation to provide “*Cumis*” counsel to a **Covered Party** in disputed coverage situations under Civil Code 2860. Finally, failure to provide notice to a **Covered Party** of any coverage dispute shall not operate to waive any of the provisions of this document.

SECTION I – COVERAGES

Subject to the **Member’s Deductible(s)**, CSURMA agrees:

To pay on behalf of the **Member** those sums for **Ultimate Net Loss** in excess of the **Member’s Deductible(s)** which the **Member** becomes obligated to pay as **Damages**;

1. By reason of liability assumed by the **Member** by contract because of **Bodily Injury** or **Property Damage, Personal Injury, Errors and Omissions, Employee Benefits Liability, Employment Practices Liability** or **Media Wrongful Acts** arising from operations of the **Member** to which this Memorandum applies, caused by an **Occurrence** or **Wrongful Act**, or
2. By reason of liability imposed by law because of **Bodily Injury, Property Damage, Personal Injury, Errors and Omissions, Employment Practices Liability** or **Media Wrongful Acts** arising from operations of the **Member** to which this Memorandum applies, caused by an **Occurrence** or **Wrongful Act**.
3. By reason of liability imposed by law because of **Employee Benefits Liability** claims made during the **Coverage Period** to which this Memorandum applies, caused by an **Occurrence** or **Wrongful Act**.



SECTION II - DEFINITIONS

1. **Additional Covered Party** means any person(s), entity(ies) or organization(s) to whom the **Member** is obligated by virtue of a written contract to provide coverage solely with respect to **bodily injury, property damage and personal injury** arising out of and during the **Member's** operations or premises owned, rented or used by the **Member**; and

For which a certificate of coverage has been issued to such person(s); entity(ies) or organization(s) and is on file with CSURMA evidencing their status as an **additional covered party** under this coverage.

The limit and scope of coverage afforded to the **Additional Covered Party** shall be no broader than that which is required by such contract and shall in no event be broader than the coverage afforded by this Memorandum.

The coverage does not extend, either with respects to defense or indemnity, to the sole negligence or to the willful misconduct of any **Additional Covered Party**.

2. **Administration**, with respect to **Employee Benefits Liability**, means:
- A. Providing information to **Employees**, including their dependents and beneficiaries, with respect to eligibility for or scope of **Employee Benefit Programs**;
 - B. Handling records in connection with the **Employee Benefit Program**; or
 - C. Effecting, continuing or terminating any **Employees'** participation in any benefit included in the **Employee Benefit Program**.

However, **Administration** does not include handling payroll deductions.

3. **Aircraft** means a vehicle designed for the transport of persons or property principally in the air.
4. **Automobile** means a licensed land motor vehicle or semi-trailer designed for travel on public roads, including any attached machinery, trailer or equipment.
5. **Bodily Injury** means **Bodily Injury**, sickness, disease or death, including but not limited to shock, mental anguish, mental injury and humiliation sustained by any person that occurs during the **Coverage Period**. **Bodily Injury** includes **Damages** claimed by any person or organization for care, loss of services or death resulting at any time from the **Bodily Injury**.
6. **Claim** means:

~~A. A written demand to a **Member** for payment of **Damages** received by the CSURMA Secretary Auditor or by the chief executive, risk manager, or general counsel of a **Member**; and/or~~

B.A. A civil proceeding against a **Member** in which **Damages** are sought on account of

- 1) **Bodily Injury or Property Damage**,

Commented [A1]: This is circular. A "Claim" means a demand to a Member for payment of Damages; and "Damages" means compensation the Member is required to pay as a result of a Claim.



- 2) **Personal Injury,**
- 3) **Errors and Omissions,**
- 4) **Employee Benefits Liability,**
- 5) **Employment Practices Liability, or**
- 6) **Media Wrongful Acts,**

arising from an **Occurrence** or a **Wrongful Act** for which this coverage may apply, including an arbitration or other alternative dispute resolution proceeding in which monetary **Damages** are sought and to which the **Member** must or does submit with our written consent.

7. **Completed Operations Hazard** includes **Bodily Injury** and **Property Damage** arising out of operations or reliance upon a representation or warranty made at any time with respect thereto, but only if the **Bodily Injury** or **Property Damage** occurs after such operations have been completed or abandoned, and occurs away from premises owned by or rented to the **Member**. Operations include materials, parts or equipment furnished in connection therewith. Operations shall be deemed completed at the earliest of the following time:
- A. When all operations to be performed by or on behalf of the **Additional Covered Party** at the site of the operations have been completed.
 - B. When all operations to be performed by or on behalf of the **Additional Covered Party** under the contract have been completed; or
 - C. When the portion of the work out of which the injury or **Damages** arise has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project

Operations which may require further service or maintenance work, or correction, repair or replacement because of any defect or deficiency, but which are otherwise complete shall be deemed completed. The **Completed Operations Hazard** does not include **Personal Injury** or **Property Damage** arising out of:

- A. Operations in connection with the transportation of property unless the **Personal Injury** or **Property Damage** arises out of a condition in or on a vehicle created by the loading or unloading of that vehicle by any **Member**; or
 - B. The existence of tools, uninstalled equipment or abandoned or unused materials.
8. **Coverage Period** means the period of coverage provided under this Memorandum as shown on the Declarations Page.
9. **Covered Individual(s)** means persons who are past or present elected or appointed officials, **Employees**, whether or not compensated, or authorized volunteers of the **Member**, while acting within the scope of their duties, office or employment for or on behalf of the **Member**, including while acting on outside boards at the direction of the **Member**. **Covered Individuals** do not include **Employees** of nonmember organizations, including, but not limited to alumni associations and volunteer university support groups.
10. **Dam** means any artificial barrier together with appurtenant works which:

- A. Is twenty-five feet (25) or more in height from the foot of a natural bed of stream or watercourse at the downstream toe of the barrier or from the lowest elevation of the outside limit of the barrier, if it is not across a stream, channel or watercourse, to the maximum possible water storage elevation; or
- B. Has water impounding capacity of fifty (50) acre feet or more.

Except, any such barrier which is not in excess of twenty-five (25) feet in height regardless of storage capacity, or which has a storage capacity not in excess of fifteen (15) acre feet regardless of height, shall not be considered a **Dam**; and, no structure specifically exempted from jurisdiction by the applicable state agency overseeing **Dams** shall be considered a **Dam**, unless such structure is under the jurisdiction of any agency of the federal government.

- 11. **Damages** means compensation in money which a **Covered Party** is legally obligated to pay as a result of a **Claim**. ~~Damages include: (1) attorney fees not based on any contract awarded against the Covered Party attributable to a claim for compensatory damages covered by this Memorandum, (2) pre judgment interest and interest on judgments, or (3) costs, for which the Covered Party is liable either by adjudication or by compromise with the prior written consent of CSURMA, if the fees, interest or costs arise from an Occurrence or Wrongful Act to which this coverage applies.~~

Commented [A2]: There is no definition for "Covered Party." There is "Additional Covered Party" and there is "Covered Individual(s)."

Damages shall not include those sums determined to be owed by a **Covered Party** as contract **Damages**, including, but not limited to retroactive or prospective benefits, severance payments, or any **Damages** determined to be owed for breach of an express contract of employment or under an express obligation to make payments in the event of termination of employment. **Damages shall also not include any wages, salary or benefits owed for work actually performed.**

Commented [A3]: Suggest removal of this and instead make attorneys' fees part of what is covered when CSURMA defends, Section III.3.B. Interest and costs are already in that Section III.3.B.

Damages with respect to Employment Practices Liability shall not include amounts awarded under a labor grievance or arbitration pursuant to a collective bargaining agreement.

Damages shall not include sums paid pursuant to any judgment or agreement, whether injunctive or otherwise, to undertake actions to correct past discriminatory or unlawful conduct or to establish practices or procedures designed to eliminate or prevent future discriminatory or other unlawful conduct, or any non-monetary relief.

Damages shall not include fines, penalties, sanctions, taxes or fees assessed against any **Covered Party**.

- 12. **Deductible** means the amount of each **Ultimate Net Loss** which the Member has to pay irrespective of the amount of the **Ultimate Net Loss** as shown on the Declarations page of this document.
- 13. **Discrimination**, as respects **Employment Practices Liability**, means the actual or alleged failure to employ, failure to promote, or the demotion, transfer, suspension, or termination of any **Employee** because of race, color, creed, national origin, sex, sexual orientation or preference, religion, age, gender, disability or handicap or pregnancy. **Discrimination**, other than as respects **Employment Practices Liability**, means **Bodily Injury**, **Personal Injury** and/or **Errors and Omissions** arising from alleged acts, errors or omissions showing favor, prejudice or bias for or against a person because of race, color, creed, national origin, sex, sexual orientation or preference, religion, age, gender, disability or handicap or pregnancy.

- 14. **Employee** means:



- A. Any person who has an assigned work schedule for the **Member** and is on the **Member's** regular payroll; and
- B. Any person who is leased to the **Member** through a staffing or temporary agency and is working for the **Member** under the **Member's** supervision, including a **Leased Worker**.
- C. **Employee** does not include independent contractors.
- D. As respects **Employment Practices Liability** and **Employee Benefits Liability** and when appearing in boldface type in this Memorandum, means any present or former **Employee** of the **Member**; and
- E. Solely as respects **Employment Practices Liability** arising from alleged **Discrimination** with respect to negligent hiring, only, **Employee** includes an applicant for employment.
- F. Solely as respects **Employment Practices Liability**, independent contractors and/or persons working on retainer, while acting for or on behalf of the Member.

An **Employee's** status as a **Covered Party** will be determined as of the date of the **Occurrence** or **Wrongful Act** upon which a **Claim** involving the **Employee** is based.

- 15. **Employee Benefits Liability** means liability for actual or alleged Errors and Omissions in the Administration of a Member's Employee Benefit Program.
- 16. **Employee Benefits Program** means a program providing some or all of the following benefits to Employees:
 - A. Group life insurance, group accident or health insurance, dental, vision and hearing plans, and flexible spending accounts;
 - B. Profit sharing plans, Employee savings plans, Employee stock ownership plans, pension plans, and stock subscription plans; and
 - C. Unemployment insurance, social security benefits, workers' compensation, and disability benefits.
- 17. **Employment Practices Liability** means any circumstance relating to a past, present or prospective **Employee** of the **Member** (and the child, parent, brother or sister of that person) as a consequence of the following **Wrongful Acts** or alleged **Wrongful Acts**: wrongful dismissal, discharge, or termination, either actual or constructive, of employment; employment related misrepresentation; retaliation; wrongful failure or refusal to employ or promote; wrongful deprivation of career opportunity or reassignment; wrongful discipline; failure to grant tenure or negligent **Employee** evaluation; **Sexual or Workplace Harassment** or humiliation of any kind, including, but not limited to, the alleged operation of a harassing workplace environment; negligence resulting in **Damages** to a person that is a whistle-blower; unlawful **Discrimination**, whether direct, indirect, intentional or unintentional; failure to provide adequate **Employee** policies and procedures. **Employment Practices Liability** shall include actions brought under state, local, or federal law, whether common or statutory, and shall include, but not be limited to allegations of violations of the following federal laws, as amended, including regulations promulgated thereunder:
 - A. Americans With Disabilities Act of 1992 (ADA)
 - B. Civil Rights Act of 1991



- C. Age **Discrimination** Empowerment Act of 1967 (ADEA), including the Older Workers Benefit Protection Act of 1990
 - D. Title VII of the Civil Rights Law of 1964, as amended (1983), including the **Pregnancy Discrimination** Act of 1978;
 - E. Civil Rights Act of 1866, Section 1981; and
 - F. Fifth and Fourteenth Amendments of the U.S. Constitution.
18. **Errors and Omissions** means a **Wrongful Act** by **Covered Individuals** individually or collectively in the discharge of their duties for the **Member**, or any matter claimed against them solely by reason of their being or having been public officials.
19. **Land Subsidence** means the movement of land or earth, including, but not limited to, sinking or settling of land, earth movement, earth expansion, and/or contraction, landslide, slipping, falling away, caving in, eroding, earth sinking, and earth rising or shifting or tilting.
20. **Leased Worker** means any **Employee** who is under contract to the **Member** while performing duties defined under the contract with the Member.
21. **Loss Adjustment Expense** means all costs and expenses incurred by the **Member** in connection with the investigation, appraisal, negotiation, adjustment, settlement, litigation, defense or appeal of a specific **Claim** or loss covered hereunder, including but not limited to CSURMA approved defense attorney fees, court costs, costs of supersedes and appeal bonds, monitoring counsel expenses, ~~post judgment interest, pre judgment interest (unless included as part of an award), subrogation, salvage and recovery expense, costs and expenses in connection with coverage questions and legal actions and other associated costs and expenses.~~ **Loss Adjustment Expense** shall include any allocated **Claims** expenses, salaries or overhead incurred by attorneys who are **Employees** of the California State University's Office of General Counsel. However, such expenses shall be limited at \$250 per hour. **Loss Adjustment Expense** shall also include fees and expenses of outside adjusters and others associated with specific **Claims**, but excluding any **Loss Adjustment Expense** and fees paid that are not allocable to a specific **Claim**. **Loss Adjustment Expense** does not include salaries and expense of **Member's Employees** except as provided above, as well as office and other overhead expenses.
- Additionally, CSURMA may exercise the right to require that such counsel have certain minimum qualifications with respect to their competency including experience in defending **Claims** similar to the one against the **Member** and to require that independent counsel have errors and omissions coverage. The **Member** agrees to instruct counsel, whether independent or in-house, to respond to CSURMA request(s) for information regarding the **Claim** in a timely manner.
22. **Media Wrongful Act** means any error or omission arising out of the gathering, recording, collection, writing, editing, advertising, publication, dissemination, exhibition, broadcast, display on an internet site, or release, including but not limited to any actual or alleged:
- A. Invasion or infringement of the right of privacy or publicity, including the torts of intrusion upon seclusion, publication of private facts, false light, or misappropriation of name or likeness;
 - B. Wrongful entry or eviction, trespass, eavesdropping, or other invasion of the right of private occupancy;



- C. Libel, slander, disparagement, or publicity, false light, public disclosure or private facts, appropriation of name, persona or likeness, or any other form of defamation or harm to the character or reputation of any person or entity;
 - D. Outrage, infliction of emotional distress or prima facie tort;
 - E. Infringement or dilution of trademark, trade name, trade dress, title, slogan, service mark or service name, domain name, deep linking or framing, including unfair competition in connection with such conduct;
 - F. Copyright infringement, plagiarism, piracy, breach of implied contract, or misappropriation of property rights, information or ideas;
 - G. Breach of a promise of confidentiality or anonymity;
 - H. Error or omission in content;
 - I. Unfair competition or conspiracy, but only when the allegation of unfair competition or conspiracy is based entirely upon one or more Media Wrongful Acts falling within sections A-H above;
 - J. Breach of an indemnification or hold harmless agreement relating to **Claims** arising out of the media, but only when such **Claims** allege a **Media Wrongful Act** falling within sections 1-9 above; solely when committed or allegedly committed by a **Covered Party** in is, her or its capacity as such and in connection with the creation or dissemination of media, or in connection with the creation or dissemination of advertising materials relating to media.
23. **Member** means the **Member** named on the Declarations Page.
24. **Mold(s)** means any fungus or mycota or any byproduct or type of infestation produced by such fungus or mycota, including but not limited to mold, mildew, mycotoxins, spores, bacterial pathogens, or any biogenic aerosols to include, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produces **Molds**.
25. **Occurrence** means an accident, act, error, offense, omission or event **Media Wrongful Act** or **Wrongful Act** during the **Coverage Period**, including continuous or repeated exposure, which results in damages, neither expected nor intended by the **Member**. An **Occurrence** taking place over more than one **Coverage Period** shall be deemed to have taken place during the **Coverage Period** when the **Occurrence** ended and shall be treated as a single **Occurrence** in that **Coverage Period**.
26. **Personal Injury** means any of the following offenses:
- A. False arrest, detention or imprisonment, or malicious prosecution;
 - ~~B. Shock, mental anguish, mental injury, or humiliation~~
 - ~~C.B.~~ Publication or utterance of a libel or slander or of other defamatory or derogatory material, or a publication or utterance in violation of an individual's right of privacy;
 - ~~D.C.~~ Wrongful entry or eviction or other invasion of the right of private occupancy;



- E-D. **Discrimination** or violation of civil rights other than **Employment Practices Liability**, not intentionally committed by or at the direction of the **Member**; and
- F-E. Assault and battery not committed by or at the direction of, or with consent of the **Member**. However, this does not apply if committed or directed for the purpose of protecting persons from injury or death, or property from damage.
27. **Pollutant** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and **Waste**. **Waste** includes materials, which are intended to be or have been recycled, reconditioned or reclaimed. The term **Pollutant** as used herein is not defined to mean potable water or agricultural water or water furnished to commercial users. Pollutants includes any material defined as hazardous in Sections 66261.10 through 66261.126 of Title 22 of the California Code of Regulations.
28. **Products Hazard** includes **Bodily Injury** and **Property Damage** arising out of **your** products or reliance upon a representation or warranty with respect thereto, but only if the **Bodily Injury** or **Property Damage** occurs away from premises owned by or rented to **you** and after physical possession of **your** product (s) has been relinquished to others.
29. **Property Damage** means:
- A. Physical injury to or destruction of tangible property which occurs during the Coverage Period, including the loss of use thereof at any time resulting therefrom;
 - B. Loss of use of tangible property, which has not been physically injured or destroyed, provided such loss of use is caused by an Occurrence or Wrongful Act during the Coverage Period.
30. **Sexual or Workplace Harassment** shall mean any actual, attempted or alleged unwelcome sexual advances, requests for sexual favors or other conduct of a sexual nature, of a person by another person, or person acting in concert, which causes physical and/or mental injuries. **Sexual or Workplace Harassment** also includes the above conduct when:
- A. Submission to or rejection of such conduct is made either explicitly or implicitly a condition of a person's employment, or a basis for employment, or a basis for employment decisions affecting a person; or
 - B. Such conduct has the purpose or effect of unreasonably interfering with a person's work performance or creating an intimidating, hostile or offensive work environment.
- Sexual or Workplace Harassment** does NOT include **Sexual Misconduct** as defined in this Memorandum.
31. **Sexual Misconduct** means:
- A. The actual, attempted or alleged abuse or molestation of a person by another person, or persons acting in concert which causes physical and/or mental injuries. Sexual molestation includes: sexual abuse, sexual assault, sexual exploitation or sexual injury; or
 - B. The negligent employment, investigation, supervision, reporting to the proper authorities or failure to report the above of a Covered Person.



32. **Territory** means an **Occurrence** or a **Wrongful Act** that takes place during the **Coverage Period** anywhere in the world, as well as **Claims** brought anywhere in the world.
33. **Ultimate Net Loss** means the amount of paid **Claims** liability for **Damages** for which the **Member** is liable on a per **Occurrence** or **Wrongful Act** basis, either by (1) adjudication, or (2) compromise with the prior written consent of CSURMA, and which the **Member** actually pays in cash, after making proper deduction for all recoveries and salvages collectible. **Ultimate Net Loss** ~~includes defense attorney fees and costs of the Member in defense of the Claim and also includes court costs, Loss Adjustment Expenses, and other associated costs and expenses, but does not include any salaries of the Member's regular Employees. Ultimate Net Loss includes retrospective benefit ("back wages"), but does not include prospective benefits ("forward wages"), payable as part of a Claims for Employment Practices Liability covered under this Memorandum.~~ **Ultimate Net Loss** shall not include any of the above-described expenses for **Damages** against a **Member** or defense expenses incurred because of liability excluded by this Memorandum.
34. **Wrongful Act** means any actual or alleged error, misstatement, omission, negligent act, or breach of duty, including misfeasance and nonfeasance by covered individuals individually or collectively in the discharge of their duties for the **Member**, or any matter claimed against them solely by reason of their being or having been public officials.
35. **Wrongful Termination** means the actual, alleged or constructive termination of an employment relationship between an **Employee** and a **Member** in a manner and/or a reason which is contrary to applicable law.
36. The following definitions are applicable only to **Exclusion 15 – Nuclear Material**:
- A. **Hazardous Properties** include radioactive, toxic or explosive properties;
 - B. **Nuclear Material** means source material, special **Nuclear Material** or byproduct material;
 - C. Source material, special **Nuclear Material** and byproduct material have the meaning given in the Atomic Energy Act of 1954 or in any law amendatory thereof;
 - D. **Spent Fuel** means fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a **Nuclear Reactor**;
 - E. **Waste** means any **Waste** material, (a) containing a byproduct material and (b) resulting from the operation by any person or organization of any **Nuclear Facility** included within the definition of **Nuclear Facility** under paragraph a. or b. thereof;
 - F. **Nuclear Facility** means:
 - 1) Any **Nuclear Reactor**;
 - 2) Any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing **Spent Fuel**, or (3) handling, processing or packaging **Waste**;
 - 3) Any equipment or device used for the processing, fabricating or alloying of special **Nuclear Material** if at any time the total amount of such material in the custody of the **Member** at the premises where such equipment or device is located consists of or contains more than 25 grams plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235; or



- 4) Any structure, basin, excavation site premises or place prepared or used for the storage or disposal of **Waste** and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations.

G. **Nuclear Reactor** means any apparatus designed or used to sustain nuclear fission in a supporting chain reaction or to contain a critical mass of fissionable material.

With respect to injury to or destruction of property, the word injury or destruction includes all forms of radioactive contamination of property.

SECTION III - DEFENSE AND SETTLEMENT

1. CSURMA has the right and duty to defend any **Claim** or **Suit** against the **Member** seeking **Damages** arising out of any **Occurrence** or **Wrongful Act** to which this coverage applies even if the **Claim** or **Suit** is groundless, false or fraudulent when the **Deductible** has been exhausted by the payment of **Damages** including **Loss Adjustment Expenses** to which this coverage applies and provided further that no insurer has a duty to defend or is defending such **Claim**.
2. CSURMA has no duty to defend the **Member** against any **Claim** or **Suit** seeking **Damages** arising out of any **Occurrence** or **Wrongful Act** to which this coverage does not apply.
3. When CSURMA assumes the defense of any **Claim** or **Suit** on the Member's behalf, CSURMA will:
 - A. Investigate, negotiate and settle the **Claim** or suit as CSURMA may deem expedient; and
 - B. Pay the following to the extent that they are not covered by any other coverage:
 - 1) Premiums on bonds to release attachments for amounts not exceeding our Limits of Coverage, but CSURMA is not obligated to apply for or furnish any such bond;
 - 2) Premiums on appeal bonds required by law to appeal any **Claim** or suit which CSURMA defends, but CSURMA is not obligated to apply for or furnish any such bond;
 - 3) All reasonable costs taxed against the **Member** in any **Claim** or suit that CSURMA defends;
 - 4) Pre-judgment interest awarded against the **Member** on that part of the judgment CSURMA pays. If CSURMA makes an offer to pay the applicable Limit(s) of Liability, then CSURMA will not pay any pre-judgment interest accrued for that period of time after the offer;
 - 5) All interest that accrues after entry of judgment and before CSURMA has paid, offered to pay or deposited in court the part of the judgment that is within



CSURMA's applicable Limit(s) of Liability; or

6) Reasonable Member expenses incurred with CSURMA's consent or at CSURMA's request.

6.7) Attorney fees awarded against the Member and Additional Covered Party, provided the fees are attributable to a claim for compensatory damages covered by the Memorandum and not based on any contract.

Commented [A4]: This would bring attorney fees under CSURMA's obligation to pay, but only where it is defending and only where attributable to a covered claim.

4. CSURMA will not defend any Claim or Suit after our applicable Limit(s) of Liability has been exhausted by payments of judgments or settlements including Loss Adjustment Expenses.

5. Except as provided in Paragraph A above, CSURMA will have no duty to defend any Claim or Suit against the Member. We will, however, have the right, but not the duty, to participate in the defense of any Suit and the investigation of any Claim to which this Memorandum may apply, and the Member shall cooperate fully with us in such participation. If CSURMA chooses to exercise this right, CSURMA will do so at CSURMA's own expense.

6. All expenses CSURMA may incur in the defense of any Claim or Suit are included in the Limit of Liability and are not paid in addition to the Limit of Liability.

6.7. If CSURMA assumes the control of the handling of a claim, the Member shall be obligated to pay at the direction of CSURMA any sum necessary for the settlement of a claim, or to satisfy liability imposed by law, up to the applicable Deductible.

SECTION IV - LIMITATIONS UPON CSURMA'S LIABILITY

Regardless of the number of (1) persons or entities covered under this Memorandum, or (2) persons or organizations who sustain injury or damage, or (3) Claims made or suits brought because of injury or damage, the CSURMA's liability for Damages is limited as follows:

The CSURMA's liability for Damages shall be only for the Ultimate Net Loss less the Member's Deductible(s) not to exceed the Limits of Liability shown in the Declarations, as the result of any one Occurrence or Wrongful Act or the amount shown in the Declarations because of all Occurrences for any one Member during each Coverage Period. There is no limit to the number of Occurrences or Wrongful Acts during the Coverage Period for which Claims may be made.

The Member's Deductible(s) as shown in the Declarations applies to each such Occurrence or Wrongful Act without regard to exclusions, limitations or exhaustion of aggregate limits in underlying or contributing coverage, insolvency of any insurance carrier or insurance pool, or any circumstances wherein underlying or contributing coverage is uncollectible.

~~For the purpose of determining the CSURMA Limit of Liability and the Member's Deductible(s), all Damages arising out of continuous or repeated exposure to substantially the same general conditions shall be considered as arising out of one Occurrence or Wrongful Act.~~

This Memorandum applies to Occurrences or Wrongful Acts, which take place anywhere in the world during the specified Coverage Period stated in the Declarations of this Memorandum.



The term **Covered Party** is used severally and not collectively. The Limit of Liability and **Member's Deductible(s)** as stated in the Declarations apply separately to each **Covered Party**. In the event of an **Occurrence** for which more than one **Covered Party** is or may be held liable, one **Member** Deductible and one Limit of Liability coverage will apply to all Covered Parties. CSURMA's liability for all **Covered Parties** shall not exceed the Limit of Liability set forth in Declarations. An **Occurrence** or **Wrongful Act** involving more than one **Member** shall be treated as a single **Occurrence** or **Wrongful Act**, and a single Limit of Liability and a single **Member's Deductible(s)** will apply to the **Occurrence** or **Wrongful Act**.

For the purpose of determining the CSURMA Limit of Liability and the Member's Deductible(s), all Damages arising out of continuous or repeated exposure to substantially the same general conditions shall be considered as arising out of one Occurrence or Wrongful Act. An **Occurrence** or **Wrongful Act** with a duration of more than one **Coverage Period** shall be treated as a single **Occurrence** or **Wrongful Act** arising during the **Coverage Period** when the **Occurrence** or **Wrongful Act** ends, and under no circumstances shall the fact that said **Occurrence** or **Wrongful Act** have a duration of more than one **Coverage Period** entitle a **Covered Party** to more than one Limit of Liability or to coverage under more than one Memorandum.

Bodily Injury or **Personal Injury** damages resulting from **Sexual Misconduct** will be deemed to have occurred at the time of the last **Sexual Misconduct** and all such **Bodily Injury** or **Personal Injury** will be deemed to be a single occurrence whether committed by the same perpetrator or two or more perpetrators acting in concert and without regard to the number of (1) incidents of **Sexual Misconduct** taking place thereafter, (2) victims of **Sexual Misconduct**, or (3) locations where the **Sexual Misconduct** took place. Only the Memorandum of Coverage in effect during which such **Sexual Misconduct** last occurred will apply to such single **Occurrence** of **Sexual Misconduct**. Coverage does not apply to any **Covered Party** who is found by a court of law to have committed a criminal act of **Sexual Misconduct**.

SECTION V - COVERED PARTIES

The parties covered by the CSURMA:

1. The **Member**.
2. The following individually and collectively, when acting solely within the scope of their duties, office, or employment for the **Member**:
 - A. Governing Board.
 - B. Officers.
 - C. **Employees**.
 - D. Non-compensated individuals, while acting for or on behalf of the **Member**. This includes individuals appointed and acting as volunteers. Volunteers include students who are enrolled in community service programs, but only while such students are performing services for credit that are valid for the student to meet the university's requirements for college graduation.
3. **Additional Covered Parties** as defined in Section II, 1. of this document.
4. **Covered Individuals** as defined in Section II, 9. of this document.



SECTION VI – EXCLUSIONS

This Memorandum shall not apply to, and CSURMA shall not be obligated to make any payment or defend any lawsuit in connection with any **Claim** or liability or **Damages**, with respect to:

1. Aircraft

The ownership, maintenance, loading or unloading, use or operation of any **Aircraft** capable of flight. This exclusion does not apply to static **Aircraft**.

2. Assault and Battery

Arising out of assault and battery, except for assault and battery committed by or directed for the purpose of protecting persons or property or where same are not committed by or at the direction of the **Member**.

3. Automobile

For any liability arising out of the use or entrustment to others of any **Automobile** owned or operated by or rented or loaned to any **Member**, but this exclusion does not apply to parking an **Automobile** on or on the ways next to premises the **Member** owns or rents, provided the **Automobile** is not owned by or rented or loaned to the **Member**.

4. Automobile Physical Damage

For any liability for damages to or destruction of any **Automobile** owned by, rented to, leased to or in charge of the **Member**.

5. Aviation Activities

The ownership, maintenance, loading or unloading, use or operation of any:

A. **Aircraft**

B. Airfields;

C. Runways;

D. Hangars; or

E. Buildings of other properties in connection with aviation activities.

F. Liability for **Damages** arising out of in-flight operations of **Aircraft** by or in the interest of the **Covered Party** except with respect to operations performed by scheduled common carriers or operations of **Aircraft** owned or operated by the United States government or the State of California. The term in-flight as used in the foregoing means the period of time the **Aircraft** moves forward in taking off or in an attempt to take off until it has completed its landing run.

This exclusion shall not apply, however, to those areas open to the public for the purpose of entering, leaving, or using the airport facilities (including parking lots and garages).



This exclusion shall not apply, however, to the maintenance and operations of permanently stationary **Aircraft** used for instructional purposes only.

6. Bid Specifications / Cost Overruns

Claims arising out of:

- A. Estimates of probable cost or cost estimates being exceeded or faulty preparation of bid specifications or plans including architectural plans.
- B. Mechanic's lien claims, stop notice claims, change order claims, or similar claims by contractors for the value of services or materials provided; this exclusion extends to such claims however denominated, including claims of breach of oral or written contract, third-party beneficiary claims, quantum meruit claims, and/or open count claims.

6-7. Bodily Injury

To **Bodily Injury** to any of the **Member's Employees** arising out of and in the course of employment by the **Member**, but this exclusion does not apply to Workers' Compensation Coverage B, Employers Liability, or Stop Gap Liability, as defined by the National Council on Workers' Compensation Insurance, or Employment Practices Liability.

With respect to **Employment Practices Liability, Bodily Injury**, to any **Employee** of the **Member** arising out of and in the course of his/her employment by any **Member**; but this exclusion does not apply to liability assumed by any **Member** under any written contract.

7-8. CSU Managed Construction Projects

For any liability for damages assumed by the **Covered Parties** under any construction project contracts managed by the Chancellor's Office of the California State University or managed by a campus of the California State University, or both. However, CSURMA shall defend any actions or suits brought against any Member for such causes of action.

8-9. Contractual Obligations

The actual or alleged failure to perform or breach of any contract, agreement or other guarantee or promise, except this exclusion does not apply to any employment related contracts as provided under **Employment Practices Liability**. This exclusion does not apply to liability for **Damages** that the **Member** would have in the absence of the contract or agreement, or contractually assumed liability arising from the Member's operations; however, the agreement must arise out of or be incidental to the Member's operations and must be in place before the Occurrence and does not extend to professional liability of engineers.

10. Eminent Domain, Condemnation Proceedings or Inverse Condemnation

The Claims for loss or Damage or any liability arising out of or in connection with the principles of eminent domain, condemnation proceedings or inverse condemnation, or by whatever name used whether such Claims are made directly against you or by virtue of any agreement entered into, by or on your behalf.

9-11. Employee Benefits Liability

- A. Arising out of an insufficiency of funds to meet any obligations under any plan included in the Employee Benefits Program



- B. Failure of any investment to perform;
- C. Errors in providing information on past performance of investment vehicles; or
- D. Advice given to any person with respect to that person's decision to participate or not to participate in any plan included in the Employee Benefits Program.
- E. For any **Employee Benefits Liability Claim** for benefits to the extent that such benefits are available, with reasonable effort and cooperation of the **Covered Party**, from the applicable funds accrued or other collectible insurance.
- F. For taxes, fines or penalties, including those imposed under the Internal Revenue Code or any similar state or local law.

~~10-12.~~ Funds, Grants or Appropriations

For the actual or alleged use, misuse, mismanagement or loss of funds, grants, or appropriations for the return of such funds, grants, or appropriations for any reason. However, CSURMA will defend any action or suits brought against any **Covered Party** for the actual or alleged use, misuse, mismanagement or loss of funds, grants, or appropriations or for the return of such funds, grants or appropriations for such causes of action, unless their alleged conduct was outside the scope of employment.

~~11-13.~~ Intentional Conduct

- A. For any liability based on the **Member's** obtaining of financial gain to which the **Member** was not legally entitled.
- B. For any liability arising out of the willful violation of a penal code or ordinance committed by or with the knowledge or consent of any **Member, Covered Individual or Additional Covered Party**; except that any act pertaining to any one **Member** shall not be imputed to any other **Member** for the purpose of determining the application of this exclusion.

~~12-14.~~ Lack of Occurrence or Wrongful Act

For injuries or **Damages** which do not arise out of an **Occurrence** or **Wrongful Act** as defined in this Memorandum;

~~13-15.~~ Land Use

To any liability for **Damages** arising from any **Claim**, suit or proceeding arising from allegations related to land use, land planning or land development. However, CSURMA shall defend the **Covered Party** up to an amount not exceeding \$1,000,000 **Ultimate Net Loss** for such liability.

This exclusion shall not apply, however, to any land use litigation where suits or **Claims** for land use litigation are a result of negligence proven on the part of a **Covered Party**. Nothing herein shall act to increase the Limits of Liability stated in the Declarations page.

16. Member vs. Member

Claims by any **Member** against its own past or present elected or appointed officials, employees or volunteers, where such claim seeks damages or restitution payable to the **Member**.

~~14-17.~~ Non-Compensatory Amounts and/or **Damages**



For any non-monetary equitable redress or form of relief other than the payment of monetary **Damages**, including but not limited to, declaratory, injunctive or administrative relief or specific performance award, or any cost to defend or cost or expense to comply with any declaratory, injunctive or administrative relief or specific performance award.

15-18. Nuclear Material

To any liability for **Damages** arising out of injury, sickness, disease, death or destruction:

- A. For any loss or liability accruing to the **Covered Party** as a Member of, or subscriber to, any association of insurers or reinsurers formed for the purpose of covering nuclear energy risks or as a direct or indirect reinsurer of any such Member, subscriber or association.
 - 1) It is agreed that this Memorandum does not apply under any liability coverage, to injury, sickness, disease, death or destruction, **Bodily Injury** or **Property Damage** with respect to which a **Member** under the Memorandum is also a **Covered Party** under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability. The **Member** is, or had such coverage not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.
- B. Resulting from the **Hazardous Properties of Nuclear Material**, if:
 - 1) The **Nuclear Material** is at any **Nuclear Facility** owned by, or operated by or on behalf of a **Member**, or has been discharged or dispersed therefrom;
 - 2) The **Nuclear Material** is contained in **Spent Fuel** or **Waste** at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of a **Member**; or
 - 3) The injury, sickness, disease, death or destruction arises out of the furnishing by a **Member** of services, materials, parts or equipment in connection with the planning, construction, maintenance, operations or use of any **Nuclear Facility**, but if such facility is located within the United States of America, its territories or possessions or Canada, this part 3 applies only to injury to or destruction of property at such **Nuclear Facility**.

However, this Exclusion shall not apply to liability arising from the use of radioactive materials in instructional laboratories operated by the **Member** and/or research activities sponsored by the **Member** or California State University.

16-19. Pollution

For any loss, cost, or expense:

- A. Arising out of, or that would not have occurred in whole or in part but for, the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of **Pollutants** at any time, however, wherever or whenever occurring and by whomever caused or alleged to have been caused;



- B. Arising out of any **Claim**, suit, governmental direction or request, request, demand or order, whether by or on behalf of a governmental authority or not, that any **Covered Party** or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize or in any way respond to, or assess the effects of pollution or **Pollutants**:
- 1) At any premises owned, rented or occupied by the **Covered Party**;
 - 2) At or from any site or location used by or for the **Covered Party** or others for the handling, storage, dispersal, processing or treatment of **Waste**;
 - 3) Which are at any time transported, handled, stored, treated or disposed of; or processed as **Waste** by or for the **Covered Party** or any person or organization for whom the **Covered Party** may be legally responsible; or
 - 4) At or from any site or location on which the **Covered Party** or any contractors or subcontractors working directly or indirectly on the **Covered Party's** behalf are performing operations:
 - a) If the **Pollutants** are brought on or to the site or location in connection with such operation; or
 - b) If the operations are to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize the **Pollutants**.

Subparagraph (A) and (B.1) do not apply to **Bodily Injury** ~~or~~ **Property Damage** arising out of heat, smoke or fumes from a hostile fire.

As used in this exclusion, a hostile fire means one, which becomes uncontrollable or breaks out from where it was intended to be.

Provided, however, that this exclusion does not apply to:

- A. Discharge, dispersal, release or escape directly caused by hostile fire, explosion, lightning, windstorm, vandalism or malicious mischief; or
- B. ~~Personal Injury~~ **Bodily Injury** or **Property Damage** which is within the **Product Hazard** of the **Completed Operations Hazard**; or
- C. Loss or Damage caused by the collision, upset or overturn of any **Automobile**; or
- D. A discharge, dispersal, release or escape of **Pollutants** that meets all of the following conditions:
 - 1) It was accidental and was neither expected nor intended by the **Covered Party**.
 - 2) It was instantaneous and was demonstrable as having commenced at a specific time and date during the term of this coverage.
 - 3) Its commencement became known to the Risk Manager or Executive Director of the **Covered Party** within ten (10) calendar days.
 - 4) Its commencement was reported in writing within forty (40) calendar days of becoming known to the Risk Manager or Executive Director of the **Covered Party**.



- 5) Reasonable effort was expended by the **Covered Party** to terminate the situation as soon as conditions permitted.

Nothing contained in this exclusion shall operate to provide any coverage with respect to:

- A. Any site or location used by others on the **Covered Party's** behalf, principally for the handling, storage, disposal, dumping, processing or treatment of **Waste** material.
- B. Any fines, penalties or exemplary **Damages**.
- C. Any clean-up costs ordered by the Superfund program, or any federal, state or local governmental authority. However, this specific exclusion (3) shall not serve to deny coverage for third party clean-up costs otherwise covered by this endorsement simply because of the involvement of a governmental authority;
- D. Acid rain;
- E. Clean up, removal, containment, treatment, detoxification or neutralization of **Pollutants** situated on premises the **Member** currently owns, rents or occupies or owned, rented or occupied at the time of the actual discharge, dispersal, seepage, migration, release or escape of said **Pollutants**; or
- F. Water pollution caused by oil or by its derivatives.

17-20. Property Damage

For the cost to modify any building or property in order to make said building or property more accessible or accommodating to any disabled or incapacitated person.

Arising from **Property Damage** to:

- A. Property owned by a **Covered Party**; or
- B. Property rented or leased to a **Covered Party** where the **Covered Party** had assumed liability for damage to or destruction of such property, unless the **Covered Party** would have been liable in the absence of such assumption of liability or contractual liability

18-21. Watercraft

Arising out of the ownership, maintenance, operation, use, entrustment to others, loading or unloading of any watercraft owned or operated by or rented or loaned by any **Covered Party**, but this exclusion does not apply to:

- A. Watercraft while ashore on premises owned or rented by **Covered Party**;
- B. Watercraft less than fifty-one (51) feet in length at the waterline.
- C. Watercraft with no self-propulsion capabilities, regardless of length.
- D. Rowing or sculling shells regardless of length.

19-22. Under Errors and Omissions Liability:

- A. Based on **Covered Party's** obtaining of financial gain to which the **Covered Party** was not legally entitled.



- B. Arising out of the willful violation of a penal code or ordinance committed by or with knowledge of consent of any **Covered Party**; except that any act pertaining to any one **Covered Party** shall not be imputed to any other **Covered Party** for the purpose of determining the application of this exclusion.
- C. Refund or restitution of taxes, fees, or assessments.

20-23. Under Media Wrongful Acts:

- A. Based upon, arising out of, directly or indirectly resulting from, in consequence of or in any way involving any actual or alleged infringement, contributing to the infringement, or inducing the infringement of any patent.
- B. Actual or alleged violation of any federal, state or local statute, law or regulation regarding the dissemination of unsolicited communications, including but not limited to unsolicited telephone calls, facsimiles and electronic mail; or
- C. Liability of any **Member** arising in whole or in part, out of any **Covered Party** obtaining remuneration or financial gain to which the **Covered Party** was not legally entitled;
- D. Liability arising out of the willful violation of a penal statute, code or ordinance committed by or with the knowledge or consent of any **Member**; except that any act for which a **Covered Party** is responsible shall not be imputed to any other **Covered Party** for purposes of this subpart 3.
- ~~A. Refund or restitution of taxes, fees, or assessments.~~
- ~~D.E. Arising out of oral or written publication of material, if done by or at the direction by you with knowledge of its falsity.~~

This exclusion does not apply to liability arising from the managerial, advisory, supervisory, or controlling obligations of any **Covered Party** over the action of another **Covered Party**;

SECTION VII – CONDITIONS

1. Action Against CSURMA - No action shall lie against CSURMA unless, as a condition precedent thereto, the **Covered Party** shall have fully complied with all the terms of this Memorandum nor until the amount of the **Covered Party's** obligation to pay shall have been finally determined whether by judgment against the **Covered Party** after actual trial or by written agreement of the **Covered Party**, the claimant and CSURMA. Said judgment shall not be deemed final, if an appeal be prosecuted therefrom, until the suit shall have been finally determined on appeal. Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this document to the extent of the coverage afforded by this document. Nothing contained in this document shall give any person or organization any right to join CSURMA as a co-defendant in any action against the **Covered Party** to determine such **Covered Party's** liability. Under no circumstances shall CSURMA be liable for consequential damages, "bad faith" damages, or any sums beyond the amounts due under Section I - Coverages, plus interest at the same rate as the CSURMA earned on investments for the time period involved.
2. Arbitration:



- A. In the event that a question or dispute arises between CSURMA and a **Covered Party** concerning the applicability of the coverage provided by this document to an **Occurrence** or **Wrongful Act** or **Claim** against the **Covered Party**, either the **Covered Party** or CSURMA may make a written request for arbitration. Where such a request is made, arbitration shall be a condition precedent to the filing of any civil action concerning, or in any way arising out of, such question or dispute.
 - B. If a **Covered Party** and CSURMA fail to agree upon an arbitrator, each party will select an arbitrator. The two arbitrators will select a third. If they cannot agree within thirty (30) days, either may request selection by a judge of a court having jurisdiction. Each party will bear the expense it incurs, and the two parties will bear the expense of the third arbitrator equally. Local rules of law as to procedure and evidence will apply. A decision agreed to by two of the arbitrators will constitute a determination of the matter in question or dispute.
 - C. Except as otherwise provided above, arbitration hereunder shall be conducted as provided in Title 9 of the California Code of Civil Procedure (Code of Civil Procedure Section 1280, *et seq.*).
3. Assignment: No assignment of interest under this Memorandum shall bind CSURMA without its written consent and endorsed hereon.
 4. Cancellation and Termination:
Coverage provided under this Memorandum may be terminated at any time in accordance with the terms set forth in the CSURMA Joint Powers Agreement, the Bylaws and the Policies and Procedures.
 5. Changes to the Memorandum: This Memorandum may not be amended or changed in any respect, nor shall any provision of this Memorandum be deemed to have been waived by CSURMA, unless and until a written endorsement which expressly amends this Memorandum or waives a provision thereof has been duly issued by CSURMA and made a part of this Memorandum, unless the CSURMA Policies and Procedures regarding claims reporting and claims administration and litigation management have been amended by CSURMA.
 6. Claims Settlement: As stated in the CSURMA Policy and Procedures regarding Claims Reporting and Claims Administration and Litigation Management.
 7. Contribution Payment: The annual contribution payment shall be due and payable upon inception of coverage and each renewal thereafter. The amount of the annual contribution will be computed in accordance with CSURMA's rules and rates. CSURMA shall not be required to perform any obligations under this Memorandum if contributions are not paid.
 8. Duties in the Event of Occurrence, Wrongful Act, Claim or Suit: The following provisions and the provisions of the CSURMA Memorandum and Policy and Procedure on Claims Reporting and Claims Administration and Litigation Management are conditions precedent to coverage under this Memorandum. The **Covered Party's** failure to comply with any of these provisions will be cause for a reduction in or denial of coverage by CSURMA.
 - A. In the event of any **Occurrence** or an offense which may result in a claim, suit or proceeding against a **Covered Party**, written notice (includes e-mail correspondence, fax transmissions and original hard copy notifications) shall be given by the **Member** to CSURMA as soon as practicable.



- B. When the **Member** submits the first claim report, the following information shall be included, if available and applicable:
- 1) How, when and where the **Occurrence** or offense took place;
 - 2) The names and addresses of any injured persons and witnesses;
 - 3) The nature and location of any injury or damage arising out of the **Occurrence** or offense;
 - 4) Incident reports;
 - 5) Investigation reports;
 - 6) Police reports;
 - 7) Claim notices and **Member** and any other involved **Covered Party** response(s);
 - 8) Medical reports; and
 - 9) Other information helpful to CSURMA.

C. The **Member** and any other involved **Covered Party** shall provide immediate notice of any Pleadings, Summons, Complaints and any other legal papers received by the **Member** or other involved **Covered Party** to the CSURMA Claims Administrator and authorize CSURMA to obtain records and other information;

D. The **Member** and any other involved **Covered Party** will cooperate with CSURMA in the investigation or settlement of the claim, suit or proceeding or defense against and assist CSURMA, in the enforcement of any right against any person or organization which may be liable to the **Member** because of injury or damage to which this coverage may also apply.

9. Inspection and Audit: CSURMA shall have the right, but not the obligation, to inspect the **Member's** property and operations at any time. Neither our right to make inspections, nor the making thereof, nor any report thereon shall constitute an undertaking, on behalf or benefit of the **Member** or others, to determine or warrant that such property or operations are safe or healthy.

The **Member** shall maintain records of such information as is necessary for premium computation, and shall send copies of such record to CSURMA at the end of the **Coverage Period** and at such times during the **Coverage Period** as we may direct. CSURMA may examine and audit **Member's** books and records as they relate to this Memorandum at any time during the **Coverage Period** and extensions thereof and within three (3) years after the final termination of this Policy.

10. No Voluntary Payments: Except as stated below, no **Member** will, except at that **Member's** own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without the consent of CSURMA.

With respect to **Employment Practices Liability**, as stated in CSURMA Policy and Procedure on Claims Reporting, in no event shall any payments be made by CSURMA for any costs incurred to



defend a covered **Claim** more than thirty (30) days prior to written notification of an **Occurrence**, offense, **Claim** or suit to CSURMA.

Moreover, no settlement of any **Claim** shall be paid by CSURMA without prior written authorization of CSURMA.

As requested, CSURMA shall be entitled to complete access to the **Member's** claim file, the defense attorney's complete file, and all investigation material and reports, including all evaluations and information on negotiations. The **Member** shall be responsible to report on the progress of the litigation and any significant developments at least quarterly to CSURMA, and to provide CSURMA with simultaneous copies of all correspondence provided to the covered party by its defense attorneys and/or agents.

11. Other Coverage: It being recognized that similar coverage contracts contain Other Insurance Clauses, it is therefore intended, understood and agreed that:
 - A. Notwithstanding the terms and conditions of any Other Insurance Clause of Clauses in any policy or policies where other coverage is available to the **Covered Party** (whether such policy is issued to the **Covered Party** or extends to it as employer, employee or agent in any other capacity), the coverage afforded hereunder is intended to be, and shall be, excess coverage; and under no circumstances shall the coverage afforded hereunder be considered pro-rata, concurring or co-existent.
 - B. If any other coverage is available to the **Covered Party**, whether such coverage is called excess over, or pro-rata with other valid and collectible insurance or not, the coverage afforded hereunder shall not apply until such other coverage has been exhausted, provided that this clause does not apply with respect to excess insurance purchased specifically to be in excess of this document.
12. Separation of Covered Parties: Except with respect to the Section III – Limitations Upon CSURMA's Liability, and any rights or duties specifically assigned to this Memorandum, this coverage applies:
 - A. As if each **Covered Party** were the only **Covered Party**; and
 - B. Separately to each **Covered Party** against whom the **Claim** is made or suit is brought.
13. Statutory Provisions: Terms of the Memorandum which are in conflict with the statutes of the State of California are amended to conform to such statutes.
14. Subrogation/Transfer of Rights of Recovery Against Others to CSURMA: CSURMA shall be subrogated to the extent of any payment hereunder, to all of **Member's** rights of recovery and **Member** shall do nothing after loss to prejudice such rights and shall do everything necessary to secure such rights. **Member** may elect to waive their rights to subrogation prior to a loss. To the extent that **Member** elects to waive such rights, CSURMA shall have no right of subrogation. Any amount recovered shall be apportioned as follows:

Any interest, including yours, having paid an amount in excess of **Member's Deductible(s)** plus the Limit of Liability hereunder shall be reimbursed first to the extent of actual payment. CSURMA shall be reimbursed next, to the extent of actual payment hereunder. If any balance then remains unpaid, it shall be applied to reimburse the Member. The expense of all such recovery proceedings



shall be apportioned in the ratio of the respective recoveries. If there is no recovery in proceedings conducted solely by **Member**, then **Member** shall bear the expenses thereof.

FY 2019/2020 LONG RANGE PLANNING GOALS

ISSUE: The Executive Committee conducts a Long Range Action Planning meeting each year in March and establishes a long range action plan for the year. Periodically during the year, the Executive Committee receives a report to gauge progress and to re-evaluate where efforts should be focused.

RECOMMENDATION: The Board will hear a report from Staff on the status of the long range action plan items.

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

BACKGROUND: The Executive Committee adopted the FY 2019/2020 Long Range Action Plan and goals to be accomplished. The Board will receive a report from Staff on the assigned responsibilities and deadlines of the Long Range Planning Goals.

PUBLICATION: None.

ATTACHMENT(S):

- a. CSURMA Long Range Action Plan

FY 2019/20 CSURMA LONG RANGE ACTION PLAN

GOAL	ACTION / TASK	RESPONSIBLE ENTITY	DEADLINE	STATUS	
LRP-1 Creation of a Formal Process to Regulate and Approve Financing of Risk Programs through CSURMA					
Develop a policy and procedure for development and implementation of risk programs that includes an evaluation of long term financial viability	1	Evaluation of steps necessary for developing and launching risk financing programs	PA	Jul-19	Completed
	2	Prepare draft of proposed policy and procedure	PA, SRM	Jul-19	Completed
	3	Review by CSURMA Treasurer	SRM	Aug-19	Completed
	4	Review by Executive Committee of proposed policy and procedure	EC	Sep-19	Completed
	5	Adoption by CSURMA Board of Directors	BOD	Nov-19	In Process
LRP-2 Further Development of Youth Protection Programs					
CSURMA will promote the concepts of higher level adoption of youth protection programs at the campuses, including auxiliary organizations	1	Creation of custom tool which could be used to provide safety guidelines, track minors on campus, and record completions of mandated training	PA	Jan-20	
	2	Provide systemwide safety guidance for minors on campus including mandated training	PA, SRM	Mar-20	
	3	Review whether registration of all minors coming onto campus for sponsored events is feasible	PA, SRM	Mar-20	
	4	Tie in faculty and student interactions	PA, SRM	Mar-20	
LRP-3 CSURMA Review of its Digital Compliance					
CSURMA will evaluate its website, data systems and service provider systems for digital compliance and security	1	Review CSURMA website for digital ADA compliance	PA	Oct-19	In Process
	2	Report to CSURMA EC	PA	Nov-19	In Process
	3	Implement Website Changes as appropriate	PA	Dec-19	
	4	Compile list of data systems and vendors	SRM, PA	Aug-19	
	5	Survey for security compliance	SRM, PA	Nov-19	
	6	Report to CSURMA EC	SRM, PA	Jan-20	
LRP-4 Development of a CSURMA Critical Events Toolkit					
Program Administrator Staff will develop a master CSURMA critical events toolkit to be housed on the CSURMA website	1	Review all appropriate services currently available to members	PA	Aug-19	Completed
	2	Create and/or update coverage summaries of the programs in place	PA	Aug-19	Completed
	3	Work with IT to update the CSURMA website to create a location for the toolkit	PA	Aug-19	Completed
	4	Post all toolkit items	PA	Aug-19	Completed
	5	Review the new toolkit with the Executive Committee	EC	Sep-19	Completed
	6	Provide notification to Members	PA	Oct-19	In Process
LRP-5 Liability Program Memorandum of Coverage Review with Coverage Counsel					
Review both the Campus Risk Pool and AORMA Liability Program Memoranda of Coverage	1	Staff review of MOC's with insurance industry forms and other JPA MOC's	PA	Aug-19	Completed
	2	Review of initial findings with CSU OGC and SRM	PA, SRM, OGC	Aug-19	Completed
	4	Engage Coverage Counsel for review as necessary	PA	Aug-19	Completed
	3	Initial report to Executive and AORMA Committees	PA, SRM, OGC	Sep-19	Completed
	5	Present recommended changes to Executive and AORMA Committees	PA, SRM, OGC	Sep-19	Completed
	6	Communicate MOC changes to the members	PA, SRM	Apr-20	
	7	Implement new MOC's	PA	Jul-20	

FY 2019/20 CSURMA LONG RANGE ACTION PLAN

GOAL	ACTION / TASK	RESPONSIBLE ENTITY	DEADLINE	STATUS	
LRP-6 Foreign Travel Program Review					
Review of Foreign Travel insurance program coverages, cost and services	1	SRM Initiated review supported by PA	SRM, PA	Aug-19	In Process
	2	Initial report to Executive and AORMA Committees	SRM, PA	Sep-19	In Process
	3	Discussion of proposed changes with CSU IP, at Fitting the Pieces Conference and with other interest groups	SRM, PA	Nov-19	In Process
	4	Approval of proposed changes by EC	EC	Jan-20	
	5	Communication of changes and initiation of implementation plan	SRM, PA	Feb-20	
	6	Launch of FTIP 2.0	SRM, PA	Jul-20	
LRP-7 CSURMA Master Calendar for Upcoming Trainings, Conferences and Events					
Program Administrator Staff will develop a master calendar and identify appropriate audiences and communication methods	1	Create Master CSURMA Events Calendar	PA	Aug-19	Completed
	2	Research / collect all notifications of upcoming events to be added to the calendar	PA	Aug-19	Completed
	3	Work with IT to update the CSURMA website to create a location for the new events calendar	PA	Aug-19	Completed
	4	Post the new events calendar	PA	Aug-19	Completed
	5	Review the new events calendar with the Executive Committee	EC	Sep-19	Completed
	6	Provide notification of the Members	PA	Sep-19	In Process
LRP-8 Master Enabling Agreement for Environmental Sampling Services					
Many campuses are regularly engaging environmental sampling service providers using separate procurement processes that could be avoided under a MEA	1	Identify and engage with systemwide task group to identify the scope of services for the MEA	SRM	Aug-19	In Process
	2	Prepare RFP for MEA and conduct process	SRM	Oct-19	
	3	Select service provider(s), negotiate and execute MEA(s)	SRM	Jan-20	
	4	Communicate results and participation process to campuses	SRM	Apr-20	

BOD: CSURMA Board of Directors
CABO: CSU Chief Administrators and Business Officers
CO: Chancellor's Office
CPDC: CO Capital Planning Design & Construction

EC: CSURMA Executive Committee
OGC: CSU Office of General Counsel
PA: CSURMA Program Administrator
SRM: CSU Systemwide Risk Management

AORMA PROGRAMS UPDATE

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

The 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: None.

PUBLICATION: None.

ATTACHMENT(S): None.

AIME PROGRAMS UPDATE

ISSUE: The Athletic Injury Medical Expense (AIME) program continues to address the insurance and risk management needs of its members.

The Executive Committee Liaison for AIME, will report on the activities of the AIME Committee.

RECOMMENDATION: This item is for information only; no action is required on this item at today's meeting.

FISCAL IMPACT: None.

BACKGROUND: AIME is designed to cover medical expenses arising from injuries to student athletes while practicing or competing in inter-collegiate sports programs of the university.

PUBLICATION: None.

ATTACHMENT(S): None.

PROGRAM ADMINISTRATOR'S STEWARDSHIP REPORT

ISSUE: Each year the Program Administrators prepare a Stewardship Report for the CSURMA Board of Directors. The Stewardship Report describes the activities and accomplishments of CSURMA and its Program Administrators. The Stewardship Report will be presented to the Board at today's meeting.

RECOMMENDATION: This item is presented for the Board's information. No action is requested for this item.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: A complete copy of the 2018/19 CSURMA Annual Stewardship Report will be posted on the CSURMA website

ATTACHMENT:

- a. CSURMA Annual Stewardship Report for FY 2018/19



CALIFORNIA STATE UNIVERSITY RISK MANAGEMENT AUTHORITY

Annual Stewardship Report Fiscal Year End - June 30, 2019



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- Appendix B – CSURMA Meeting Calendar
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EXECUTIVE SUMMARY

CSURMA and ALLIANT

Alliant Insurance Services (Alliant) is proud of its history and continuing partnership with the California State University and its Auxiliary Organizations, collectively the CSU. Key principals of the Alliant team have consistently provided creative solutions for CSU since 1995. We are proud of our accomplishments for the CSU, and in particular, the opportunity to develop and manage a number of effective and very efficient insurance and coverage plans through the entity we helped form, namely the California State University Risk Management Authority (CSURMA). Launched in 1997, CSURMA is a joint powers authority created under the Government Code of the State of California, and established specifically to address and manage the operational risks of CSU's colleges and universities, and its auxiliary organizations through the Auxiliary Organizations Risk Management Alliance (AORMA).

Alliant is a specialty insurance brokerage firm that also provides joint powers authority (JPA) program administration, risk management, and insurance brokerage services. We regard working with the CSU as an exciting professional opportunity. As Program Administrators, Alliant oversees CSURMA's risk pool programs, excess and reinsurance placements, group purchase insurance, and provides risk management consultation and joint power authority administration for all members of the authority.

Alliant is committed to working with the CSU at the system level and directly with all twenty-three (23) campuses and all eighty-seven (87) auxiliary organizations. We provide direct consultative and program management services for the Office of the Chancellor, including Systemwide Risk Management, Public Safety, General Counsel, Capital Planning Design & Construction, and the Chief Administrative & Business Officials (CABO). On the campuses, Alliant provides risk management consultation and advice for Campus Risk Management, Environmental Health & Safety, Human Resources, Student Health Centers, Athletics, Student Life & Leadership, Facilities, and others; and of course, CSU's auxiliary organizations and its Auxiliary Organizations Association (AOA).

Alliant has responded to CSURMA's evolving needs and adapted its services to deliver high quality and stable risk management programs that support CSU's mission and CSURMA's vision.

STEWARDSHIP REPORT

Alliant prepared this Stewardship Report for CSURMA Board of Directors and Members summarizing the Program Administrator's activities and accomplishments during the past fiscal year. Also, this stewardship report offers Alliant the opportunity to reflect on areas for improvement in providing program management services for all CSURMA members. We appreciate the opportunity to work with dynamic, creative and forward thinking leaders of the CSU, and enjoy the opportunity to deliver creative and cost effective products and services addressing the complex risk management needs of the CSU's campuses and auxiliary organizations.

PROGRAM ADMINISTRATORS

Alliant is proud of its team of dedicated professionals who are assigned to serve you. The team is led by Daniel Howell as CSURMA Program Director, Robert Leong, Amy Lightner and Susan Leung for Campus coverage programs, and Mimi Long for AORMA coverage programs. Robert Frey provides expert consultation for Property and Liability claims. Jacki Graf consults exclusively for the campuses and auxiliary organizations in all areas of Workers' Compensation claims, including the hosting of CSU's monthly meetings of the Workers' Compensation Coordinators for all CSURMA members. Stacey Weeks services the Athletic Injury Medical Expense (AIME) program. The team is supported by an experienced and quality administrative staff including La Shaunda Wallace, Andrew Gaspari, Tevea Him, Myron Leavell, Van Rin, and Karen Worden.

Alliant's CSURMA Program Administration Service Team is depicted herein:

Program Administration



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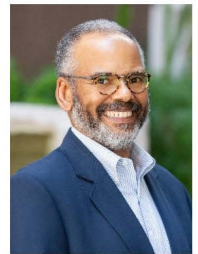
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Please refer to Appendix A for the Alliant Team Organization Chart for CSURMA.

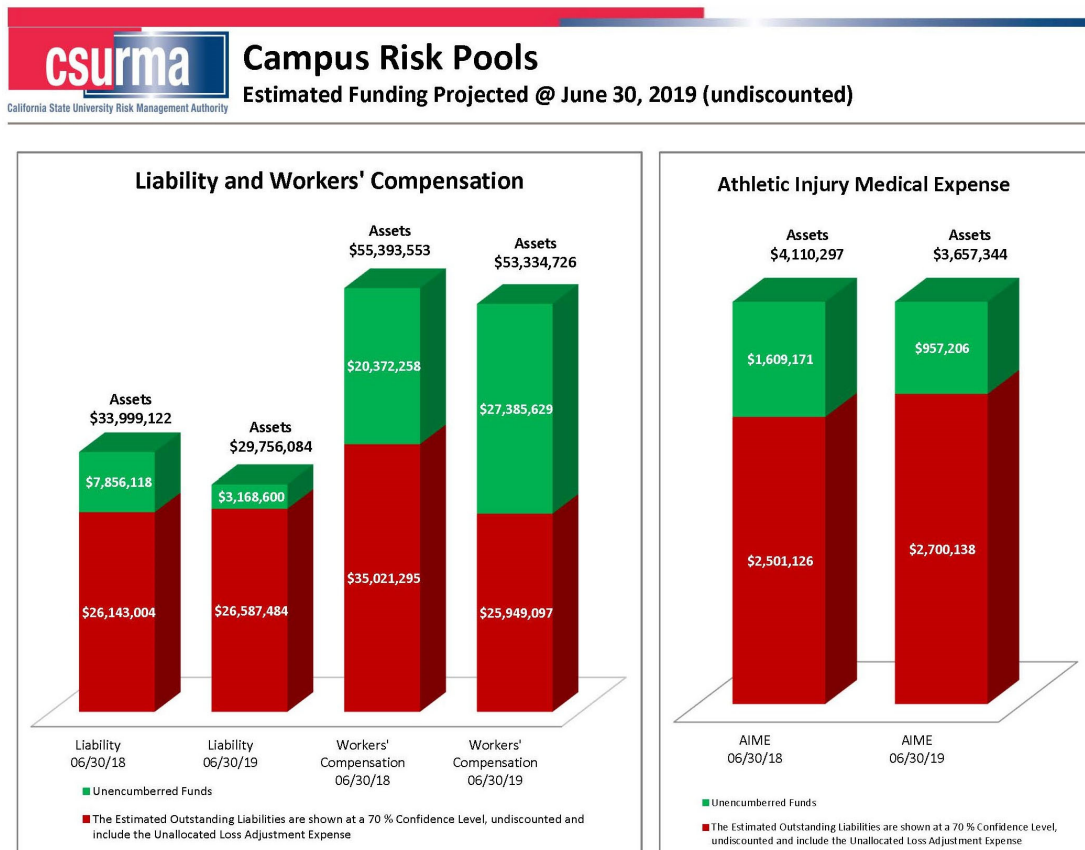
FINANCIAL PERFORMANCE

CSURMA adopted funding policies for each of its risk pools to ensure that each coverage program maintains adequate funds to meet its operating expenses, particularly the claims payment obligations for the current year, and for the outstanding claims liabilities as they become due, which in many cases can be years into the future. Alliant prepares Risk Pools Funding Status Reports, incorporating the findings and recommendations of CSURMA’s independent actuary and accountant, to help guide decision making for the Executive Committee and AORMA Committee in regards to rate setting and deposit contribution (premium) calculations, with the goals of maintaining safe financial risk margins, budget stability, and fairness to all members.

The following is a discussion of the funding status at June 30, 2019 for the Campus and AORMA risk pools, which are highlighted and depicted below:

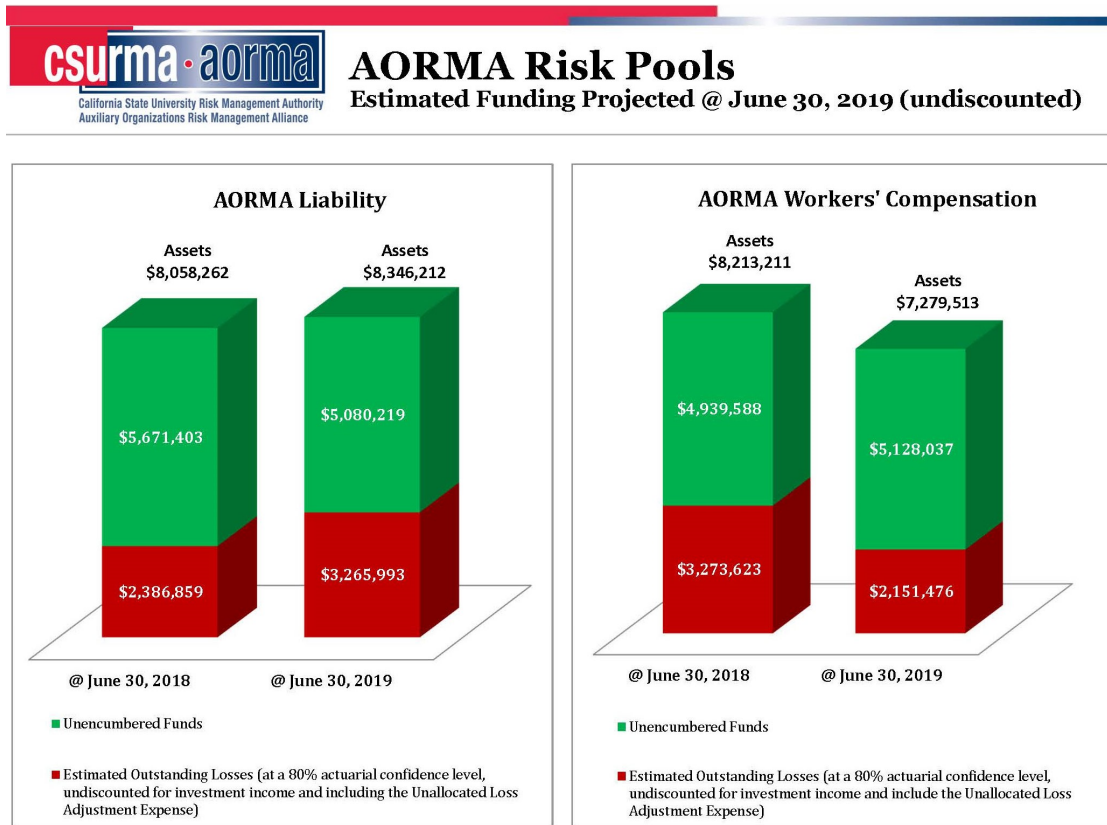
Campus Risk Pools:

CSURMA adopted a funding policy to fund the Campus Liability, Campus Workers’ Compensation and Athletic Injury Medical Expense (AIME) coverage programs to at least a 70% actuarial confidence. This funding policy provides an additional risk funding margin of about 15-18% over expected losses, thus assuring members there are adequate funds to pay claims as they become due. As of June 30, 2019, all programs continue to be fully-funded per the funding policy, and actually exceed targeted funding goals (retained funds) as depicted below:



AORMA Risk Pools:

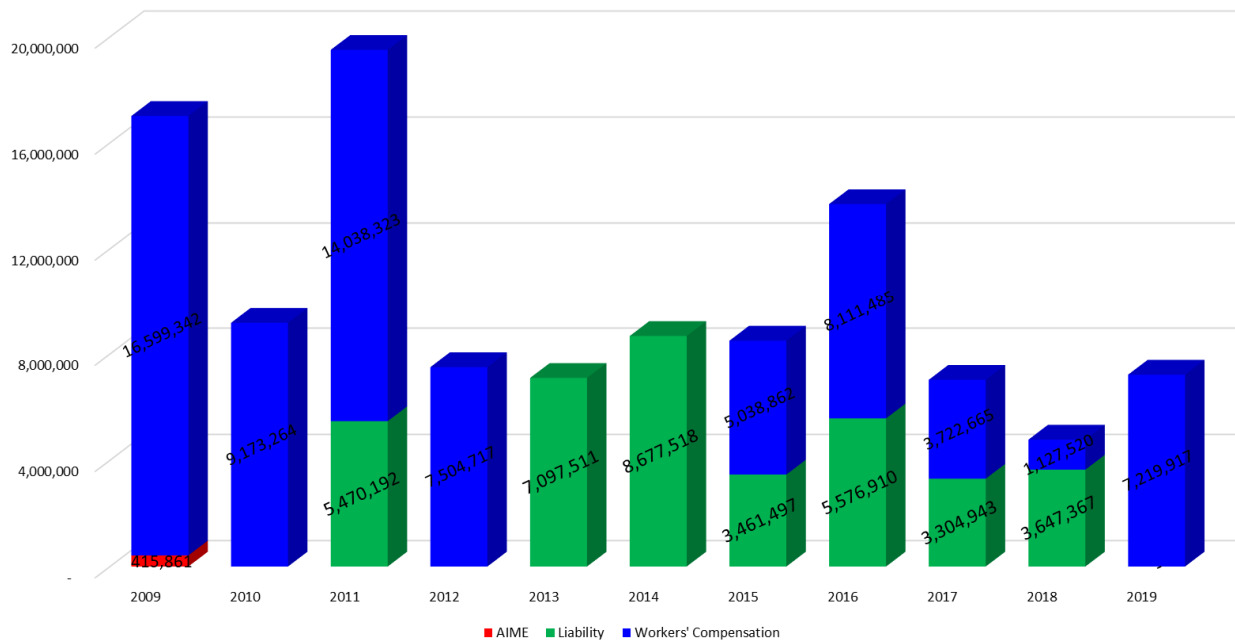
The AORMA Committee adopted a funding policy to fund the AORMA Liability and Workers' Compensation programs to at least a 70% actuarial confidence. This funding policy provides an additional risk funding margin of about 15-18% over expected losses, thus assuring members there are adequate funds to pay claims as they become due. As of June 30, 2019, all programs continue to be fully-funded per the funding policy, and actually exceed targeted funding goals (retained funds) as depicted below:



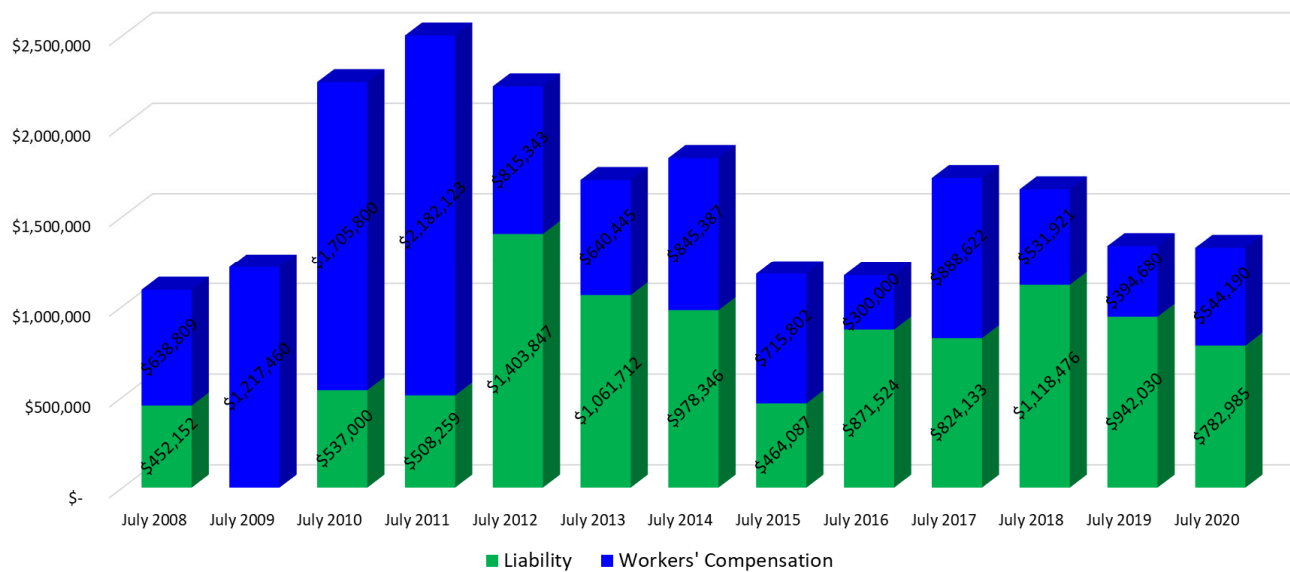
DIVIDENDS (Member Rewards)

CSURMA’s dedication to maintain the funding policies in the face of budget pressures at the State level enabled CSURMA to reward its members with distributions of excess retained funds in the form of cash dividends. A history of the dividends paid to members is summarized in the following charts. **Through June 30, 2019, CSURMA returned dividends totaling \$156,699,270 to members,** which if commercially insured, the carriers would have reaped as underwriting profits rather than being restored to members as dividends.

Campus Programs Dividend Payments



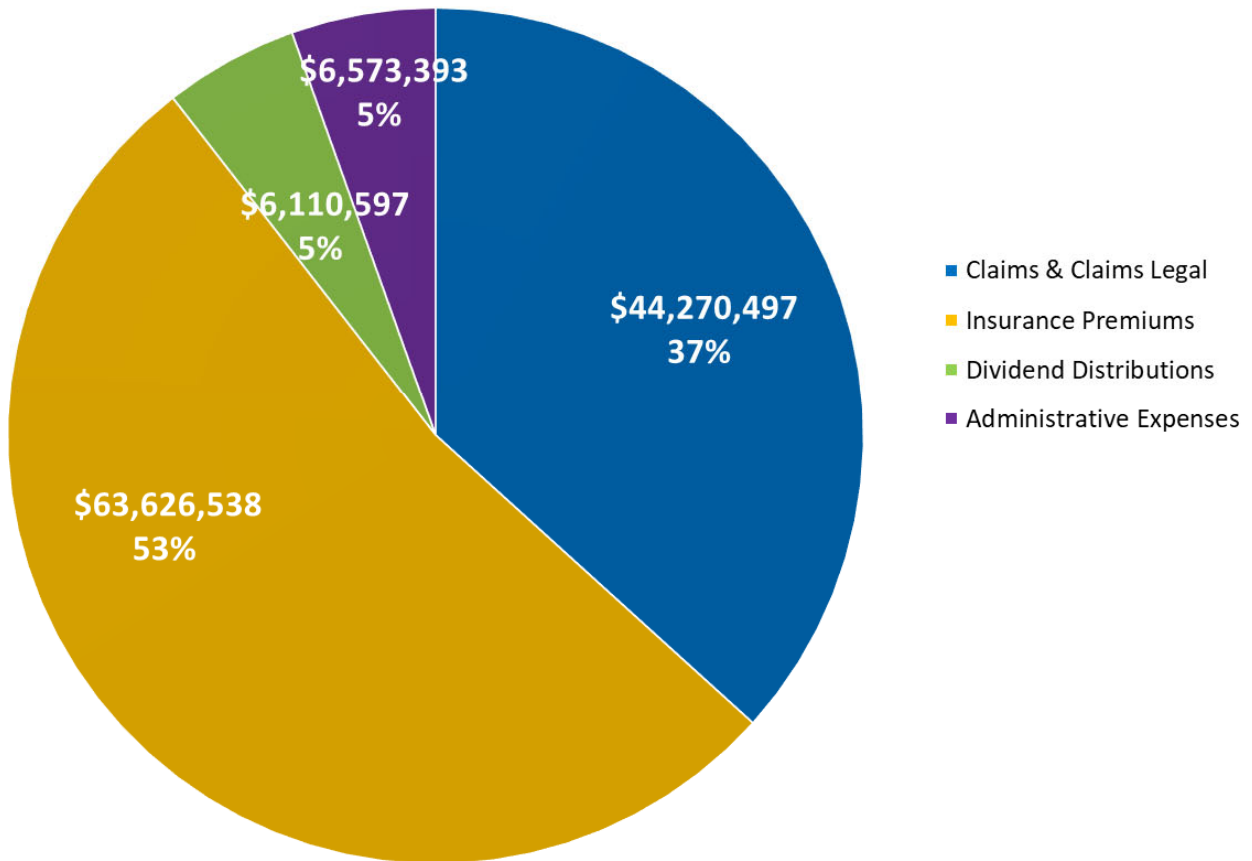
AORMA Programs Dividend Payments



PROGRAM ECONOMICS

The pie chart below shows a breakdown of expenses for the fiscal year ending June 30, 2019. Thirty-seven percent (37%) of your premium deposits were used to pay claims, or set aside to pay future claims, within the primary self-insured layer. Fifty-three percent (53%) was the cost to insure the group’s catastrophe claims through the purchase of excess insurance and reinsurance. Counting claims & claims legal expenses together with insurance premiums, ninety percent (90%) of your dollar were spent to finance your claims. CSURMA returned five percent (5%) as cash dividends to members. Program Administration expense amounted to only five percent (5%) while continuing at a high level of service performance. This is a remarkable achievement when compared to similar joint powers insurance authorities which typically operate at a twelve to seventeen percent (12-17%) expense ratios.

CSURMA Program Expenses @ 06/30/19
"Your Premium Dollars at Work \$120,581,025"



COVERAGE PROGRAMS

Alliant manages a number of risk management and coverage programs for CSURMA that serve the University and its Auxiliary Organizations. In addition to program administration of CSURMA's risk pools (group self-insurance programs), Alliant places and manages a number of insurance and reinsurance policies to supplement and support CSURMA's coverage program structures. These are highlighted and described in the following sections:

CAMPUS PROGRAMS

Campus Liability Coverage Program

The Campus Liability Coverage Program was established to fund the exposures of General Liability, Errors & Omissions, Professional Liability, Employment Practices Liability, and other similar public liability exposures of the University system. The participants include all twenty-three (23) campuses of the CSU and the Chancellor's Office. The Campus Liability Coverage Program has a self-insured limit of \$5,000,000 per occurrence.

Each campus selects its own deductible, which is offered from \$35,000 to \$1,000,000 per occurrence. After three years, members have the opportunity to choose another deductible. The last deductible selection became effective July 1, 2018 and applicable to July 1, 2021. Concurrently every three years, the Executive Committee appoints a task group to review and recommend refinements, if any, to the rating plans to ensure the formulas used to allocate program costs remain responsive and equitable as respects CSURMA's goals and the needs of the University.

Auto Liability is provided by the State Motor Vehicle Insurance Account (MVIA) and managed by the Office of Risk & Insurance Management (ORIM) through the State's Department of General Services. MVIA's coverage for state-salaried employees is unlimited, but liability for non-state operators is capped at \$1,000,000 per accident. The Campus Liability risk pool purchases reinsurance to cover Auto Liability for non-state employees driving for University business from MVIA's \$1,000,000 self-retention limit to CSURMA's \$5,000,000 pool limit.

Additionally, CSURMA purchases excess/reinsurance to insure catastrophe risks above the \$5,000,000 self-retention limit from various commercial carriers in the global market.

Campus Workers' Compensation Coverage Program

The Campus Workers' Compensation Coverage Program was established to provide statutory Workers' Compensation and Employer's Liability coverage for all CSU state employees and designated volunteers at all campuses and the Office of the Chancellor. The program includes a risk pool and specific excess insurance. The risk pool is self-insured with no deductible and retains the first \$2,500,000 each occurrence. Claims in excess of the risk pool retention are covered by commercial insurance from the \$2,500,000 self-retention to the Statutory Workers' Compensation limits proscribed by the State of California.

Beginning January 1, 2015, CSURMA entered into an agreement with CSAC Excess Insurance Authority (EIA), the risk pool for California counties and other California public entities, to finance the university's Workers' Compensation claims covered by the Campus Workers' Compensation risk pool and AORMA Workers' Compensation risk pool. This financing strategy enables CSURMA to fund its workers' compensation claims at a cost less than the actuary's minimum funding recommendation while preserving CSURMA's funding policy and financial integrity. The agreement with EIA covers industrial injuries occurring from January 1, 2019 to June 30, 2022.

Campus IDL/NDI/UI Coverage Program

The Industrial Disability Leave/ Non-Industrial Disability Leave/ Unemployment Insurance (IDL/NDI/UI) program fund was established to provide a funding mechanism for temporary disability and unemployment insurance benefit for state employees. The IDL/NDI/UI program fund is entirely self-insured, and costs are allocated to the members based on each campus' actual utilization (claims) over a rolling five year period.

Campus Athletic Injury Medical Expense Coverage Program (AIME)

The Athletic Injury Medical Expense program (AIME) was established to provide coverage for medical expenses incurred by CSU students participating in NCAA and NAIA intercollegiate athletic activities. The AIME program replaced individual insurance programs previously purchased by the campuses.

The AIME program is self-insured for the members' deductible limit defined by the catastrophe coverage policies purchased by their respective national governing bodies, NCAA or NAIA. NCAA purchased catastrophe liability insurance on behalf of all its member schools with a \$90,000 deductible. NAIA purchased catastrophe liability insurance on behalf of its member schools with a \$25,000 deductible.

AIME's claims experience is annually reviewed by an independent professional actuary to develop loss projections and loss rates by sport. Alliant uses the actuary's recommendation to develop program costs each year in accordance with AIME's rating plan. Alliant's developed costs are then reviewed and approved by the AIME Committee in accordance with CSURMA's funding policy.

A special task group was convened in Spring 2015 by the AIME Committee to review AIME's rating plan. The AIME Committee adopted modifications to the rating plan to reflect program maturity and cost allocation weighted more in favor of actual utilization (claims) by member. The revised rating plan is effective beginning FY 2015/16.

Campus Property Coverage Program

The Campus Property coverage program was established to provide Property and Boiler & Machinery Insurance covering physical damage to buildings and other specified structures. Building contents (furnishings, equipment, etc.) may also be covered as may be required by bond covenants. The program insures all CSU campuses and the Chancellor's Office. CSU chose to not purchase coverage for Earthquake because of the high cost for that insurance, unless Earthquake insurance is specifically required by bond covenants.



Beginning July 1, 2013, CSURMA changed its coverage structure from insurance to reinsurance to save costs, specifically in regards to premium taxes and associated fees. The Campus Property coverage program is now fully reinsured by a syndication of insurance companies known as the Alliant Property Insurance Program (APIP), an Alliant exclusive designed for public entities to empower market negotiations. Until July 1, 2010, CSURMA purchased a Deductible Buy-Down policy to provide coverage from \$100,000 to \$1,000,000 within the program's \$1,000,000 deductible limit. Beginning July 1, 2010, CSURMA self-insured the Deductible Buy-Down to an aggregate limit of \$2,000,000 for all losses subject to the Deductible Buy-Down (i.e., \$900,000 excess \$100,000 deductible). All campuses except San Diego State University participate in the Deductible Buy-Down plan.

Campus 99 was created as a special designation to provide Property insurance at a deductible lower than the standard \$100,000 for campuses. Campus 99 is designed to enable CSU auxiliary organizations who occupy state-owned buildings to enjoy deductibles from \$5,000 to \$100,000.

Campus 86 provides an option for campuses to insure its business personal property (i.e., building contents) at deductibles less than \$100,000. Campuses have used Campus 86 to insure higher-valued and specialized items such as electronic data processing equipment, laboratory equipment, scientific instruments, library stacks, fitness & recreation equipment, etc.

Campus Crime Program

The Campus Crime program insures the University covering all state employees for Employee Fidelity, including faithful performance of duties, theft of monies & securities, counterfeit, fraud, computer crime, and other misappropriation of the University's funds. The coverage is excess of a \$250,000 deductible.

Student Professional Liability Insurance Program (SPLIP)

On August 1, 2006 CSU purchased a systemwide professional liability insurance program to provide coverage for students enrolled in the Nursing, Allied Health or Education internship curricula. This systemwide program is designed to satisfy the requirements of host institutions that students maintain professional liability insurance in order to participate in programs offered under affiliation agreements with the University. The program includes professional and personal liability coverage with broad protection for the students, affiliates and the University. SPLIP provides coverage limits up to \$5 million per occurrence with a \$25 million annual aggregate.

Student Academic Field Experience for Credit Liability Insurance Program (SAFECLIP)

On July 1, 2007 CSU purchased the Student Academic Field Experience for Credit Liability Insurance Program (SAFECLIP) to provide coverage for students involved in the University's service learning programs while performing service or volunteer work for academic credit. SAFECLIP similarly covers CSU students in Radio, Television or Film academic programs. This systemwide program is designed to satisfy the requirements of host institutions that students maintain liability insurance in order to participate in programs offered under affiliation agreements with the University. The program includes professional and personal liability coverage with broad protection for the students, affiliates and the University. SAFECLIP provides coverage limits up to \$5 million per occurrence with a \$10 million annual aggregate.



AORMA PROGRAMS

The CSU Auxiliary Organizations coverage programs operate within CSURMA as the Auxiliary Organizations Risk Management Alliance (AORMA). Alliant works with a dedicated committee composed of executive officials who are elected from among AORMA members. Participation in the program is voluntary. AORMA coverage programs include:

AORMA Liability Program

The AORMA Liability program was established on July 1, 2002 to provide liability insurance coverage for participating Auxiliary Organizations. The Liability coverage includes General Liability, Automobile Liability, Directors’ & Officers’ Liability, Employment Practices Liability, Professional Liability, and Fiduciary Liability. The AORMA Liability Fund is self-insured for the first \$5,000,000 of each occurrence. AORMA purchases reinsurance in the amount of \$4,500,000 excess of \$500,000. Therefore, AORMA’s self-insured layer retains only \$500,000 of each occurrence. Additional coverage excess of the \$5,000,000 limit is provided by AORMA’s participation in the Campus Liability excess insurance placements.

AORMA Workers’ Compensation Coverage Program

The AORMA Workers’ Compensation program is self-insured for the first \$750,000 of each occurrence. Excess insurance is purchased from a commercial insurer to provide statutory limits excess of the \$750,000 self-insured limit for Workers’ Compensation, and to \$5,000,000 per occurrence for Employers’ Liability.

Beginning January 1, 2015, CSURMA entered into an agreement with CSAC Excess Insurance Authority (EIA), the risk pool for California counties and other California public entities, to finance the university’s Workers’ Compensation claims covered by the Campus Workers’ Compensation risk pool and AORMA Workers’ Compensation risk pool. This financing strategy enables CSURMA to fund its workers’ compensation claims at a cost less than the actuary’s minimum funding recommendation while preserving CSURMA’s funding policy and financial integrity. The agreement with EIA covers industrial injuries occurring from January 1, 2015 to June 30, 2021.

AORMA Property Program

The AORMA Property Coverage Program has a shared risk layer of \$100,000 per occurrence with an aggregate stop loss limit of \$250,000. Member deductibles are \$5,000 for business personal property and business interruption / loss of rents. The member deductible for real property is based on the Total Insurance Value (TIV) of the building as shown below:

TIV \$10,000,000 or less	\$5,000
TIV between \$10,000,001 and \$25,000,000.....	\$10,000
TIV between \$25,000,001 and \$50,000,000.....	\$25,000
TIV \$50,000,001 or more	\$50,000



If the claims paid out of the shared risk layer exceed the \$250,000 aggregate limit, the insurer then pays all claims in excess of the members' deductibles. All members in the AORMA Liability program automatically participate in the AORMA Property program.

AORMA Crime Program

The AORMA Crime program has a shared risk layer of \$25,000 per occurrence with an aggregate stop loss limit of \$100,000. All members have a deductible of \$5,000. If the claims paid out of the shared risk layer exceed the \$100,000 aggregate limit, the insurer then pays all claims in excess of the members' deductibles. All members in the AORMA Liability program automatically participate in the AORMA Crime program.

AORMA Unemployment Insurance Program (UIP)

The AORMA Unemployment Insurance program was established July 1, 2011 and is the successor to the Auxiliary Organization Unemployment Insurance Trust (AOUIT). The AORMA UIP was established to provide a funding mechanism for the mandatory unemployment benefits program. The UIP is entirely self-insured and costs are allocated to the UIP members based on the members' actual claims over a five-year period.

CAMPUS and AORMA PROGRAMS

Builder's Risk Insurance Program (BRIP)

CSURMA implemented the Builder's Risk Insurance Program (BRIP) beginning July 1, 2005. BRIP covers direct physical loss to the University's and/or the Auxiliary Organizations' construction projects in the course of construction. All Major Capital Improvement Projects are to be insured by the BRIP in place of the contractor's insurance. The program is managed by Alliant and CSU's Capital Planning Design & Construction (CPDC) department at the Chancellor's Office. This program includes coverage for Earthquake damage that is self-funded by the University.

Club Liability Insurance Program

The Club Liability Insurance Program was launched on July 1, 2018. The program provides general liability coverage for all student clubs officially recognized by the CSU. The program limit is \$1,000,000 per loss and includes a maximum annual limit of \$5,000,000 for all losses. The program excludes coverage for auto liability, activities of fraternal organizations as well as injuries to participants participating in athletic activities.

Club Sports Insurance Program

The Club Sports Insurance Program was launched on August 1, 2012. The program is designed to cover CSU students for medical expense due to accidental injuries while participating in the University's or Auxiliary Organization's club sports programs that are officially recognized by the University as a student organization. Beginning August 1, 2013, the program was expanded to include Intramural and Recreational sports. The program maintains a risk pool for primary accidental medical expense up to a \$30,000 limit per accident, subject to a \$100 deductible. The deductible operates to preclude "first aid" claims, and to promote safe play. Catastrophe accident medical expense coverage is provided by commercial insurance to \$5,000,000 lifetime benefit.



Additionally, the program purchases primary General Liability insurance with a \$1,000,000 limit; no deductible.

Deadly Weapons Response Program

Effective July 1, 2018, this program addresses the needs of the CSU system should a violent incident occur. The program provides third party liability, physical damage coverage and crisis management services. The maximum limit for any one incident is \$500,000.

Drone Insurance Program (DRIP)

This new program was launched on July 1, 2017 and covers aviation risk on a blanket basis for liability arising from small drones that are owned, non-owned or hired by the University or its Auxiliary Organization. Coverage is limited to \$50 million, with no deductible. Coverage is automatic, and for non-commercial use of small drones only. As such, there is no need to report your drones; however, CSURMA will conduct a survey on drone usage annually. Coverage can also be purchased to insure the hull; i.e., physical damage or loss to the drone itself and its equipment.

Earthquake Parametric Property Insurance

Systemwide earthquake coverage was purchased for a three year term July 1, 2019 to July 1, 2022. The maximum total payout for the three-year period is \$25,000,000. The per location payout is predetermined based on zip code and maximum shaking at that location. The deductible is a minimum trigger intensity of 45.00%g – Pseudo-Spectral Acceleration with a period of 0.3s.

Fine Arts, Artifacts & Archives Program (FAAAP)

FAAAP provides coverage for art objects that are owned or lent to the university. Coverage includes transit risk while the art objects are transported to or away from the campus; i.e., coverage is “nail-to-nail” or “wall-to-wall”. All art objects up to \$2,500,000 in value are automatically covered with no deductible (except 10% for damages caused by EQ). There is no reporting requirement, and an appraisal is not needed, unless the value of the covered object/collection is more than \$2,500,000.

Foreign Travel Insurance Program (FTIP)

This program provides coverage for employees and students while traveling outside the United States. The program provides General Liability, Contingent Auto Liability, Employee Benefits Liability, Employers Responsibility, Employee Voluntary Compensation, Employers Liability, Primary Accident and Sickness, Accidental Death and Dismemberment, and Executive Assistance Services. Beginning July 1, 2014, FTIP added an “Overlay” coverage to supplement the insurance mandated by certain third-party travel program providers under approved agreements with the University. Specifically, the Overlay coverage extends FTIP’s Liability insurance that is not otherwise provided by certain third-party programs.

Inland Marine Insurance Program

This is a specialized form of insurance to cover physical damage to specific objects such as: computer and other EDP equipment including media and laptops; scientific and laboratory equipment; cameras, audio, industrial lighting; fine arts; valuable collections; specialized mobile equipment; etc. Rates are based on the type of equipment insured.

Non-Owned Aircraft Liability Insurance

As CSU occasionally uses non-owned aircraft for university business, effective July 1, 2011 a special Aviation Liability policy was placed to insure against non-owned aircraft liability. Because of the increased exposure in athletics and in international travel, air travel involving faculty, staff, students, and auxiliary organizations makes this insurance essential, and it is relatively inexpensive. Beginning July 1, 2014, the insurance was expanded to offer Aircraft Liability coverage for unmanned aerial systems (UAS) aka: “drones” operated by the University. The coverage for drones was replaced by a special blanket policy effective July 1, 2017 (see discussion above regarding the Drone Insurance Program “DRIP” for more info).

Owner-Controlled Insurance Program (OCIP)

The Owner-Controlled Insurance Program (OCIP) was implemented in January 2012 to cover major building projects of the University and Auxiliary Organizations with initial total construction cost of \$10,000,000 and more. Realizing the cost savings and effective administration of CSURMA’s Builder’s Risk Insurance Program (BRIP), the Office of the Chancellor Capital Planning Design & Construction (CPDC) expanded BRIP to include General/Completed Operations Liability and Workers’ Compensation coverage for all contractors doing work on CSU building projects.

Participant Accident Insurance Program (PAI)

Participant Accident Insurance provides coverage for a broad range of non-employer groups. Its primary benefit, accident medical insurance, is designed to provide insurance protection for participants of a group or organization while they are engaged in the group's sponsored activities. The plan is sold as blanket coverage, purchased by a group for all of its participants.

Public Entity Automobile Physical Damage Program

CSU participates with select public entities in the Public Entity Automobile Physical Damage Program. The program was designed specifically for public agencies including CSU with a limited number of higher valued vehicles. The program was expanded to include other types of vehicle and mobile equipment.

The insurance is an “All Risk” Equipment Floater including earthquake and flood for scheduled equipment on file with the insurer. Claims are adjusted on a replacement cost basis. The deductible varies for each member as selected annually. The plan covers all risks of direct physical loss or damage from any external cause, including salvage charges, except perils excluded.

Rocketry Liability

CSURMA purchases a special Aviation Liability insurance policy to facilitate coverage for the university’s liability arising from rocketry activities. Coverage is limited to \$5 million maximum; i.e., there are no excess coverage limits.

Special Events Liability Insurance Program

The Special Events Program of Alliant offers premises liability coverage for a broad range of events held by underinsured third parties in public assembly facilities. The program has the added feature

of allowing the CSU and its auxiliary organizations to insure its own events as circumstances warrant. The three coverage components are:

- Tenant/User Liability – Coverage is provided for events held or sponsored by companies, organizations, or individuals that have been permitted to use a campus or auxiliary organization meeting room or other facility. Liability insurance protects the owner and the user of the facility. The campus or auxiliary organization determines the premium for the event based on published rates and provides a certificate of insurance to the user. Reports of covered events, copies of certificates, and payment of premium are remitted to Alliant on a quarterly basis.
- Instructor/Recreation Classes – This provides coverage for events that are instructional to participants. Also covered are instructors who are not employed by the campus or auxiliary organization but who provide instructional services for a fee. The events are reported quarterly to Alliant, premiums are determined and certificates are issued to the instructor. Participant coverage requires signed waivers and prior approval from the underwriter.
- Nominee Events – Coverage is offered for events held or sponsored by a campus or auxiliary organization itself or by any of its departments. Coverage can be expanded to cover co-sponsors if desired. This is not a self-rated program, and events must be approved and rated by Alliant, who issues the insurance certificates.

Student Travel Accident Insurance

Beginning in 1994, CSU purchased the Student Travel Accident policy to provide medical expense coverage for injuries to CSU students (including Extended Education Program students) during travel to or from campus to participate in a school sponsored activity. In 2014 the policy limit was increased to \$50,000 with a \$0 deductible. Additionally, coverage for overnight supervised and sponsored travel is included for up to 14 days.

Vendors / Contractors Liability Insurance Program

The Vendors/Contractors Program was developed to meet the needs of public entities such as CSU for those situations when the public entity enters into a contract with a contractor/vendor, and the contractor/vendor is unable to provide the insurance required. The program allows the contractor/vendor to purchase General Liability insurance for the work to be performed for the University or Auxiliary Organization at a significantly reduced cost.

Watercraft Insurance Program

The Watercraft Insurance program provides Hull and Machinery Insurance, Collision and Towers Liability coverage, Protection and Indemnity Liability coverage. This is not blanket coverage; each vessel must be reported and scheduled on the policy.

MILESTONES – A Proud History of Accomplishments

Alliant is proud of its history of developing and implementing meaningful and cost effective coverage programs for CSU since the establishment of the Campus Risks Pool in 1995 and its successor joint powers authority, CSURMA, in 1997. Many of the coverage programs for the University and the Auxiliary Organizations, remain viable today and continue to provide highly-valued, cost-effective, state-of-the-art protection for all its member participants.

These accomplishments for CSU campuses and auxiliary organizations can be considered “Milestones” for CSURMA. From the establishment of the risk pools, formation of the joint powers authority, creation of additional coverage, development of loss-sensitive yet equitable rating plans, commissioning independent professional actuarial reviews, setting budget goals to ensure adequate funding, measuring rating adequacy, and recommending dividends to members, to the more recent challenges addressing sound program management that is expected of a public joint powers insurance authority and the administrative expectations of CSU’s Internal Auditors to ensure fiscal responsibility, Alliant has welcomed and embraced these essential tasks and responsibilities for the betterment of all CSURMA members.

The Milestones are highlighted in a chart on pages 20 - 23.

2018/2019 – Rising to New Challenges

There have been many challenges during the past fiscal period, which the dedicated members of Alliant have risen to meet and resolve for CSURMA. The major challenges of the year and how Alliant responded for the Campuses and Auxiliary Organizations are highlighted below.

Campus Programs:

1. Worked with the Executive Committee to establish its Long Range Action Plan
2. Calculated premium deposits and funding recommendations for all Campus programs
3. Calculated Risk Pools Funding Status and Potential Dividends
4. Assisted accounting staff in preparation for the annual independent financial audit
5. Reviewed all odd-numbered policies and procedures and suggested revisions
6. Managed application forms for Risk Reduction Incentive Grants for Health & Wellness and Loss Control & Safety
7. Renewed the Owner Controlled Insurance Program (OCIP) for a third five-year term.
8. Provided oversight and management of the population of the Ventiv Risk Management Information System platform
9. Provided assistance in renewing the contract with Agility Recovery for temporary office space, computer equipment, telephone lines and generators after a major disaster
10. Worked with the Executive Committee and CSU Accounting to evaluate the budgeting practices regarding dividends
11. Evaluated the rating plans and worked with the Ratings Plan Task Group for review and recommendations

12. Worked with Systemwide Risk Management to extend the contract with Veoci, the virtual emergency operations center which provides systemwide cloud-based emergency management, business continuity and disaster recovery platform
13. Reviewed and suggested changes to the Campus Liability Risk Pool memorandum of coverage
14. Provided the necessary oversight for the outside contractor to complete the liability claims administration audit
15. Completed the workers' compensation claims administration service performance audit
16. Conducted monthly meetings of the Campus Workers' Compensation Coordinators
17. Conducted on-campus meetings with Campus VPs, Risk Managers, and Auxiliary Organizations
18. Conducted CSURMA Orientation for new risk managers, Executive Committee members, and AORMA Committee members
19. Coordinated and managed new construction and major renovation projects with Capital Planning Design & Construction (CPDC), and reconciling project premiums with the insurer
20. Workers' Compensation Claims Settlement Authorization Requests (SAR) review and discussions
21. Renewed a new 3 year term on the Earthquake Parametric coverage, with a claim trigger: peak spectral acceleration
22. Change in calculation of campus risk pool audit adjustments with the EIA placement
23. Broadened cyber coverages
24. Evaluation of the captive formation

AORMA Programs:

1. Worked with the AORMA Committee to establish the new AORMA Benefits standing committee
2. Assisted the Committee in finalizing a systemwide recreation center best practices survey. Helped the Committee streamline its Committee meetings by consolidating the AORMA Programs Committee into the AORMA Committee and eliminating two AORMA Committee meetings.
3. Provided a update procedure for establishing estimated workers' compensation payroll that reduces the members' workload.
4. Suggested changes to the Unemployment Insurance Program to allow members to use "excess funds" to lower deposits for the upcoming year.
5. Completed the Employment Practices Liability member deductible calculation.
6. Worked with the AORMA Committee to establish its Long Range Action Plan
7. Calculated premium deposits and funding recommendations for all AORMA programs
8. Calculated Target Surplus Funding Status reports and Potential Dividends
9. Reviewed several policies and procedures and suggested revisions
10. Reviewed and suggested changes to the AORMA Liability Program memorandum of coverage

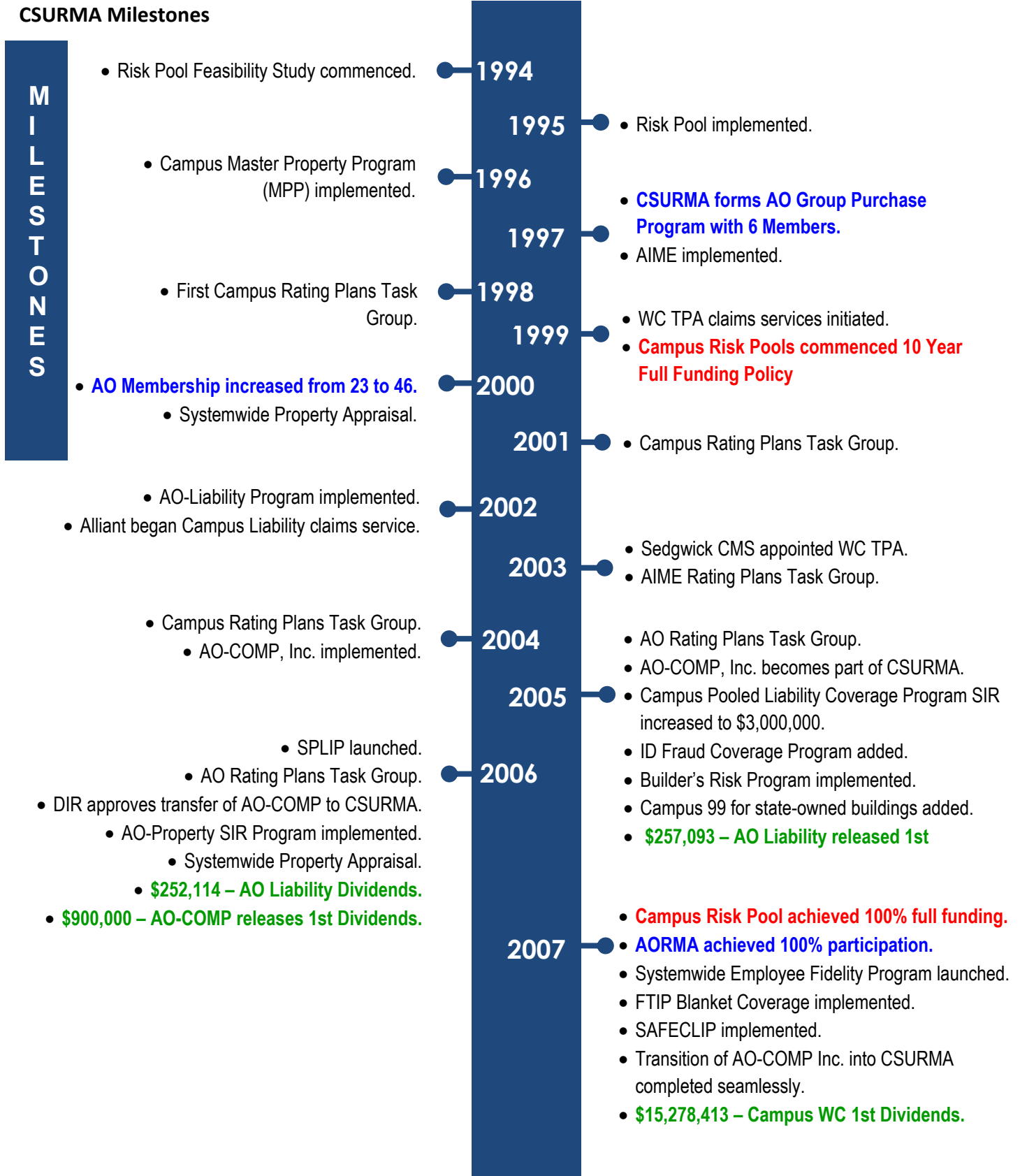
11. Provided the necessary oversight for the outside contractor to complete the liability claims administration audit
12. Conducted CSURMA Orientation for new AORMA Committee members
13. Worked with the AORMA Committee to secure a three-year contract with Alliant for Risk Control Consulting
14. Worked with CSAC EIA to lower the workers' compensation program cost allocation

JPA Administration:

1. Assisted in development of the FY 19/20 CSURMA operating budget
2. Assisted in development of the FY 18/19 midterm budget amendments
3. Conducted an "Orientation to CSURMA" for all members via webinar.
4. Drafted and managed the distribution of meeting agendas, and participated in meetings for the Board of Directors, Executive Committee, AORMA Committee, AIME Committee, and several subcommittees and task groups
5. Prepared the updated version of the Service Calendar
6. Prepared the financial report of the CSURMA insurers and reinsurers
7. Requested and updated the Campus Presidents' appointments to the CSURMA Board of Directors
8. Requested and updated the Campus Presidents' Claims Settlement Authority for both the Campus Liability and Workers' Compensation Risk Pools
9. Requested and updated the Campus Presidents' delegation of approval for travel to high hazard countries
10. Addition of Policy and Procedures #27 - Process for Approving New Programs, Services or Funding Support
11. Change to Policy and Procedures #20 - Owner Controlled Insurance Program (OCIP)
12. Established the following Long Range Action Plan items for FY 19/20:
 - Creation of Formal Process to Regulate and Approve Financing of Risk Programs through CSURMA
 - Further Development of Youth Protection Programs
 - Review of CSURMA's Digital Compliance
 - Development of a CSURMA Disaster/Misadventure Toolkit
 - Memorandum of Coverage Review with Coverage Counsel
 - Foreign Travel Tracking Program
 - CSURMA Master Calendar for upcoming Trainings, Conferences and Events
 - Master Enabling Agreement for Environmental Sampling Services

The accomplishments described above highlight Alliant's role in supporting CSURMA's achievements during the year. These would not have been possible without the commitment and professionalism of the Alliant team members working with CSU's Systemwide Office of Risk Management and with the Campuses' and Auxiliary Organizations' leadership.

CSURMA Milestones



- Identity Fraud Expense Reimbursement coverage for AORMA member employees added.
 - Cyber Liability Program added.
 - AORMA WC Class Code consolidation completed.
 - **\$1,090,961 – AO-COMP Dividends.**
 - **\$9,867,829 – Campus WC Dividends.**
- 2008**
- Campus WC on-time reporting: 90%.
 - SELF XS Liability program replaced.
 - **CSURMA and AORMA logos developed.**
 - **\$415,861 – AIME released 1st Dividends.**
 - **\$1,217,460 – AORMA Dividends.**
 - **\$16,599,342 – Campus WC Dividends.**
- 2009**
- Campus WC On-Time reporting: 96%
 - Foreign Travel Insurance Program (FTIP) enhanced.
 - AIME catastrophic coverage enhanced.
 - Fiduciary Liability coverage added.
 - HR support counseling added for AORMA members.
 - Systemwide Property Appraisal.
 - AORMA Bulletins launched.
 - AORMA Toolkit updated.
 - CSU IRIC Manual updated.
 - **AORMA UIP launched, freeing up over \$10 million reserves for members.**
 - AORMA Risk Reduction Incentive Plan implemented.
 - **Independent review of CSURMA administration shows programs are in good position relative to CAJPA standards.**
 - **\$2,242,800 – AORMA Dividends.**
 - **\$9,173,264 – Campus Dividends.**
- 2010**
- Campus WC On-Time reporting: 93%
 - Self-insured layer for Campus Property program added (savings of over \$3 million per year).
 - Change Management Training for all campuses.
 - **Digitization of CSURMA records completed.**
 - **\$2,690,382 – AORMA Dividends.**
 - **\$5,470,192 Campus Liability Dividends.**
 - **\$14,038,323 – Campus WC Dividends.**
- 2011**
- CSU International Programs launches (CSUIP).
 - Owner Controlled Insurance Program (OCIP) implemented.
 - Facilities Use Agreement template for auxiliary organizations published.
 - Regional trainings for IRIC manual completed.
 - Club Sports Insurance Program (CSIP) implemented.
 - **AIME achieved 100% campus participation.**
 - **\$2,219,190 – AORMA Dividends.**
 - **\$7,504,717 – Campus Dividends.**
- 2012**
- CSU Doctor's Medical Practice Program added.
 - **csurma.org website re-launched.**
 - Campus Liability claims audit completed.
 - AIME claims audit completed.
 - AORMA Liability claims audit completed.
 - Intramural/Recreational Sports added to CSIP.
 - **\$1,702,157 – AORMA Dividends.**
 - **\$7,097,512 – Campus Dividends.**
- 2013**

M I L E S T O N E S

- Theater Safety Risk Management rolled out.
- Unmanned Aerial Systems (“Drones”) coverage added to Campus Liability.
 - Campus members offered option for new deductibles for Liability coverage.
- Rating Plans Task Group for Campus Risk Pools.
- Rating Plans Task Group for Student Insurance Programs.
 - Campus Property Program restructured as reinsurance.
- Auto Physical Damage coverage for rented RVs and limousines added.
 - CSU IRIC Manual updated.
 - Shoes for Crews Program launched.
 - **\$1,823,733 – AORMA Dividends.**
 - **\$8,677,518 – Campus Dividends.**

2014

- Campus 86 for Campus Personal Property coverage added
 - Fine Arts, Archives & Artifacts Program (FAAAP) implemented.
 - Operation “Double Play” – successful implementation of WC claims closure initiative to reduce claims volume and outstanding liabilities of long-term files.
 - Implemented e-filing of the state required Conflict of Interest disclosure statements (Form 700).
- Property Appraisals – comprehensive on-site building appraisals for insurance valuation purposes completed for all members.
- Participated in CSU-CCC-UC collaborative business conferences at CSU Sacramento.
 - Campus Rating Plans Task Group – reviewed and updated rating formulae for campus risk pools.
 - **\$1,171,524 – AORMA Dividends.**
 - **\$13,688,395 – Campus Dividends.**

2016

- Independent operational review of CSURMA administration concluded program management is in good position relative to CAJPA standards.
- AORMA revisions to the member allocation formulas finalized.
- CSURMA Website redesigned.
- AORMA coverage for Drones added.
- CSURMA joined CWCI for workers’ compensation benchmarking.
- Club Sports program expanded to include intramural and recreational sports.
- Risk Management Innovation Grants added.
- Rocketry Liability coverage added.
- Online services & training for Prevention of Sexual Abuse of Minors added.
- Agility Recovery Property Loss Program added.
- Campus and AORMA workers’ compensation programs reinsured by CSAC EIA.
- Participated in CSU-CCC-UC collaborative business conference at UC Riverside.
 - **\$1,179,889 – AORMA Dividends.**
 - **\$8,500,359 – Campus Dividends.**

2015

- Drone Insurance Program (DRIP) implemented.
- Risk Management Grants revised to systemwide projects through WERCS affinity groups.
- Watercraft Liability Program implemented.
- AORMA Rating Plans Task Group - enhancements made to allocation formulas.
- Campus WC experience modification (X-Mod) rating review completed.
- Campus Liability, AORMA Liability, and Campus WC claims audits completed.
- EQ Parametric Coverage added to Campus & AORMA Property Programs
- Participated in CSU-CCC-UC CA Higher Education Collaborative (CHEC) conference at UC Irvine.
 - **\$1,712,755 – AORMA Dividends**
 - **\$7,027,608 – Campus Dividends**

2017

- Medical Malpractice Liability specifically endorsed.
 - Deadly Weapons Response Program.
- Club Liability Insurance Program (CLIP) launched.
 - AORMA Benefits Program
 - **\$4,774,887 – Campus Dividends.**
 - **\$1,650,397 – AORMA Dividends.**

2018

2019

- Cyber Liability Coverage Program enhanced.
- Campuses selected new liability risk pool deductibles.
- Rating Plan Task Group reviewed the Campus rating plans.
- Legal review and adoptions of revisions to Liability Memorandum of Coverage.
- CSURMA AORMA Benefits standing committee formed.
- **\$1,336,710 – AORMA Dividends**
- **\$7,219,917 – Campus Dividends**

LOOKING AHEAD - Opportunities for Improvement

In serving such a vibrant and growing program, Alliant recognizes there are opportunities for improvement in its performance. As a result of our internal review and planning process, we have identified the following priority opportunities for improvement which are contained in the 2019/20 CSURMA Long Range Action Plans:

Campus Programs Long Range Action Plan

- LRP-1: Creation of a Formal Process to Regulate and Approve Financing of Risk Programs through CSURMA
- LRP-2: Further Development of Youth Protection Programs
- LRP-3: CSURMA Review of its Digital Compliance
- LRP-4: Development of a CSURMA Critical Events Toolkit
- LRP-5: Liability Program Memorandum of Coverage Review with Coverage Counsel
- LRP-6: Foreign Travel Program Review
- LRP-7: CSURMA Master Calendar for Upcoming Trainings, Conferences and Events
- LRP-8: Master Enabling Agreement for Environmental Sampling Services

AORMA Programs Long Range Action Plan

- LRP-1: Execute a retainer with an attorney to provide legal advice regarding complex contracts
- LRP-2: Audit/review the Members' current additional insureds
- LRP-3: Create a whitepaper to aid Members in developing contracts involving minors
- LRP-4: Create a whitepaper to aid Members in developing contracts with performing artists.
- LRP-5: Update the IRIC Manual to include an exhibit for Chartering Watercraft
- LRP-6: Create a Watercraft Matrix which clearly outlines the difference between coverage available through the CSURMA Watercraft Program vs. coverage through the liability, property and workers' compensation programs
- LRP-7: Develop the executive oversight policies and procedures for the CSURMA AORMA Benefits Program.
- LRP-8: Explore the Club Liability Insurance Program (CLIP) to include all of the CSU Alumni Associations.
- LRP-9: Create a Theatre Inspection Common Findings Report.
- LRP-10: Update the AORMA Recommended Waiver Handbook to include additional information regarding electronic signatures.

Alliant expects there to be other opportunities for improving our performance, and we encourage CSURMA members to assist us by bringing performance improvement items to our attention. The service team regards working with the CSURMA as an exciting opportunity with our professional promise to provide the highest level of services. We are committed to improving our effectiveness and value to all members. We appreciate your support and encouragement as we move forward.



CALENDARS

Meeting Calendar





An organization as complex as CSURMA requires regular meetings of its Board of Directors, the Executive Committee, AORMA Committee, AIME Committee, and a number of subcommittees and task groups who are focused on specific tasks and responsibilities. These meetings are important to ensure member needs are met, to communicate program development, and to provide reports to all members regarding status of the program's objectives. As a governmental entity, CSURMA's Campus programs and AORMA programs ascribe to the Bagley-Keane Open Meeting Law. A copy of the Meeting Calendars for FY 2019/20 and FY 2020/21 are included as Appendix B.

SUMMARY

We are excited to have the opportunity to work with dynamic, creative and forward thinking leaders who are willing to invest energy and resources that is essential for program success. We are extremely proud to be associated with CSU and its Auxiliary Organizations. We are committed to meet the current and future needs of CSURMA.

Appendix A – Alliant Team Organization Chart for CSURMA as of July 1, 2019



	CSURMA Core Service Team
	Claims Consulting
	Workers' Comp / Risk Analysis
	Special Projects / Peer review



Appendix B – CSURMA Meeting Calendar

FY 2019/20 CSURMA MEETING CALENDAR

JULY, 2019		AUGUST, 2019		SEPTEMBER, 2019	
		1-2	AORMA Officers Retreat: Paso Robles	4	AORMA New Member Orientation: 9:00 a.m.
				4	AORMA LRP: Sacramento: 10:00 a.m.
				5	AORMA: Sacramento: 9:00 a.m.
				5	EC Orientation: Sacramento: 4:00 pm
				6	EC: Sacramento: 8:30 a.m.
OCTOBER, 2019		NOVEMBER, 2019		DECEMBER, 2019	
14	AIME: 10:30 a.m. BOD Orientation: 2:00 p.m.	6-7	Fitting the Pieces Conf, San Francisco	5	AORMA: San Francisco: 11:00 a.m.
24	AORMA: Long Beach: 10:00 a.m.	8	EC: San Francisco: 9:00 a.m.	6	EC: San Francisco: 8:30 a.m.
25	EC: Long Beach: 8:30 a.m.	8	BOD: San Francisco: 10:30 a.m.		
25	BOD: Long Beach: 10:30 a.m.				
JANUARY, 2020		FEBRUARY, 2020		MARCH, 2020	
12	EC: Coronado: 3:30 p.m.			5	AORMA: TBD: 10:00 a.m.
13	AIME: San Francisco: 10:30 a.m.			5	EC: TBD: 2:30 p.m.
12-15	AOA Conference: Coronado			6	EC LRP: TBD: 8:30 a.m.
APRIL, 2020		MAY, 2020		JUNE, 2020	
		TBD	BOD Orientation		
		7	AORMA: Long Beach, 11:00 a.m.		
		8	EC: Long Beach, 8:30 a.m.		
		8	BOD: Long Beach, 10:30 a.m.		
		12	AIME: Long Beach: 10:30 a.m.		
AORMA = Auxiliary Organizations Risk Management Alliance Committee		PC = AORMA Programs Committee		EC = CSURMA Executive Committee	
AIME = Athletic Injury Medical Expense Committee		AOA = CSU Auxiliary Organizations Association		EC LRP = EC Long Range Planning Meeting	
AORMA LRP = AORMA Long Range Planning Meeting		BOD = CSURMA Board of Directors			

Appendix B – CSURMA Meeting Calendar (cont'd)

FY 2020/21 CSURMA MEETING CALENDAR

JULY, 2020		AUGUST, 2020		SEPTEMBER, 2020	
AORMA Officers Retreat - TBD				9	AORMA New Member Orientation: 9:00 a.m.
				9	AORMA LRP: TBD: 10:00 a.m.
				10	AORMA: TBD: 9:00 a.m.
				11	EC Orientation: TBD: 4:00 pm
				11	EC: TBD: 8:30 a.m.
OCTOBER, 2020		NOVEMBER, 2020		DECEMBER, 2020	
12	AIME: 10:30 a.m.			3	AORMA: TBD 11:00 a.m.
22	BOD Orientation: 2:00 p.m.			4	EC: TBD: 8:30 a.m.
22	AORMA: Long Beach: 10:00 a.m.				
23	EC: Long Beach: 8:30 a.m.				
23	BOD: Long Beach: 10:30 a.m.				
JANUARY, 2021		FEBRUARY, 2021		MARCH, 2021	
TBD	EC: Coronado: 3:30 p.m.			4	EC: TBD: 2:30 p.m.
TBD	AOA Conference: Coronado			5	EC LRP: TBD: 8:30 a.m.
	AIME: TBD: 10:30 a.m.				
APRIL, 2021		MAY, 2021		JUNE, 2021	
		TBD	BOD Orientation		
		6	AORMA: Long Beach, 11:00 a.m		
		7	EC: Long Beach, 8:30 a.m.		
		7	BOD: Long Beach, 10:30 a.m		
		TBD	AIME: TBD: 10:30 a.m.		
AORMA = Auxiliary Organizations Risk Management Alliance Committee		PC = AORMA Programs Committee		EC = CSURMA Executive Committee	
AIME = Athletic Injury Medical Expense Committee		AOA = CSU Auxiliary Organizations Association		EC LRP = EC Long Range Planning Meeting	
AORMA LRP = AORMA Long Range Planning Meeting		BOD = CSURMA Board of Directors			

Appendix C – CSU and AORMA Member Listing

#	Campus	Auxiliary Organization
1	Bakersfield	Associated Students, California State University, Bakersfield, Inc.
2	Bakersfield	California State University, Bakersfield Auxiliary for Sponsored Programs and Administration
3	Bakersfield	California State University, Bakersfield Foundation
4	Bakersfield	California State University, Bakersfield Student Union, Inc.
5	Chancellor's Office	California State University Foundation
6	Chancellor's Office	California State University Institute
7	Channel Islands	Associated Students of California State University, Channel Islands, Inc.
8	Channel Islands	California State University Channel Islands Foundation
9	Channel Islands	CI University Auxiliary Services, Inc.
10	Chico	Associated Students of California State University, Chico
11	Chico	Chico State Enterprises
12	Chico	The University Foundation, California State University, Chico
13	Dominguez Hills	Associated Students, California State University, Dominguez Hills
14	Dominguez Hills	California State University, Dominguez Hills Foundation
15	Dominguez Hills	Donald P. and Katherine B. Loker University Student Union, Incorporated
16	Dominguez Hills	California State University, Dominguez Hills Philanthropic Foundation
17	East Bay	Associated Students, Inc., California State University East Bay
18	East Bay	Cal State East Bay Educational Foundation
19	East Bay	California State University, East Bay Foundation, Inc.
20	Fresno	Associated Students, Inc. of California State University, Fresno
21	Fresno	California State University, Fresno Association, Inc.
22	Fresno	California State University, Fresno Foundation
23	Fresno	Fresno State Programs for Children, Inc.
24	Fresno	The Agricultural Foundation of California State University, Fresno
25	Fresno	The California State University, Fresno Athletic Corporation
26	Fullerton	Associated Students California State University, Fullerton, Inc.
27	Fullerton	Cal State Fullerton Philanthropic Foundation
28	Fullerton	CSU Fullerton Auxiliary Services Corporation
29	Humboldt	Associated Students of Humboldt State University
30	Humboldt	Humboldt State University Foundation
31	Humboldt	Humboldt State University Center Board of Directors
32	Humboldt	Humboldt State University Sponsored Programs Foundation
33	Long Beach	Associated Students, California State University, Long Beach

#	Campus	Auxiliary Organization
34	Long Beach	California State University, Long Beach Research Foundation
35	Long Beach	CSULB 49er Foundation
36	Long Beach	Forty-Niner Shops, Inc.
37	Los Angeles	Associated Students, California State University, Los Angeles, Inc.
38	Los Angeles	Cal State L.A. University Auxiliary Services, Inc.
39	Los Angeles	California State University, Los Angeles Foundation
40	Los Angeles	University-Student Union Board, California State University, Los Angeles
41	Maritime Academy	California Maritime Academy Foundation, Inc.
42	Maritime Academy	The Associated Students of the California Maritime Academy
43	Monterey Bay	Foundation of California State University, Monterey Bay
44	Monterey Bay	University Corporation at Monterey Bay
45	Monterey Bay	Otter Student Union at CSU Monterey Bay
46	Northridge	Associated Students, California State University, Northridge, Inc.
47	Northridge	California State University, Northridge Foundation
48	Northridge	North Campus University Park Development Corporation
49	Northridge	The University Corporation
50	Northridge	University Student Union of California State University, Northridge
51	Pomona	Associated Students Inc., California State Polytechnic University, Pomona
52	Pomona	The Cal Poly Pomona Foundation, Inc.
53	Pomona	The Cal Poly Pomona Philanthropic Foundation
54	Sacramento	Associated Students of California State University, Sacramento
55	Sacramento	Capital Public Radio, Inc.
56	Sacramento	The University Foundation at Sacramento State
57	Sacramento	University Enterprises, Inc.
58	Sacramento	University Union Operation of CSUS, Inc.
59	San Bernardino	Associated Students, California State University, San Bernardino
60	San Bernardino	CSUSB Philanthropic Foundation
61	San Bernardino	Santos Manuel Student Union of California State University, San Bernardino
62	San Bernardino	University Enterprises Corporation at CSUSB
63	San Diego	Associated Students, San Diego State University
64	San Diego	Aztec Shops, Ltd.
65	San Diego	San Diego State University Research Foundation
66	San Diego	The Campanile Foundation
67	San Francisco	Associated Students of San Francisco State University
68	San Francisco	San Francisco State University Foundation, Inc.
69	San Francisco	The University Corporation, San Francisco State
70	San Jose	Associated Students San Jose State University
71	San Jose	San Jose State University Research Foundation



#	Campus	Auxiliary Organization
72	San Jose	Spartan Shops, Inc.
73	San Jose	The Student Union of San Jose State University
74	San Jose	The Tower Foundation of San Jose State University
75	San Luis Obispo	Associated Students, Inc., California Polytechnic State University at San Luis Obispo
76	San Luis Obispo	Cal Poly Corporation
77	San Luis Obispo	California Polytechnic State University Foundation
78	San Marcos	The California State University San Marcos Foundation
79	San Marcos	Associated Students, Inc. of California State University San Marcos
80	San Marcos	California State University San Marcos Corporation
81	Sonoma	Associated Students of Sonoma State University
82	Sonoma	Sonoma State Enterprises, Inc.
83	Sonoma	Sonoma State University Foundation
84	Stanislaus	Associated Students Incorporated of California State University, Stanislaus
85	Stanislaus	California State University, Stanislaus Auxiliary and Business Services
86	Stanislaus	California State University, Stanislaus Foundation
87	Stanislaus	University Student Union of California State University, Stanislaus
88	N/A	Auxiliary Organization Associations
89	N/A	Auxiliaries Multiple Employer VEBA
90	N/A	Humboldt State University Real Estate Holdings

**FINANCIAL RATINGS OF THE CSURMA INSURERS AND
REINSURERS**

ISSUE: Staff prepared the attached report showing the financial strength of all insurance and reinsurance providers for the FY 19/20 placements.

RECOMMENDATION: This item is for information only; no action is recommended.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: This report will be presented to the Board of Directors every year at the fall meeting.

ATTACHMENT(S):

- a. Financial Report of CSURMA Insurers and Reinsurers

Financial Strength of Insurers and Reinsurers

Coverage	Carrier	AM Best Rating
CAMPUS & AORMA		
REINSURANCE LIABILITY		
Reinsurance Liability (\$4M xs \$1M) - Markel (50% share)	Markel Global Reinsurance Company	A, XV
Reinsurance Liability (\$4M xs \$1M) - Great American (50% share)	Great American Insurance Company	A+, XIV
Reinsurance Liability (\$5M xs \$5M) - Ironshore	Ironshore Indemnity Inc.	A, XV
Reinsurance Liability (\$10M xs \$10M) - Argonaut	Argonaut Insurance Company	A, XIV
EXCESS LIABILITY		
Excess Liability (\$5M xs \$20M) - Layer 3	Great American E&S	A+, XIV
Excess Liability (\$5M xs \$25M) - Layer 4	Lloyds - Brit Syndicate	A, XV
Excess Liability (\$5M xs \$30M) - Layer 5	Hallmark Specialty	A-, VIII
Excess Liability (\$15M xs \$35M) - Layer 6	Gemini	A+, XV
Excess Liability (\$10M po \$50M xs \$50M) - Layer 7a	Great American E&S	A+, XIV
Excess Liability (\$40M po \$50M xs \$50M) - Layer 7b	Hiscox, ATL, Score Re	A, XV
Excess Liability (\$25M po \$50M x \$100M) - Layer 8a	Aspen	A, XV
Excess Liability (\$25M po \$50M x 100M) - Layer 8b	Allied World Assurance Co (AWAC)	A, XV
Excess Liability (\$50M x \$150M) - Layer 9	XL Insurance Company SE	A, XV
Excess Liability (\$25M x \$200M) - Layer 10 - NEW LAYER	American Int'l Reinsurance (AIRCO)	A+, XV
Excess Liability (\$25M po \$50M x \$225M) - Layer 11a	Chubb Bermuda	A++, XV
Excess Liability (\$25M po \$50M x \$225M) - Layer 11b	Liberty / Starr / Antares	A
Excess Liability (\$25M x \$275M) - Layer 12 - NEW LAYER	Argo Re	A, XV
Excess Liability (\$25M x \$300M) - Layer 13 - NEW LAYER	Hamilton Re	A-, XV
OTHER PROGRAM / COVERAGES		
Cyber Risk Liability (Breach Response Endt) - 1M Lives	Beazley Syndicate 2623/623	A, XV
Excess Cyber Risk Liability (\$10M xs \$2M)	Greenwich	A+, XV
Excess Cyber Risk Liability (\$5M xs \$12M)	Axis	A+, XV
Fidelity - Crime	Underwriters @ Lloyds	A, XV
Trustees E&O, Fiduciary Liability	Underwriters @ Lloyds	A, XV
Auto Physical Damage (APD)	AGCS Marine	A+, XV
Drone Insurance Program (DRIP)	Weschester Fire Ins.	A++, XV
Deadly Weapon Response Program (DWRP)	Underwriters @ Lloyds	A, XV

Size (in Millions)

Class XII = \$1,000

Class **256** = \$1,250

Size (in Millions)

Class XIV = \$1,500

Class XV = \$2,000

Rating Symbols and Categories

A++ / A+ = Superior

Financial Strength of Insurers and Reinsurers

Coverage	Carrier	AM Best Rating
EQ Parametric Trigger (3 yrs installment policy)	North American Capacity Ins.	A+, XV
CAMPUS		
Workers Compensation Program	CSAC Excess Insurance Authority	N / A
Foreign Travel Insurance Program (FTIP) - Primary A&H	ACE American	A++, XV
Foreign Travel Insurance Program (FTIP) - GL / XS Auto / WC	ACE American	A++, XV
Foreign Travel Insurance Program (FTIP) - K&E	Hiscox	A, XV
CSU IP (International Program)	ACE American	A++, XV
Student Professional Liability Insurance Program (SPLIP)	Underwriters @ Lloyds	A, XV
Student Professional Liability Insurance Program (SPLIP)	Ascot Underwriting Bermuda	Not Rated
Student Academic Field Exp. For Credit Liab Ins. Program (SAFECLIP) - (\$5M / \$10M)	Underwriters @ Lloyds	A, XV
Student Academic Field Exp. For Credit Liab Ins. Program (SAFECLIP)	Ascot Underwriting Bermuda	Not Rated
Doctors' Med Mal	Ascot Underwriting Bermuda	Not Rated
Property and B&M Insurance (incl. Cyber & Pollution Liab)	Various	Various
Inland Marine Insurance	AGCS Marine	A+, XV
Fine Arts, Artifacts, & Archives Program	Underwriters @ Lloyds	A, XV
Non-Owned Aircraft Liability	Weschester Fire Ins.	A++, XV
Rocketry Program	ACE Property & Casualty Ins Co	A++, XV
Builder's Risk	Illinois Union	A++, XV
Athletic Injury Medical Expense (AIME)	QBE Insurance Co.	A, XV
APEEL (Pollution Liability)	Interstate Fire & Casualty	A+, XV
Club Liability Insurance Program (CLIP)	Underwriters @ Lloyds	A, XV
AORMA		
Workers Compensation Program	CSAC Excess Insurance Authority	Not Rated
Property and B&M Insurance (incl. Cyber & Pollution Liab)	Alliant Property Insurance Program (APIP) – Lexington Insurance Co.	A++ XV
ID Fraud	Travelers Excess & Surplus Lines Company	A++, XV
Participant Accident Insurance	QBE Insurance Corporation	A, XV

Rating Symbols and Categories
A++ / A+ = Superior

Size (in Millions)
Class XII = \$1,000
Class **257** 1,250

Size (in Millions)
Class XIV = \$1,500
Class XV = \$2,000

CSURMA TRI-FOLD BROCHURE

ISSUE: The attached CSURMA brochure is updated annually and includes financial information as well as an overview of changes within CSURMA. Please feel free to share this brochure.

RECOMMENDATION: No action is recommended; this item is for information only.

FISCAL IMPACT: None.

BACKGROUND: Staff completed the first CSURMA tri-fold brochure in 2016. It will be updated annually.

PUBLICATION: This brochure will be uploaded to the CSURMA website.

ATTACHMENT(S):

- a. CSURMA Tri-Fold Brochure

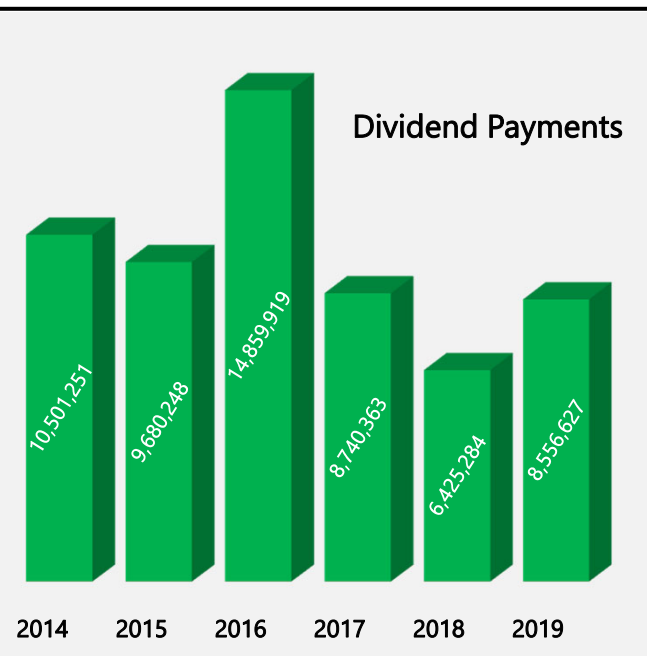
CSURMA Officers:

- **Chair: Lisa Chavez**
CSU Los Angeles
- **Vice Chair: Kevin Saunders**
CSU Monterey Bay
- **Treasurer: Robert Eaton**
Chancellor's Office
- **Secretary-Auditor: Zachary Gifford**
Chancellor's Office

CSURMA Governance:

- Board of Directors
- Executive Committee
- AORMA Committee
- AIME Committee
- AORMA Benefits Committee

Total Dividends paid since 1997:
\$156,699,270



Founded in 1997, CSURMA provides risk management and insurance programs exclusively for the CSU and its Auxiliary Organizations. CSURMA members benefit from expert guidance and collaboration on operational activities that present potential loss to the university and the auxiliary organizations. Designed with the intent to protect students, faculty, staff, volunteers, and others, CSURMA covers liability for personal injury, property damage, errors & omissions, professional liability; and includes coverage for damage or loss to its own facilities and properties.

CSURMA's high quality, state-of-the-art coverage programs combines self-insurance, insurance and reinsurance techniques, thereby maintaining coverage stability in a cost-effective manner. By managing our risks and reducing reliance on traditional insurance, CSURMA has been able to return over \$156 million in dividends to its member campuses and auxiliary organizations.

CSURMA is well-positioned to continue to support the CSU's mission for years to come.

Lisa Chavez, CSURMA Chair



California State University Risk Management Authority



A joint powers authority established in 1997 to protect Member resources by providing broad coverage and quality risk management services that stabilize risk cost in a reliable, economical and beneficial manner for the CSU and its Auxiliary Organizations.

June 30, 2019

For more information,
please visit our website

www.CSURMA.org



Administrative Practices:

CSURMA is overseen by the CSU Chancellor's Office and follows;

- CSU Chancellor's Executive Orders
- CSU Systemwide Risk Management Technical Letters
- Applicable Integrated CSU Administrative Manual sections
- Applicable CAJPA Accreditation Standards
- Independent Financial Auditor – KPMG
- CSURMA Governing Documents:
 - Joint Powers Agreement*
 - Bylaws*
 - Policies and Procedures*
 - Participation Agreements*
 - Memoranda of Coverage*

Board of Directors:

- 40 Board Members
- 23 Campus Votes
- 10 Auxiliary Organization Votes
- 7 Chancellor Office Votes

In partnership with:



Financial Position:

Assets at June 30, 2019 (in thousands)

Current Assets:

Cash and cash equivalents	14
Investments	65,954
Accounts receivable	9,308
Loans receivable (current)	0
Prepaid expenses	12,811
Reinsurance recoverable (WC)	42

Noncurrent Assets:

Loans receivable from affiliates	1,638
Other long-term investments	46,000

Total Assets: \$135,767

Liabilities at June 30, 2019 (in thousands)

Current Liabilities:

Accounts payable	8,723
Unearned revenues	55
SELF assessment liability	1,364
Reported claims	7,882
Claims incurred but not reported	\$7,075

Noncurrent Liabilities:

SELF assessment liability	4,091
Reported claims	21,826
Claims incurred but not reported	\$19,592

Total Liabilities: \$70,608

CSURMA Staff Updates:

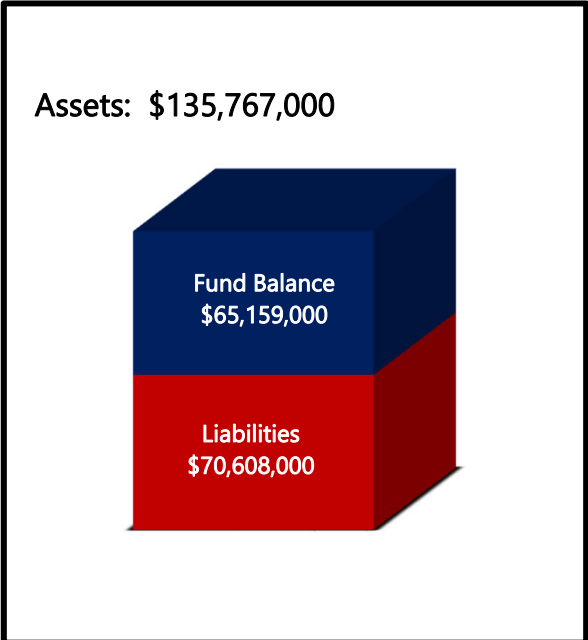
Systemwide Risk Management:

- Zachary Gifford – Director
- Jody Van Leuven – Assistant Director
- Scott Bourdon – Senior Manager, Risk and EH&S – **NEW**
- Martha Guiditta – Claims Examiner
- Leona Ching – Administrative Analyst

Alliant Insurance Services, Inc.:

- Rob Leong – Campus Program Administrator will be retiring on December 31, 2019 and will be replaced by:
 - Amy Lightner – Program Administrator
 - Susan Leung – Program Administrator

Fund Balance in CSURMA @ June 30, 2019: \$65,159,000



UNEMPLOYMENT INSURANCE CLAIMS COSTS SUMMARY CHARTS

ISSUE: Attached for information only is the Unemployment Insurance Claims report showing a quarter by quarter comparison of claims costs and also cost history.

RECOMMENDATION: No action is requested. This item is for information only.

FISCAL IMPACT: None.

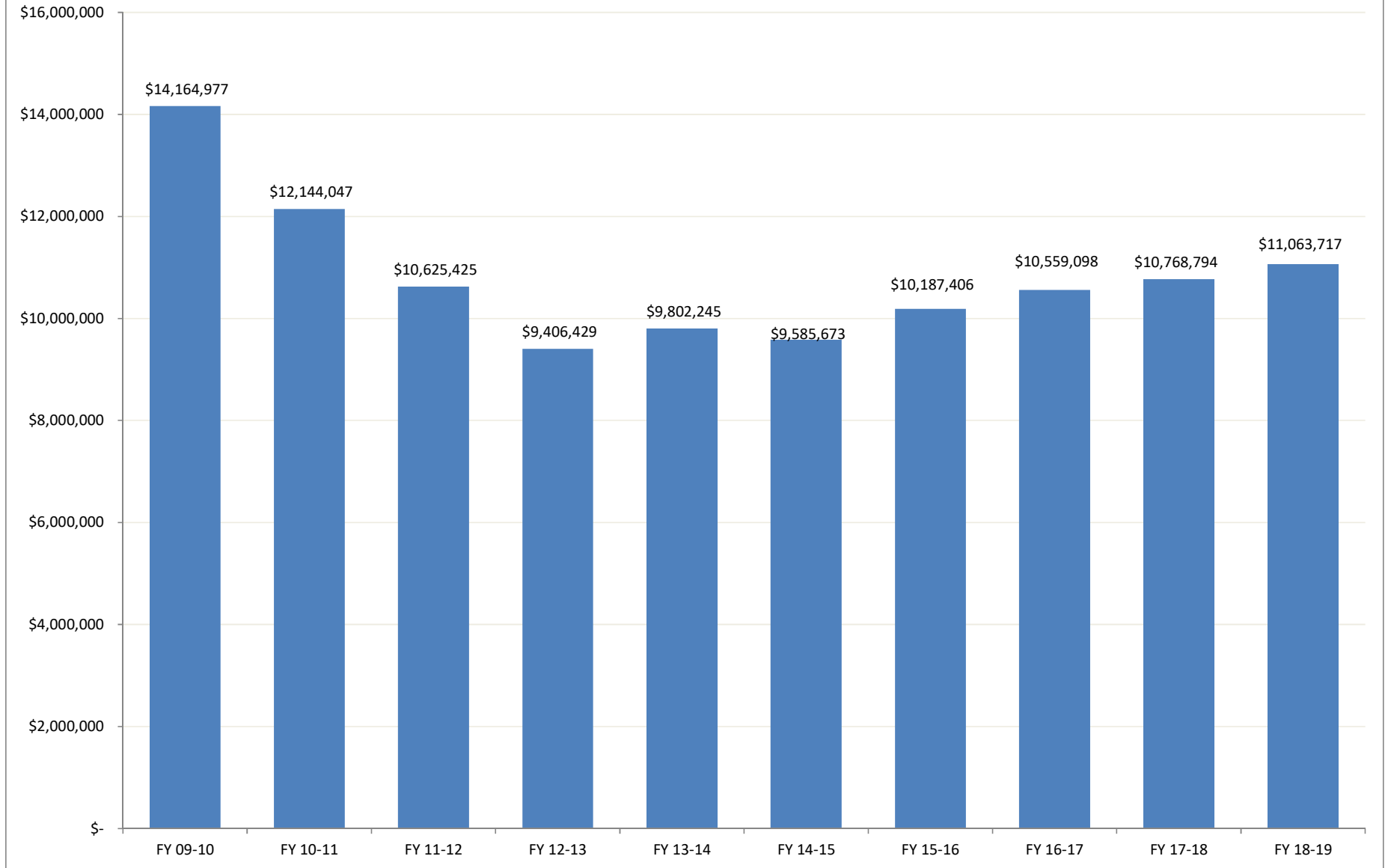
BACKGROUND: None.

PUBLICATION: None.

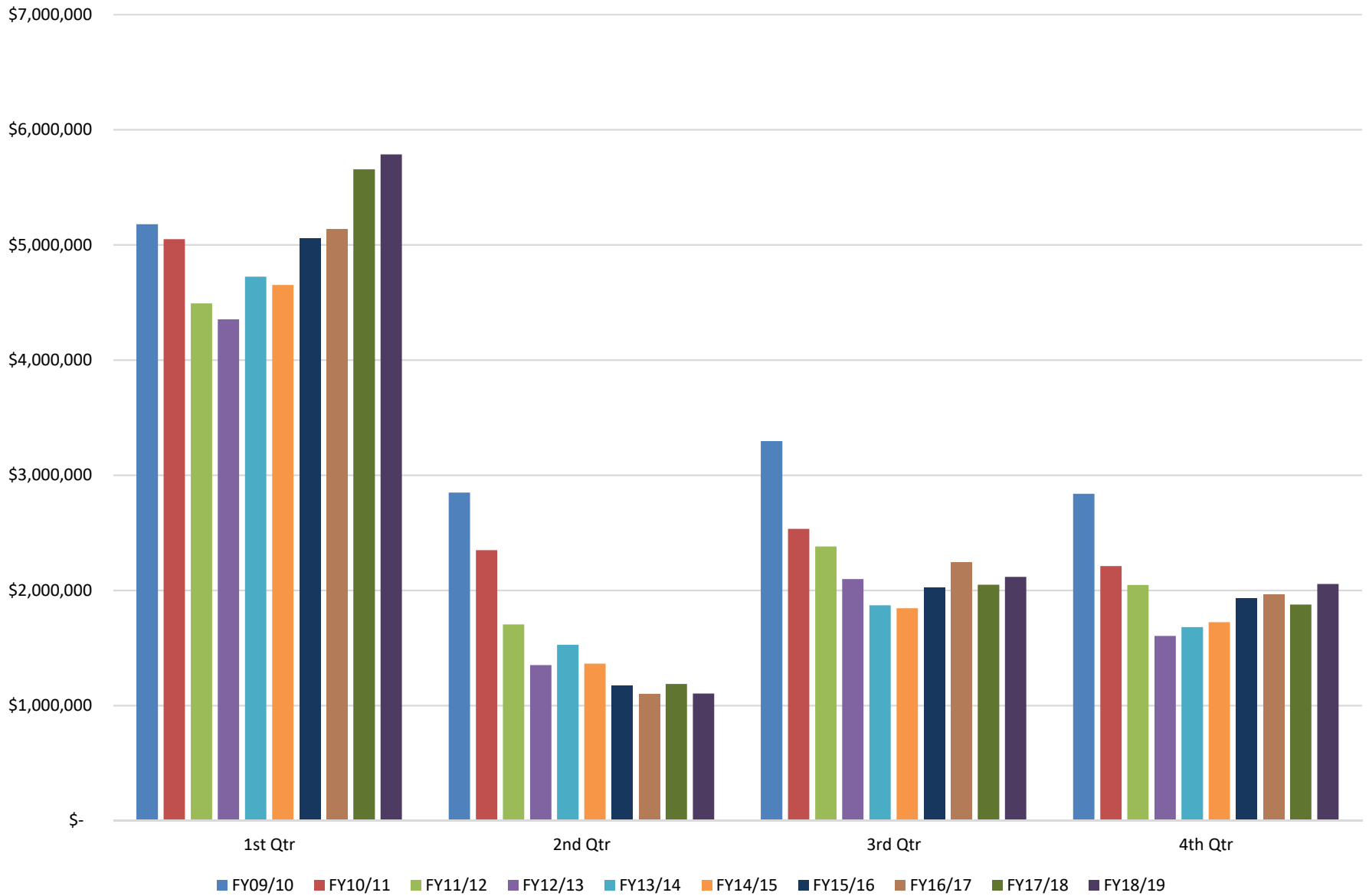
ATTACHMENT(S):

- a. UI Summary Charts

10-Year UI Charge Actuals



UI Comparison by Quarter FY2009/10 - 2018/19



WORKERS' COMPENSATION STEWARDSHIP REPORT

ISSUE: Sedgwick, CSU's workers' compensation claims administrator, has completed their Stewardship Report which reviews CSURMA's key performance indicators for the program over the last five fiscal years.

RECOMMENDATION: This item is for information only; no action is requested.

FISCAL IMPACT: None.

BACKGROUND: Sedgwick CMS has provided workers' compensation third party claims administration for the CSU Campuses since July 1, 2003. The current agreement with Sedgwick has been extended to June 30, 2022.

Staff will be on hand at the meeting to answer questions and provide a summary of the key findings within the Stewardship Report.

PUBLICATION: None.

ATTACHMENT(S):

- a. Sedgwick's CSU Workers' Compensation Stewardship Report



California State University Workers' Compensation Program Stewardship Report FY 2018-2019



California State University
Workers' Compensation

August 15th, 2019

Table of Contents

- Executive Summary
- Program Statistical Analysis
- Conclusion

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Executive Summary

We are pleased to present our annual stewardship report for the California State University (CSU) Workers' Compensation Program.

We have reviewed the key performance indicators for the program over the last five fiscal years. The CSU has experienced a decrease in new Indemnity and Medical Only claim reporting. The overall claim inventory has remained even with FY 18. Both medical costs and overall cash flow have remained even for FY19 over FY18.

Key findings:

- New claims down by 8% FY19 over FY18
- New Indemnity Claims down by 11% FY19 over FY18
- Open Indemnity inventory is flat with 0% change FY19 over FY18
- Open Future Medical Inventory down by 2% FY19 over FY18
- Medical costs are even with 0% change FY19 over FY18
- Settlements are up by 9% for FY19 over FY18



Program Statistical Analysis

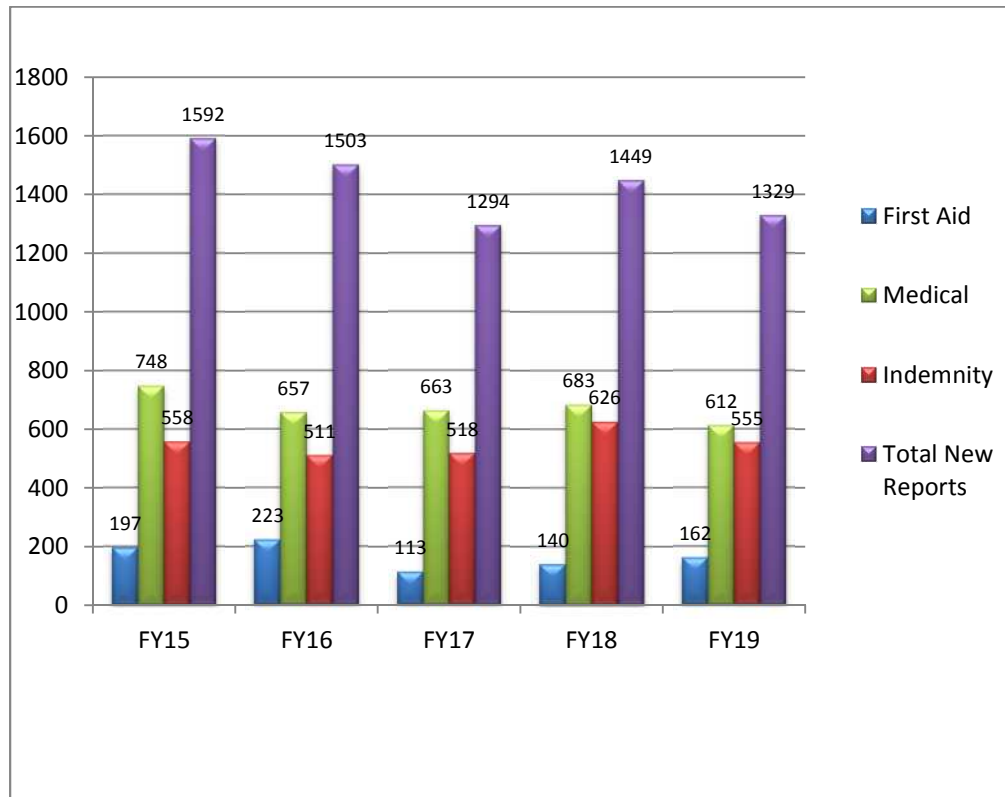
New Claims

New claims are down by 8%, with the greatest decrease seen in the Indemnity category, which is down 11% for FY19 over FY18.

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Total New Reports	FY15	FY16	FY17	FY18	FY19
First Aid	197	223	113	140	162
Medical	748	657	663	683	612
Indemnity	558	511	518	626	555
Total New Reports	1592	1503	1294	1449	1329

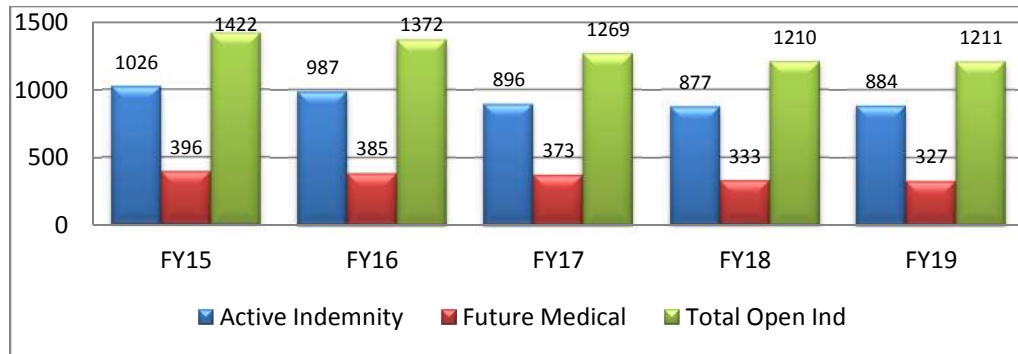


Open Inventory

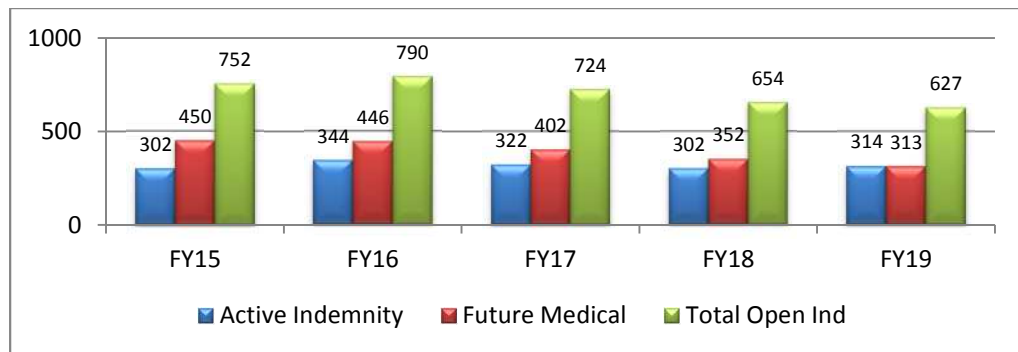
There has been a 0% change in Open Indemnity inventory FY19 over FY18. Open Active Indemnity claims are up by 1%. When combined with the 2% decrease in open Future Medical claims, this results in an overall open indemnity change of 0%. The percentage of open Indemnity > 2 years old vs. all open Indemnity is at the lowest point in 5 years.



Open Indemnity Inventory	FY15	FY16	FY17	FY18	FY19
Active Indemnity	1026	987	896	877	884
Future Medical	396	385	373	333	327
Total Open Ind	1422	1372	1269	1210	1211



Open Indemnity Inventory (open >2 years)	FY15	FY16	FY17	FY18	FY19
Active Indemnity	302	344	322	302	314
Future Medical	450	446	402	352	313
Total Open Ind	752	790	724	654	627
% Open Indemnity >2 years vs. All Open Indemnity	53%	58%	57%	54%	52%



Inventory Aging

FY	# Claims	% Total	# Ind	# FM	Outstanding	% Total	Avg Out Ind	Avg Out FM
FY 2019	325	27%	325	0	\$ 8,854,972.36	16%	\$ 27,246.07	\$ -
FY 2018	229	19%	215	14	\$ 8,579,683.52	16%	\$ 38,208.53	\$ 26,060.70
FY 2017	132	11%	107	25	\$ 5,610,708.17	10%	\$ 44,504.33	\$ 33,949.79
FY 2016	75	6%	54	21	\$ 4,101,477.29	8%	\$ 61,951.67	\$ 36,004.16
FY 2015	68	6%	47	21	\$ 3,607,128.65	7%	\$ 53,569.74	\$ 51,873.86
FY 2014	50	4%	30	20	\$ 2,572,325.46	5%	\$ 55,656.42	\$ 45,131.64
FY 2013	41	3%	32	9	\$ 1,873,560.52	3%	\$ 42,691.34	\$ 56,381.97
FY 2012	28	2%	17	11	\$ 1,921,678.77	4%	\$ 86,464.21	\$ 41,071.56
FY 2011	30	2%	14	16	\$ 1,482,293.06	3%	\$ 57,224.55	\$ 42,571.83
FY 2010	19	2%	11	8	\$ 908,229.04	2%	\$ 42,384.09	\$ 55,250.51
FY 2009	18	1%	3	15	\$ 689,182.38	1%	\$ 23,611.84	\$ 41,223.12
FY 2008	18	1%	5	13	\$ 1,194,722.32	2%	\$ 79,596.60	\$ 61,287.64
FY 2007	15	1%	4	11	\$ 1,539,532.26	3%	\$ 143,281.73	\$ 87,855.03
FY 2006	14	1%	2	12	\$ 1,176,825.31	2%	\$ 198,400.98	\$ 65,001.95
FY 2005	10	1%	1	9	\$ 487,365.35	1%	\$ 12,530.67	\$ 52,759.41
FY 2004	8	1%	1	7	\$ 365,669.97	1%	\$ 34,098.78	\$ 47,367.31
FY 2003	14	1%	2	12	\$ 612,093.92	1%	\$ 54,647.87	\$ 41,899.85
FY 2002	12	1%	1	11	\$ 720,750.29	1%	\$ 45,389.56	\$ 61,396.43
FY 2001	17	1%	3	14	\$ 690,442.95	1%	\$ 21,154.40	\$ 44,784.27
FY 2000	16	1%	0	16	\$ 1,999,751.57	4%	\$ -	\$ 124,984.47
FY 1999	8	1%	1	7	\$ 290,073.29	1%	\$ 3,440.82	\$ 40,947.50
FY 1998	6	0%	0	6	\$ 324,410.97	1%	\$ -	\$ 54,068.50
FY 1997	7	1%	1	6	\$ 660,652.03	1%	\$ 127,059.88	\$ 88,932.03
FY 1996	8	1%	0	8	\$ 560,135.51	1%	\$ -	\$ 70,016.94
FY 1995	4	0%	1	3	\$ 192,303.91	0%	\$ 106,502.38	\$ 28,600.51
FY 1994	5	0%	0	5	\$ 255,700.18	0%	\$ -	\$ 51,140.04
FY 1993	1	0%	0	1	\$ 32,846.59	0%	\$ -	\$ 32,846.59
FY 1992	3	0%	1	2	\$ 167,287.02	0%	\$ 11,567.59	\$ 77,859.72
FY 1991	5	0%	0	5	\$ 712,318.22	1%	\$ -	\$ 142,463.64
FY 1990	4	0%	0	4	\$ 371,759.37	1%	\$ -	\$ 92,939.84
FY 1989 and Prior	21	2%	2	19	\$ 1,345,675.08	2%	\$ 33,103.06	\$ 67,340.47
Totals	1211	100%	880	331	\$ 53,901,555.33	100%	\$ 40,325.36	\$ 55,635.17

Red text indicates years of SELF Excess Ins. Coverage. These claims represent 8% (96 claims) of the total open indemnity claim population. Of the remaining SELF files, 9% (9 claims) are active indemnity files versus 91% (87 claims) future medical files.

The total percentage of open indemnity files from the SELF years has decreased by 14%, FY19 (96) over FY18 (109). There has been a 15% decrease in Outstanding reserves FY19 over FY18. These numbers demonstrate continued focus on the resolution of these "SELF years" files.

2019 Annual Stewardship Report

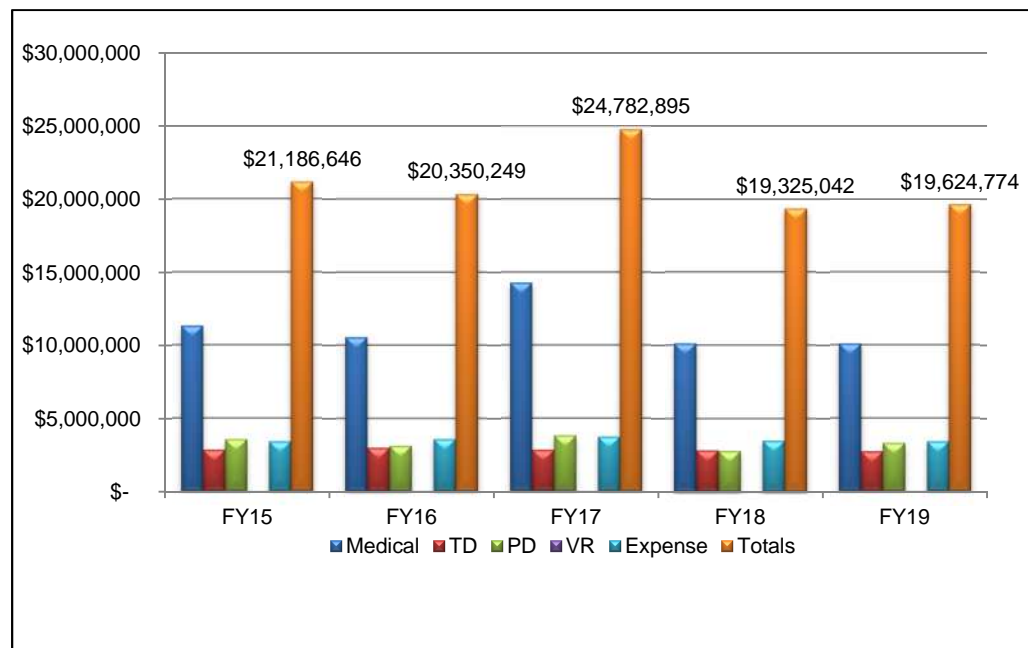


Cash Flow

The CSU has seen an increase in unadjusted cash flow of 1%. The adjusted cash flow (Medical Settlement removed) in FY19 over FY18 is up by 3%, or \$451,593. While there is a small overall increase in cash flow, all categories are flat or down with the exception of PD and adjusted Medical.

The PD category is up by 13%. This increase puts the PD back at its usual level, after an unusually large decrease in FY18. This increase also tracks with substantial increase in settlements for FY19 over FY18.

Cash Flow	FY15	FY16	FY17	FY18	FY19
Medical	\$11,333,300	\$10,573,240	\$14,301,117	\$10,140,817	\$10,115,752
TD	\$2,847,216	\$3,006,402	\$2,860,461	\$2,848,781	\$2,749,152
PD	\$3,576,461	\$3,146,459	\$3,838,049	\$2,801,099	\$3,307,871
VR	\$1,769	\$33,913	\$28,600	\$27,332	\$25,037
Expense	\$3,427,900	\$3,590,236	\$3,754,668	\$3,507,013	\$3,426,961
Totals	\$21,186,646	\$20,350,249	\$24,782,895	\$19,325,042	\$19,624,774
Medical Settlements	\$2,650,833	\$3,297,996	\$7,538,279	\$3,875,115	\$3,723,254
Adjusted Cash Flow	\$18,535,813	\$17,052,253	\$17,244,617	\$15,449,927	\$15,901,520
Medical minus Medical Settlements	\$8,682,467	\$7,275,243	\$6,762,839	\$6,265,702	\$6,392,499



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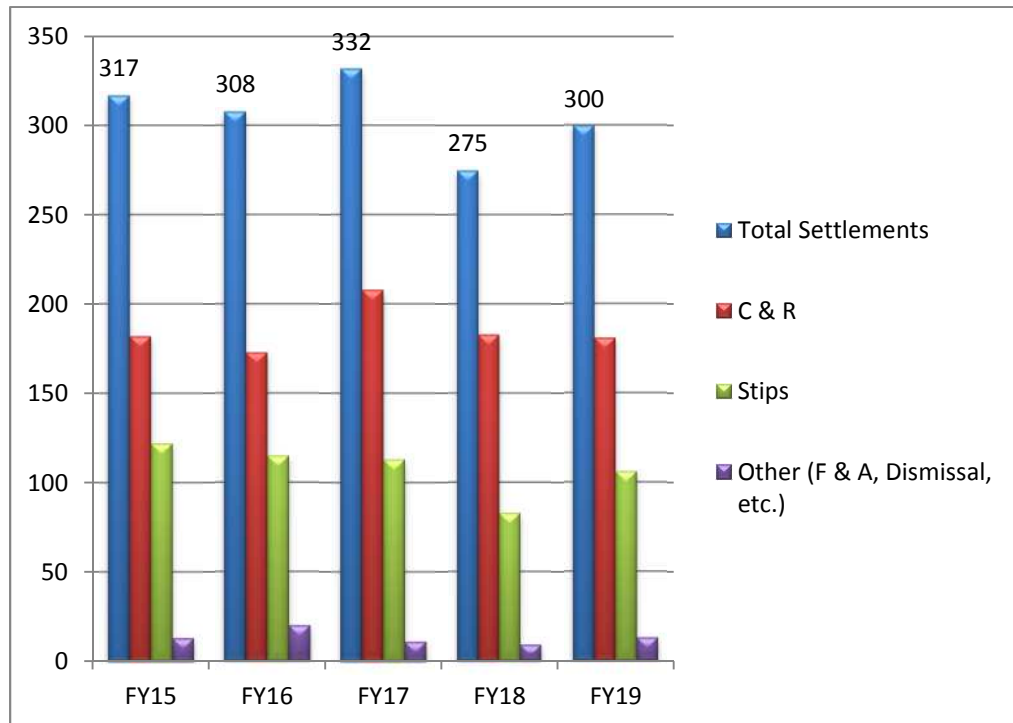
Settlements

The number of settlements is up by 9% this year. The percentage of C & Rs to overall settlements is down slightly for the year, but is still well above 50%. There was a 28% increase in the number of Stips and a 1% decrease in the number of C & Rs.

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Settlements	FY15	FY16	FY17	FY18	FY19
Total Settlements	317	308	332	275	300
C & R	182	173	208	183	181
Stips	122	115	113	83	106
Other (F & A, Dismissal, etc.)	13	20	11	9	13
C & R to total settlements	57%	56%	63%	67%	60%

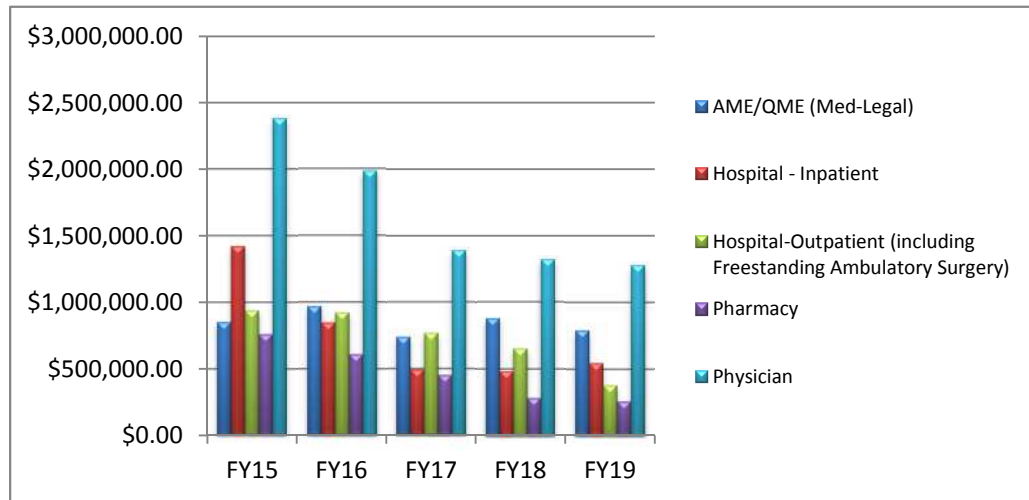


Medical Treatment Cost Drivers

The CSU experienced an adjusted medical cost increase of 2% for FY19 over FY 18. There has been a shift in the Top 5 categories, with "Hospital-Inpatient" and "Pharmacy" being replaced by "Medical Supplies & Equipment" and "Physical Therapy." Below are presented the FY19 Top 5 as a stand-alone, as well as the "apples to apples" comparison of the historical Top 5 with the FY19 numbers.

Type	Total FY19
Physician	\$1,279,366
Physical Therapy	\$795,969
Medical-Legal (CA)	\$791,348
Hospital-In Patient	\$547,750
Medical Supplies & Equipment	\$533,335
Total	\$3,947,767
Total Med (Actual Cashflow)	\$10,115,752
% of Total Med	39%

Medical Cost Drivers	FY15	FY16	FY17	FY18	FY19
AME/QME (Med-Legal)	\$852,977.08	\$970,253.22	\$739,607.48	\$878,403.59	\$791,347.59
Hospital - Inpatient	\$1,422,420.01	\$847,854.19	\$494,085.12	\$485,371.00	\$547,749.59
Hospital-Outpatient (including Freestanding Ambulatory Surgery)	\$938,282.24	\$923,142.23	\$768,590.18	\$652,570.24	\$380,496.56
Pharmacy	\$760,913.25	\$608,956.93	\$452,105.36	\$283,869.27	\$259,903.06
Physician	\$2,381,551.67	\$1,986,248.51	\$1,388,292.33	\$1,318,724.79	\$1,279,365.97



* These numbers provided for direct comparison to prior years. True Top 5 for FY19 is provided in the first table.



Claims by Body Part Group: 3 year Comparison Top 5 FY17 – FY19

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FY17

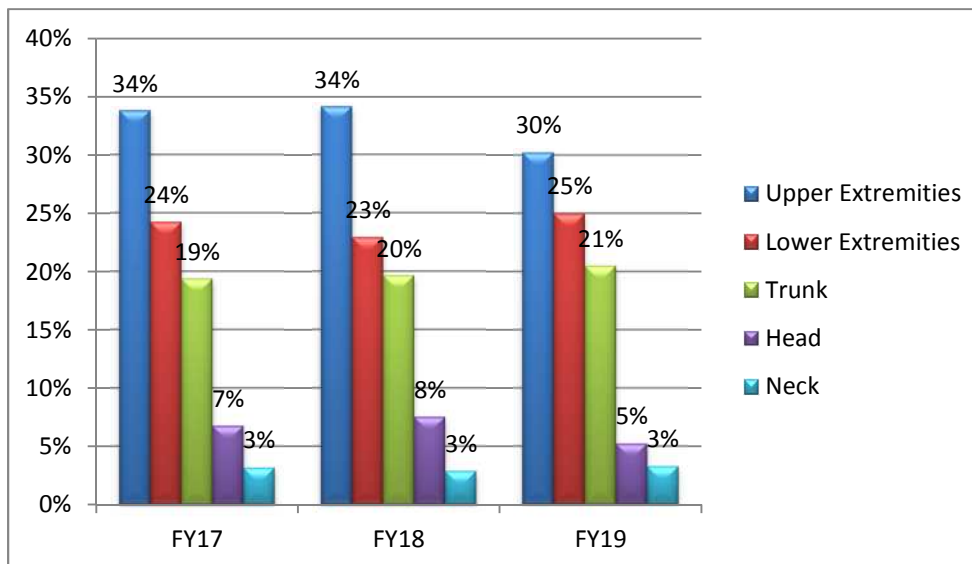
Body Part Group	Frequency	% Total Ind	Total Incurred	% Total Incurred
Upper Extremities	244	34%	\$ 3,950,263	38%
Lower Extremities	175	24%	\$ 2,939,384	28%
Trunk	140	19%	\$ 1,521,559	15%
Head	49	7%	\$ 616,972	6%
Neck	23	3%	\$ 303,232	3%

FY18

Body Part Group	Frequency	% Total Ind	Total Incurred	% Total Incurred
Upper Extremities	271	34%	\$ 5,182,133	42%
Lower Extremities	182	23%	\$ 3,336,987	27%
Trunk	156	20%	\$ 1,909,186	16%
Head	60	8%	\$ 341,098	3%
Neck	23	3%	\$ 382,615	3%

FY19

Body Part Group	Frequency	% Total Ind	Total Incurred	% Total Incurred
Upper Extremities	202	30%	\$ 4,942,198	37%
Lower Extremities	167	25%	\$ 3,387,874	26%
Trunk	137	21%	\$ 2,642,313	20%
Head	35	5%	\$ 678,182	5%
Neck	22	3%	\$ 313,674	2%



Claims by Source: 3 year Comparison Top 5 FY17 – FY19

FY17

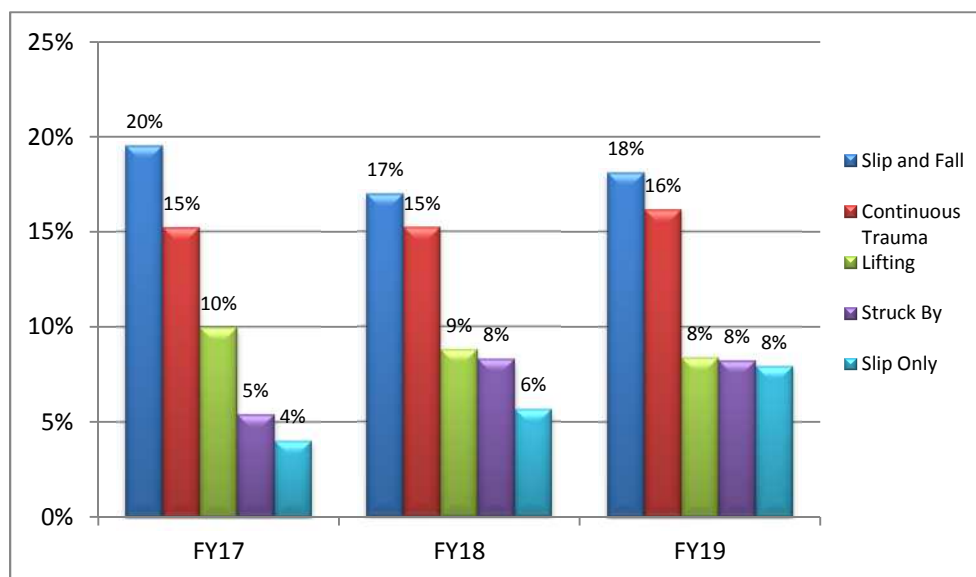
Top Five Source	Frequency	% Total Ind	Total Incurred	% Total Incurred
Slip and Fall	141	20%	\$2,383,302	23%
Continuous Trauma	110	15%	\$2,041,694	19%
Lifting	72	10%	\$1,067,701	10%
Struck By	39	5%	\$461,322	4%
Slip Only	29	4%	\$423,459	4%

FY18

Top Five Source	Frequency	% Total Ind	Total Incurred	% Total Incurred
Slip and Fall	135	17%	\$2,603,521	21%
Continuous Trauma	121	15%	\$2,331,376	19%
Lifting	70	9%	\$1,155,276	9%
Overexertion	66	8%	\$977,271	8%
Stress	45	6%	\$581,291	5%

FY19

Top Five Source	Frequency	% Total Ind	Total Incurred	% Total Incurred
Slip and Fall	121	18%	\$2,828,688	21%
Continuous Trauma	108	16%	\$1,900,451	14%
Stress	56	8%	\$820,618	6%
Overexertion	55	8%	\$813,072	6%
Lifting	53	8%	\$772,095	6%



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Claims by Age Group: 3 year Comparison FY17 – FY19

FY17

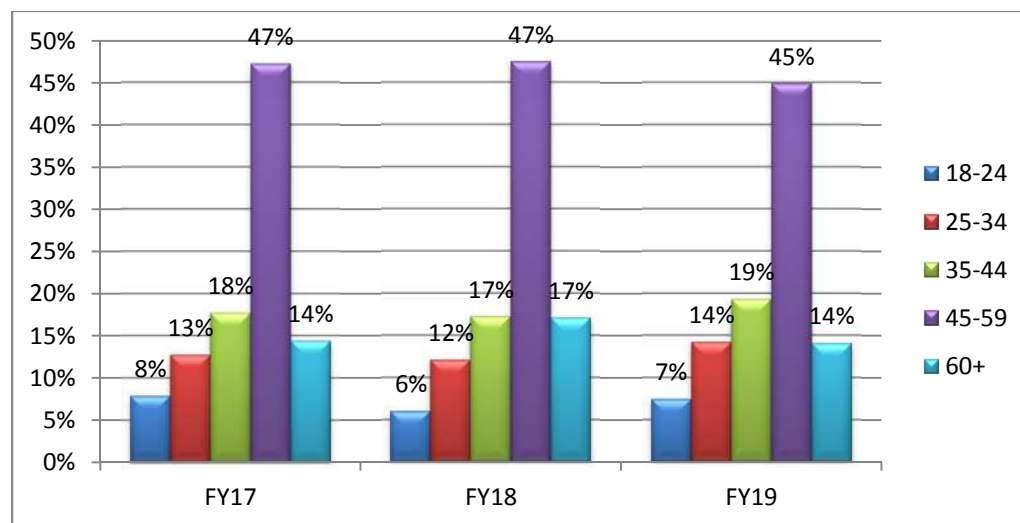
Age Group	Total Claims	% Total Ind	Total Incurred	% Total Incurred
18-24	57	8%	\$390,968	4%
25-34	92	13%	\$736,641	7%
35-44	128	18%	\$1,295,035	12%
45-59	341	47%	\$6,340,034	61%
60+	104	14%	\$1,712,353	16%

FY18

Age Group	Total Claims	% Total Ind	Total Incurred	% Total Incurred
18-24	48	6%	\$234,020	2%
25-34	96	12%	\$877,547	7%
35-44	137	17%	\$2,378,437	19%
45-59	377	47%	\$6,070,583	49%
60+	136	17%	\$2,704,344	22%

FY19

Age Group	Total Claims	% Total Ind	Total Incurred	% Total Incurred
18-24	50	7%	\$394,262	3%
25-34	95	14%	\$1,245,207	9%
35-44	129	19%	\$1,699,442	13%
45-59	300	45%	\$6,335,307	48%
60+	94	14%	\$3,530,074	27%



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Lean Safety Gemba Walk Custodial Training

In August and October of 2018 the Custodians of the CSU participated in coordinated safety training with the goal of reducing custodial injuries. In order to get a snapshot of the impact of this training, we analyzed custodial injuries from approximately 12 months prior to the first round of training (8/1/2017) through about 12 months after the first round of training (8/1/2019). The system-wide results were positive, with a 16% reduction in custodial injuries. Not all campus locations experienced a decrease in custodial injuries. As shown below, approximately 64% of the campus locations that had custodial claims in the review period experienced a decrease in custodial injuries.

2019 Annual Stewardship Report



Acct Name	Post	Pre	Change	% Change
Cal Maritime Academy	1	0	1	N/A
Cal Poly Pomona	13	7	6	86%
Cal Poly San Luis Obispo	25	17	8	47%
CSU Bakersfield	0	1	-1	-100%
CSU Channel Islands	8	7	1	14%
CSU Chico	3	10	-7	-70%
CSU Dominguez Hills	4	5	-1	-20%
CSU East Bay	3	6	-3	-50%
CSU Fresno	7	6	1	17%
CSU Fullerton	11	12	-1	-8%
CSU Long Beach	9	11	-2	-18%
CSU Los Angeles	9	10	-1	-10%
CSU Northridge	10	19	-9	-47%
CSU Sacramento	13	17	-4	-24%
CSU San Bernardino	5	4	1	25%
CSU San Marcos	1	0	1	N/A
CSU Stanislaus	1	6	-5	-83%
Humboldt State University	1	2	-1	-50%
San Diego State University	16	11	5	45%
San Francisco State University	4	10	-6	-60%
San Jose State University	7	14	-7	-50%
Sonoma State University	7	13	-6	-46%
Grand Total	158	188	-30	-16%

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Conclusion

We at Sedgwick are proud and privileged to continue our longstanding partnership with the CSU and Alliant. Our history together allows for a unique vantage point for an in depth understanding of the distinctiveness of CSU's risk, as well as for focused collaboration on how to mitigate that risk going forward. Year over year, this partnership, along with other strategic vendor partnerships, has been a recipe for success in managing the CSU's Workers' Compensation Program. This is evidenced by the consistent and decreasing nature of the frequency and severity of your losses.

For Fiscal Year 19/20, we will continue our focus on efficient, effective and compassionate claims handling, as well as the reduction of the aged pending inventory. Additionally, we will be working to refine and improve reporting and analytics to meet the needs of your complex program and to keep in the forefront of the ever changing California Workers' Compensation system.

We are excited for the opportunities in the coming year to maintain and improve the quality of our product, along with the quality of your experience.



**CAMPUS AND AORMA LIABILITY PROGRAM CLAIMS
ADMINISTRATION AUDIT**

ISSUE: The Executive Committee engaged Dennis Mitchell of Bickmore Risk Servicers (BRS) to conduct a performance review of its claims administrators for Campus Liability Program (Chancellor’s Office) and AORMA Liability Program (Carl Warren & Company). The review was performed in August and the Auditor has submitted draft reports of its findings and recommendations for review at today’s meeting.

BRS performed the last claim audits for Campus Liability and AORMA Liability in 2017. To ensure consistency of review, the Executive Committee authorized the Secretary-Auditor to engage BRS as claims auditor for 2019. The claims administration audit for AIME was completed in 2018 and therefore was not conducted against in 2019.

RECOMMENDATION: The Board will be asked to review the claims administration audit reports.

FISCAL IMPACT: None; the cost for the audits were included within the FY 18/19 CSURMA budget.

BACKGROUND: In accordance with Policy and Procedure No. 5, it is the policy of CSURMA that its third-party claims administrators (TPAs) are to be audited on a periodic basis to ensure that the Authority is receiving high quality services. Further, it is CSURMA’s procedure that the audits are performed biennially such that Campus Liability, Campus Worker’s Compensation, AIME, and AORMA Liability occur in odd-numbered calendar years; and AORMA Workers’ Compensation occurs in even-numbered calendar years.

PUBLICATION: None.

ATTACHMENT(S):

- a. BRS audit report summary for AORMA Liability
- b. BRS audit report summary for Campus Liability



2019 General Liability and Errors and Omissions Claim Audit

AORMA - CSU Auxiliary Organizations

October 25, 2019



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

RE: **AORMA – CSU Auxiliary Organizations
2019 General Liability and Errors and Omissions Claims Audit**

Dear Mr. Leong:

Please find enclosed the findings and recommendations of our claims audit on behalf of the California State University Auxiliary Organizations Risk Management Alliance (AORMA). Carl Warren and Company (CW), AORMA's third party administrator (TPA), is contracted to manage its public liability and errors and omissions claims. Our audit examines CW's claims handling practices.

We present an overview of our findings in Chapter I and discuss our findings in Chapter II. We look forward to discussing this report.

Bickmore appreciates the opportunity to provide claims audit services and the assistance received from Alliant Insurance Services, Inc. and CW.

We stand ready to answer any questions. Please feel free to contact me at:

Direct: 916.290.4616
Mobile: 916.416.0033
E-mail: demitchell@bickmore.net

It has been a pleasure to provide services for this important project.

Respectfully submitted,

DRAFT

Dennis Mitchell, CPCU, SCLA, ARM
Senior Claims Consultant

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I. Executive Summary

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 (University) system and its 23 campuses.

AORMA is comprised of approximately 90 covered independent non-profit organizations serving the needs of the University. These separate legal entities include student unions, research foundations, student housing, bookstores, etc. While associated with the University they are not public entities, thus not entitled to the protections afforded to public entities by the California Government Code.

The AORMA Liability Fund is self-insured for the first \$5,000,000 of each occurrence. AORMA purchases reinsurance in the amount of \$4,500,000 in excess of \$500,000. Therefore, AORMA's self-insured layer retains only \$500,000 of each occurrence with the \$4,500,000 reinsurance provided by Markel and Great American. Coverage in excess of \$5,000,000 is provided through AORMA's participation in the Campus liability excess insurance placements. AORMA members have liability deductibles between \$25,000 to \$100,000 applicable only to employment practices liability.

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

The purpose of this audit is to:

- Verify CW's claims administration practices meet industry best practices, comply with state law, the claims administration contract, and its internal procedures;
- Evaluate adjuster experience, competence, and staffing levels; and
- Identify opportunities for program improvement and make recommendations to ensure improvement.

To assist AORMA in assessing the effectiveness of CW's claims administration, Bickmore:

- Reviewed the claims administration contract;
- Interviewed current CW claims administration staff;
- Reviewed selected AORMA Policies and Procedures (P & P) relating to the administration of claims, member coverage, and litigation;
- Reviewed "Carl Warren & Company Public Entity Liability Claims Handling Best Practices" (Standards)¹ outlining claims administration procedures;

¹ See Appendix C,

- Reviewed open and closed claims data and selected the sample of 30 liability claims shown in Appendix A;
- Reviewed the sample claims remotely and onsite at CW's Tustin, California office from July 15 through July 19, 2019, to determine whether CW claims administration meets industry best practices. All sample claims for this audit were electronic and no physical claim files were involved. The auditor was provided access to the proprietary *MyCarlWarren* (MCW) system which contains statistical and financial information on each claim along with the adjuster's notes. Documents associated with each file are stored on a secure server. While access to the server was not provided to the auditor, copies of documents related to each file were provided in electronic format;
- Provided daily feedback communicating our findings to CW's Litigation Manager during the onsite audit; and
- Provided our findings to CW's Litigation Manager to validate results. We discussed the findings onsite, concluding discussions by telephone and e-mail through September 13, 2019.

We were provided with the history of open and closed claims as of June 2019. Our analysis of the data reflected 46 open pending claims and we randomly selected 17 open and 13 closed claims for review. Eight claims (31%²) of the sample are litigated, compared to the overall pending litigation rate of 18%² of the open claims.

For the three years ending December 31, 2018, annual claim intake³ averages 54 with 54 closures, for a 100% closing ratio. Maintaining a closing ratio of 100% or better promotes control of pending claims and usually stabilizes staffing requirements. Liability claims comprise 64% of the new claim intake and 83% of the open pending claims, with about 26% of those claims relate to employment practices or other personal injury. Exhibit I-3 graphically illustrates these statistics.

The AORMA team is led by the Litigation Manager in CW's Glendale office and supported by Senior Claims Examiners in the Tustin and San Bernardino offices. Account coordination and management, including supervision of the two senior examiners, is the responsibility of the Litigation Manager.

AORMA team members handle claims for other CW clients and Table I-1 is provided to confirm reasonableness of adjuster pending caseloads and the percentage of AORMA claims for each adjuster. The highest caseload among the adjusting team is 100, which is within parameters of what we observe as reasonable among administrators of public entity claims.

² Litigation percentages apply only the population of GL/EPL/PI claims.

³ Excludes "incident" and subrogation claims.

**Table I – 1
Pending Caseloads⁴**

Adjuster	AORMA	Other	% AORMA
YA	20	30	40%
AD	6	55	10%
BT	18	82	18%
Total	44	167	

CW provides no administrative support beyond recording the initial report of incident.

We find overall performance at 92%, indicating a **Commendable** performance level, as shown in Exhibit I-4.

We find:

- CW demonstrates substantial compliance with the contract, industry best practices, and its internal procedures;
- All components measured scored acceptable or better, with five of nine components scoring superior;
- Generally, claim reporting by members is timely;
- Claim set-up and assignment by CW is prompt, but initial contacts with members and claimants require improvement;
- CW provides prompt and thorough investigations; the few claims where investigation is not complete at thirty days would benefit from an action plan for completion;
- Index reporting requires improvement, with only 42% of qualifying claims reported;
- Timeliness for setting initial reserves requires improvement;
- Communications among members, CW, and defense counsel are excellent;
- Payments are generally timely and accurate; and
- Litigation is well-managed; however, some defense firms do not consistently provide a timely initial case evaluation or budget.

Section II contains further detail on our findings.

⁴ Caseload information provided by CW as of 7/17/2019.

To arrive at our findings, we compared performance in the nine claims handling component areas for each claim shown in Appendix A against industry standards, state law, AORMA's requirements, and CW's Standards. Results are shown in Exhibit I-1 "Scoring by Component with Financials," and graphically in Exhibit I-2.

We provide further detail on our performance assessment strategy in Exhibit I-4.

We make recommendations to enhance performance for component results below Superior, or when subcomponents are scored below Acceptable.

To improve performance we recommend implementing the enhancements discussed in Table I-2.

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Table I-2
Performance Enhancement Recommendations Summary

Performance Component	Performance Enhancement Recommendations
Investigation	<p>We recommend CW improve timeliness of investigation by:</p> <ul style="list-style-type: none"> • Increasing supervision to ensure compliance with industry best practices and CW Standards for initial contact with members and claimants; • Requiring adjusters to develop an action plan to complete outstanding investigation which has not been completed within 30 days to include: <ul style="list-style-type: none"> - Identification of planned activities; and - Target dates when estimating completion of activities. <p>We recommend CW improve quality of investigation by:</p> <ul style="list-style-type: none"> • Complying with industry best practices and CW Standards to report claims where bodily injury is alleged to the Insurance Services Office (ISO) through its ClaimSearch database to identify prior claim history; • Bringing suspected fraudulent claims to the attention of claims management and AORMA and determine whether investigation is sufficient to report to the authorities or further investigation is required; and • Requiring adjusters to analyze the investigation and its results and determine the extent of the member’s negligence and the comparative negligence of other parties.
Plan of Action/ Documentation	<p>We recommend CW improve timeliness of documentation of planned activities by requiring adjusters to:</p> <ul style="list-style-type: none"> • Develop an action plan focused on moving claim toward resolution within 30 days of assignment, including: <ul style="list-style-type: none"> - Specific activities; and - Time frames for completing activities. • Update action plans at intervals of 30 to 45 days, or as decided by claims management; and • Document all claim file-related activities within one business day of the activity taking place.
Reserve Management	<p>We recommend CW improve reserve management by:</p> <ul style="list-style-type: none"> • Updating CW Standards to include time frame requirements for setting initial reserves and adjusting to maintain ongoing accuracy, including requiring adjusters to: <ul style="list-style-type: none"> - Set the initial reserve within two business days of receipt of the claim and updating as additional facts become available; and - Review the reserve at intervals no greater than 120 days and document the review in the file notepad. • Increasing supervision to monitor reserve accuracy and ensure adjusters:

Performance Component	Performance Enhancement Recommendations
	<ul style="list-style-type: none"> - Consider the most probable outcome in establishing the indemnity reserve; and - Promptly set an expense reserve when there is an expectation expenses will be incurred; and - Close claims within 30 days of final activities barring extenuating circumstances.
Litigation/Recovery Management	<p>We recommend CW improve management of litigation by requiring defense counsel to provide an initial case analysis and budget within 30 days of their receipt of the suit as required by AORMA Policy and Procedure L-2. This requires the adjuster to:</p> <ul style="list-style-type: none"> • Monitor for the return of defense counsel’s signed acknowledgment of the retention letter; • Monitor for receipt of counsel’s initial evaluation and budget; • Follow up personally with counsel for these items within five days of the due date; and • Discuss with AORMA the appropriate steps to take to gain compliance, including notifying counsel of suspension of payments.⁵

In Section II, we present our findings in detail with a discussion of industry standards and expand recommendations if appropriate. We recommend our report be read in its entirety.

⁵ See Appendix D for sample letter.

Exhibit I-1
Scoring by Component with Financials

Claims Reviews Completed:	30	Actual Reserve:	\$1,072,493			
Incurred:	\$1,762,107	Recommended Reserve:	\$975,863			
Paid:	\$689,614	Net Reserve Change:	(\$96,631)			
Claims Administration Component	Claims Graded	Number of Responses for Component			Score	
		Yes	No	NA	2019	2017
01 Claims Intake	23	130	6	44	96%	98%
02 Investigation	25	100	15	155	87%	97%
03 Plan of Action/Documentation	27	186	23	91	89%	91%
04 Reserve Management	30	158	26	86	86%	96%
05 Statutory Compliance	27	28	0	92	100%	99%
06 Communication	27	51	0	39	100%	100%
07 Claim Management Information System	27	127	3	20	98%	100%
08 Claim Disposition and Payment	22	135	5	340	96%	95%
09 Litigation/Recovery Management	13	71	10	339	88%	86%
Overall Claims Administration	30	986	88	1,206	92%	95%

Appendix B summarizes the “Yes/No” responses and identifies each exception by claim.

Exhibit I-2
Scoring by Component Summary Graph

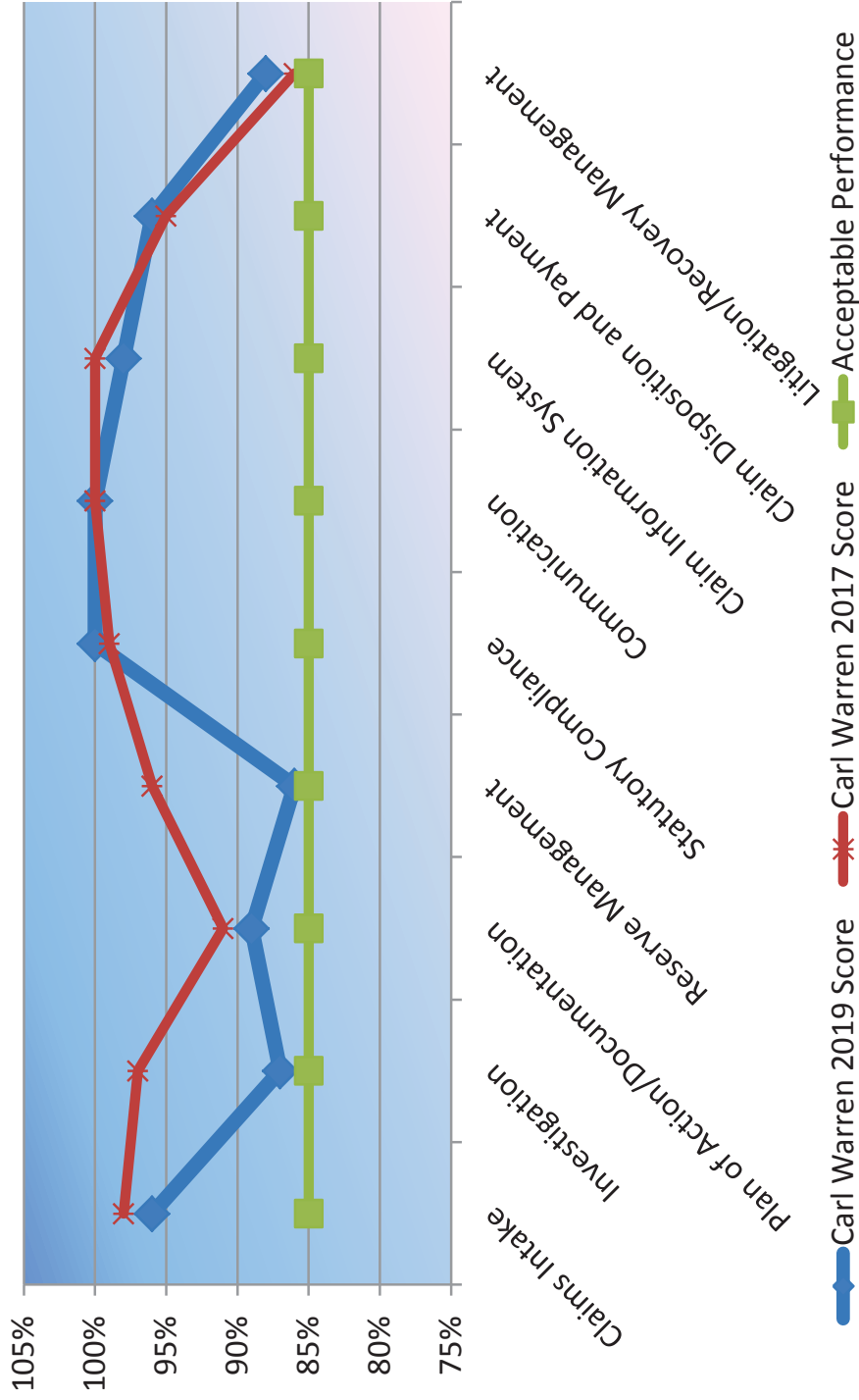
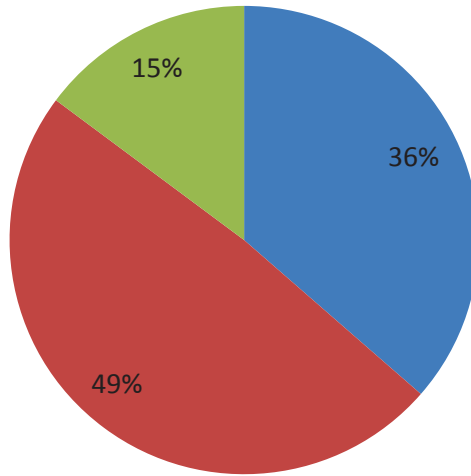


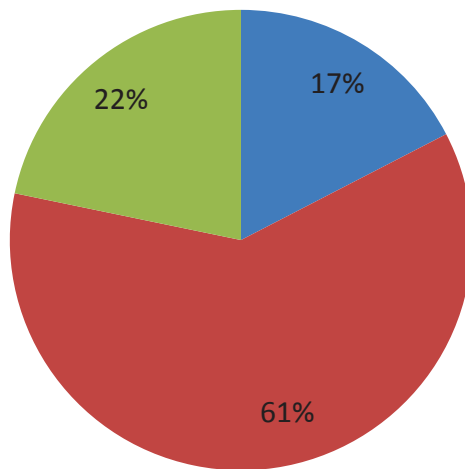
Exhibit I-3 Claim Intake and Pending Analysis

Claim Intake 2016 through 2018



■ Auto ■ GL ■ EPL/PI

Claims Pending As of June 19, 2019



■ Auto ■ GL ■ EPL/PI

Exhibit I-4 Performance Assessment Methodology

To arrive at our performance assessment, we evaluate nine separate claims handling components for each claim. Components are listed in Exhibit 1-1. For each component, we ask several questions (criteria) which may be answered “Yes,” “No,” or “Not Applicable” as they relate to whether performance requirements (expectations) are met for that claim.

For each claim we review, we provide a scoring form with details to CW’s Litigation Manager and consider feedback provided. The auditor provides a narrative explanation for any “No” finding. Details of these feedback forms are not provided with this report because of potential confidentiality issues, but will be provided to AORMA upon request.

Evaluation	Criteria
Yes	Where 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.

By scoring each component using the performance evaluation criteria above and dividing the ‘Yes’ findings by possible findings (‘yes’ plus ‘no’ findings), we determine the compliance percentage or score shown in Exhibit I-1. This approach prevents a criterion involving a few claims from unduly influencing the overall score.

Using the performance evaluation scale shown below, we assess performance setting an acceptable target at 85% considering the compliance percentage for each component by claim and across all claims.

Performance	Scale
Superior	96% - 100%
Commendable	91% - 95%
Acceptable	85% - 90%
Requires Improvement	Below 85%

II. Detailed Findings

This chapter provides our findings for each component we measure. Throughout this section we consider compliance requirements of:

- The Third Party Claims Administration Contract between AORMA and CW effective July 1, 2016;
- CW's own requirements stated in CW's Standards which we attach in Appendix C; and
- AORMA's guidelines stated in its Policies and Procedures.

Our findings also consider how well procedures meet industry best practices and how well procedures are applied in handling the claims according to the sample review. Below is a narrative discussion of our analysis and findings. Exceptions for all components are found in Appendix B. Upon request we can provide additional detail including comment on each claim reviewed, which has already been provided to CW.

1. Claims Intake

Score: 96%

Best practices require the JPA to develop policies and procedures to promote timely, accurate claim reporting by members. Best practices also require an administrator to:

- Maintain manageable caseloads to promote prompt, effective service to members and third party claimants;
- Process assignments within two business days; and
- Verify the Memorandum of Coverage (MOC) applies to the loss date and the claim facts.

CW's Guidelines support best practices by requiring:

- Creation and assignment of new claims within two business days of receipt and setting the initial reserve within seven days of receipt of claim;
- Adjusters to contact with claimant within two business of receipt of the claim; and
- Adjusters to set and maintain a diary to review each claim at 30 day intervals.

AORMA encourages timely claim reporting by penalizing members by reducing coverage according to a sliding scale based on how late the claim is reported. All claims are reported timely.

Claims are recorded in MCW where the adjuster enters financial and statistical information and notes relating to the investigation of the file. Correspondence, investigation, and other documents are maintained on a secure server and no paper files are maintained.

Caseloads are manageable as indicated in Table I-1 where we provide the total pending claims for each team member. Each team member has over 20 years of claims experience.

Per Appendix B, we note 136 requirements with six exceptions, exceeding industry standards with a **superior** performance assessment. Three of the six exceptions we note involve a delay of claim set up exceeding five days.

2. Investigation

Score: 87%

Industry best practices require:

- Initiating timely contact with required parties within one business day of assignment;
- Documenting contact attempts and results;
- Substantially completing investigation within 15 days of claim receipt or documenting efforts to do so;
- Documenting an action plan to complete items outstanding after 30 days;
- Developing evidence such as statements, police reports, and photographs to preserve evidence and support liability and damage decisions;
- Reporting bodily injury claims through the Insurance Services Office (ISO) *ClaimSearch*[®] system to identify prior injuries and claims history;
- Obtaining medical authorizations on bodily injury claims;
- Using a process to identify suspicious claims and target them for closer examination;
- Documenting analysis of the extent of the member's negligence and comparative negligence of the parties; and
- Documenting the initial liability assessment within 15 days of receipt of the claim and re-assessing liability upon receipt of new information.

A timely and properly conducted investigation ensures an accurate understanding of the facts to determine liability. Prompt liability determination promotes early resolution and may avoid litigation. If litigation does occur, discovery can be more focused.

CW's Standards indicate the goal to be to investigate promptly, establish liability, and provide a comprehensive evaluation within 30 days.

Per Appendix B, we note 115 requirements and 15 exceptions. The 25 claims eligible for review reflect:

- Initial contacts with the claimant and member are not consistently completed within 24 – 48 hours. The three exceptions included contact with both members and claimants (or their attorneys);
- When timely contact is completed the adjuster obtains all required information, including medical authorizations on bodily injury claims;
- Adjusters complete most investigations within 15 days, but in those claims where investigation remained outstanding after 30 days, we noted two where there was no documented action plan to complete the remaining items;
- Statements, police reports, photographs and other evidence are obtained when necessary;
- Less than half of the claims alleging bodily injury contained documentation of a report to the ISO index bureau. We note seven exceptions for 12 requirements;
- One claim which was suspected as possibly fraudulent based on the claimant's claim history was not pursued but should have been discussed with management; and
- We note two claims which did not contain a timely documented analysis of the extent of the member's negligence and comparative negligence of other parties.

We evaluate performance for Investigations as acceptable and provide recommendations for improvement in Table I-2.

3. Plan of Action/Documentation

Score: 89%

Recognizing the importance of planning for resolution for claims open beyond 30 days, best practices require:

- Documenting an action plan no later than 30 days and identifying planned activities and anticipated time frames;
- Reviewing and updating the action plan at appropriate intervals (usually every 30-45 days for active claims) to ensure planned activities are focused on resolving the claim;
- Establishing diary to support the plan;

- Documenting communication between adjuster, member, claimant, and defense counsel;
- Documenting significant activities as they occur, by recording within 24 hours in a claim log or electronic claim notes, identifying the date of the note and its author;
- Documenting with clarity and professionalism;
- Recording file material received by date stamp or other electronic means, and maintaining in chronological order, or electronically, by scanning and naming logically to promote prompt retrieval, when necessary; and
- Acknowledgment by the adjuster of receipt of significant documentation stating its relevance to the claim.

CW supports industry best practices by requiring:

- An initial case assessment reported to the client within seven days of assignment;
- An update POA within 30 days of receipt and every 30 days thereafter, or as agreed with the client; and
- System-generated diary dates at 30 days or as needed.

Per Appendix B, for overall performance, we note 23 exceptions for 209 requirements and 27 claims eligible for performance grading. The results in an overall **acceptable** performance, meeting industry standards. Review of the claim sample reflects:

- The largest numbers of exceptions, with nine each, relate to documenting and updating the action plan and establishing time frames and dates for completion;
- Adjuster activities are focused on resolution of the claim with only one exception noted;
- Diary frequency is supported by the facts of the claim;
- Documentation supporting adjuster actions is found in the files with three exceptions noted for 25 opportunities; and
- File material is date-stamped, documentation is clear and professional.

We provide recommendations for improvement in Table I-2.

4. Reserve Management

Score: 86%

Best practices require:

- Setting initial reserves timely and reviewing adequacy based upon developing an analysis of evidence in favor of issues pursued by the claimant and evidence in favor of immunities and defenses;
- Reevaluating reserves at least bi-annually for adequacy based upon the liability and damages information reflected in the investigation and discovery;
- Documenting reserve calculations using Most Probable Outcome (MPO) considering the probable adverse outcome and the probability for a favorable outcome is as follows:
 - 75% or greater chance for favorable outcome, reserve for favorable outcome plus 25% of probable adverse outcome;
 - 51% to 75% chance for favorable outcome, reserve for favorable outcome plus 50% of probable adverse outcome; and
 - 50% or less chance for favorable outcome, reserve for 100% of probable adverse outcome.

CW meets best practices by requiring:

- Initial loss reserve set within seven days of receipt of the claim; and
- Consideration of multiple factors in determining ultimate reserves, which represents the MPO.

All 30 sample claims are reviewed for this component. Per Appendix B, we note 184 requirements and 26 exceptions and evaluate overall performance as **acceptable**, meeting industry standards. Most exceptions relate to timeliness of initial reserving and accuracy of expense reserves. Our review of the audit sample reflects:

- CW sets a “placeholder” reserve when a new claim is entered prior to assignment to an adjuster;
- The initial reserve set by the adjuster upon review of the case facts is timely in about half the qualifying claims in the sample with delays ranging as high as 52 days;
- Adjustments are timely suggesting frequent review of reserves; however, we note three exceptions where the adjuster did not document review of the reserve;

- Adjusters document reserve rationale, with one exception noted;
- Indemnity and expense reserves are evaluated separately;
- Indemnity reserves are accurate, but expense reserves are not consistently established for claims where expenses are anticipated. We recommend five reserve adjustments, three increases and two decreases for a net decrease of (\$96,631) to the total outstanding reserves of \$1,072,493 for the audit sample reflected in Appendix A;
- The recommended decrease represents 9% of the total outstanding reserves. Our actuarial partners advise reserve adjustments less than 10% do not impact actuarial results; and
- All but two sample claims are closed within 30 days of the final payment.

We provide our recommendations for improvement in Table I-2.

5. Statutory Compliance

Score: 100%

Best practices require compliance with:

- Any state Fair Claims Practices Act;
- Government code section(s) relating to filing or responding to claims, if appropriate, and
- Other federal or state laws relating to handling and payment of claims.

As a self-funded plan not covered by insurance, AORMA is exempt from the requirements of the California Fair Claims Practices Act included in the California Insurance Code. Nevertheless, CW treats claimants fairly and communicates and issues payments timely.

Section 111 of the Medicare, Medicaid, and SCHIP Extension Act of 2007 (MMSEA) established mandatory reporting requirements for liability insurance (including self-insurance), no-fault insurance, and workers' compensation. This act requires claims administrators to identify a Medicare beneficiary (whose injury or accident might result in a settlement) to enable appropriate determination concerning coordination of benefits, including any Medicare recovery entitlement.

The Centers for Medicare & Medicaid Services (CMS) is responsible for implementing the MMSEA.

Beginning January 1, 2012, Responsible Reporting Entities (RREs) were to begin reporting Total Payment Obligation to Claimant (TPOC) settlements, judgments, awards, or other payments over \$100,000. This threshold diminishes over the years and the current reporting threshold is now \$750. The complete reporting threshold dates are as follows.

Amount	TPOC Date on or after	Reporting Required*
\$100,000	October 1, 2011	January 1, 2012
\$50,000	April 1, 2012	July 1, 2012
\$25,000	July 1, 2012	October 1, 2012
\$5,000	October 1, 2012	January 1, 2012
\$2,000	October 1, 2013	January 1, 2014
\$1,000	October 1, 2014	January 1, 2015
\$750	January 1, 2017	April 1, 2017

*Within the quarter beginning on this date.

Because CSURMA funds AORMA’s self-insured retention, CSURMA is the RRE under MMSEA. CW is the reporting agent and contracts with ISO to identify and report appropriate claims. ISO provides CW with a listing of claims identifying Medicare recipients. CW’s Guidelines require certain system fields to be completed to facilitate reporting.

This workflow is dependent on the adjuster:

- Completing the ISO ClaimSearch index with information required to query Medicare; and
- Recording the positive Medicare-eligibility finding in CW’s claim system.

Per Appendix B, we note 28 requirements and no exceptions for the 27 claims eligible for scoring. We evaluate performance as **superior**. Review of the sample reflects:

- CW adjusters comply with the spirit of the California Fair Claims Practices Act although not required by law to do so;
- No Medicare-eligible claimants were included in the sample; and
- Although immunities applicable to public entities are not applicable to the auxiliaries, we note one claim where immunities were evaluated as the defense of the University had been tendered and accepted.

6. Communication

Score: 100%

Best practices require:

- Prompt response to internal communications; and
- Prompt response to external correspondence or communication.

Per Appendix B, all requirements are met. We evaluate performance as **superior**.

7. *Claims Management Information System (CMIS)*

Score: 98%

Best practices require:

- CMIS support of claims handling efficiency, including:
 - CMIS fields adequate to collect data required to handle claims;
 - System is managed to promote easy identification of electronic documents attached to claim files through use of file and folder naming conventions; and
 - Use of CMIS fields to collect data timely and accurately.
- CMIS support of loss experience reports (LERs), including:
 - Support for provision of LERs to members and loss control personnel; and
 - Support for provision of EDI per regulatory requirements.

Per Appendix B, we note 130 requirements and three exceptions and evaluate performance as **superior**, exceeding industry standards. The exceptions included minor errors with entry and update of data.

8. *Claim Disposition and Payment*

Score: 96%

Industry best practices require documentation of:

- Evaluation of damages within 30 days of receipt;
- Verification of bodily injury claims by medical bills and reports;
- Extent of property damage by itemized building scope, appraisal, and pricing verification;
- Damage offsets such as prior damage, injury, or depreciation;
- Authorization requests and approvals;
- Offers and demands;
- Releases executed prior to settlement check issuance;
- Protection of Medicare's interest when there is a secondary payer obligation in accordance with the MMSEA; and

- Timely and accurate payments.

AORMA's P & P No. L-2 sets forth the following settlement authority parameters:

- CW has authority to \$25,000; and
- The AORMA Committee has settlement authority in excess of \$25,000 to the limit of the pooled layer.

The MOC requires member notification for settlements and provides a two-level appeal process should the member disagree.

Per Appendix B, we note 140 requirements and five exceptions overall for claim disposition and payment. We evaluate performance as **superior**, exceeding industry standards. Review of the claim sample reflects:

- Three of the five exceptions relate to claim evaluation and documentation, either insufficient documentation of property damage (1) or application of damage offsets (2);
- Two exceptions related to untimely (1) or inaccurate (1) payments;
- We note no exceptions to:
 - Timely evaluations;
 - Properly documenting evaluations and negotiations with negotiations demonstrating adequate planning;
 - Obtaining releases prior to issuing payments;
 - Requesting settlement authority timely, clearly outlining the issues to allow informed decision making;
 - Documenting settlement authority in the claim file; and
 - Supporting payment requests with adequate documentation.

9. *Litigation/Recovery Management*

Score: 88%

Best practices for litigation management require the administrator to avoid unnecessary litigation by:

- Investigating claims promptly;

- Evaluating claims reasonably and making early resolution decisions;
- Maintaining frequent contact with third party claimants to establish trust and foster claim resolution when appropriate; and
- Treating claimants and attorneys fairly.

To minimize costs when litigation does occur, the administrator is expected to:

- Control the use of outside defense counsel;
- Assign claims in writing to specific attorneys rather than to firms;
- Ensure cases contain the attorney's documented resolution strategy and a written budget;
- Collaborate with the assigned attorney to facilitate development of alternative resolution strategies when appropriate;
- Consider alternative dispute resolution; and
- Monitor defense counsel's billings to ensure compliance with contractual requirements.

AORMA meets best practices by detailing litigation management requirements in P & P No. L-2 which requires:

- TPA oversight of legal defense management;
- Counsel to acknowledge and sign an engagement letter indicating understanding of AORMA's litigation management requirements; and
- Counsel to provide a case analysis and litigation budget within 30 days of receipt of assignment and update the legal budget as necessary.

The Policy requires defense counsel to be responsive to the TPA.

AORMA P & P L-3 requires CW to assign new suits to AORMA-approved counsel within five days of receipt. The policy also provides for maximum hourly rates.

AORMA litigation management guidelines are excellent as they set communication standards and require budgeting to promote cost projections.

Excluding auto-related claims, 18% of the open pending claims and 31% of the audit sample are litigated.

We evaluate performance for litigation management as **acceptable**, meeting industry standards. Per Appendix B, we note 81 requirements and ten exceptions with six of those exceptions for counsel's not providing a timely initial evaluation and litigation budget, both which require improvement. Review of the sample claims reflect:

- Without exception, CW refers new litigation to a panel firm within five days;
- CW uses the required engagement letter with one exception noted;
- Panel counsel demonstrates the necessary expertise to defend assigned cases and generally provides a thorough fact summary and analysis of liability. However, we note:
 - Counsel is non-compliant to CW's request for an initial case analysis within 30 days in two of ten qualifying⁶ claims; and
 - Counsel demonstrates non-compliance to CW's request for a litigation budget in five of nine qualifying claims.
- Counsel's subsequent reporting as required by AORMA is timely;
- We noted no penal action taken when counsel is non-compliant with file reporting requirements; and
- With one exception, legal billings comply with AORMA's guidelines.

Best practices for recovery management require:

- Prompt identification of and contact with responsible parties;
- Prompt identification of contracts intended to hold a third party liable;
- Appropriate follow up with responsible parties to effect recovery;
- Assessment of costs and methods to effect recovery should the responsible party decline payment; and
- Protection of the statute of limitations when the decision is made to use legal assistance to obtain payment.

No claims involving potential recovery are noted in the audit sample.

We provide recommendations to improve performance in Table I-2.

⁶ "Qualifying" claims are those claims for which an initial analysis and/or case budget is due during the current audit period.

Appendix A
Claims Audit List

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Claims Audit List

Claim Number	Claimant	Member	DOL	Type	Status	Total Reserve \$	Recommended* Reserve \$	
1.	1582137	FIE	CSU LOS ANGELES UNIVERSITY AUXILIARY SERVICES	8/11/2009	LEP	Closed	\$0	\$0
2.	1910830	SAN	CSU SAN DIEGO RESEARCH FOUNDATION	1/1/2012	LPI	Open	\$129,462	\$45,000
3.	1946868	GRA	CPSU POMONA FOUNDATION	5/19/2016	LEP	Closed	\$0	\$0
4.	1950262	ESP	CSU FULLERTON ASSOCIATED STUDENTS	10/13/2016	LBI	Closed	\$0	\$0
5.	1953168	CAR	CSU SAN JOSE SPARTAN SHOPS, INC.	9/22/2016	LPI	Closed	\$0	\$0
6.	1971627	HEA	LONG BEACH RESEARCH FOUNDATION	3/1/2017	LEP	Closed	\$0	\$0
7.	1974155	KIE	CSU LONG BEACH FORTY NINER SHOPS, INC.	11/17/2017	LBI	Closed	\$0	\$0
8.	1975465	PAD	CPSU POMONA FOUNDATION	9/12/2017	LEP	Open	\$32,628	\$32,628
9.	1975493	CAS	CPSU POMONA FOUNDATION	12/19/2017	LPI	Closed	\$0	\$0
10.	1979174	BOY	CSU SACRAMENTO ASSOCIATED STUDENTS, INC.	1/12/2018	LBI	Closed	\$0	\$0
11.	1979246	OWE	CSU FRESNO AGRICULTURAL FOUNDATION	3/9/2018	LBI	Closed	\$0	\$0
12.	1979246-002	OWE	CSU FRESNO AGRICULTURAL FOUNDATION	3/9/2018	LPD	Closed	\$0	\$0
13.	1979835	FLE	CSU SAN DIEGO RESEARCH FOUNDATION	4/6/2018	LEP	Open	\$35,069	\$35,069
14.	1984678	FIE	CSU FRESNO ASSOCIATION	8/22/2018	APD	Closed	\$0	\$0
15.	1985019	DEB	CSU SACRAMENTO ASSOCIATED STUDENTS, INC.	10/24/2016	LEP	Open	\$151,833	\$151,833
16.	1985046	RIC	CSU LOS ANGELES UNIVERSITY AUXILIARY SERVICES	2/25/2018	LBI	Open	\$325,276	\$325,276
17.	1987739	DAV	CSU LONG BEACH ASSOCIATED STUDENTS, INC.	10/20/2017	LEP	Open	\$74,679	\$74,679
18.	1988412	BEL	CSU FRESNO ASSOCIATION	11/19/2018	LBI	Open	\$8,500	\$10,000

Claim Number	Claimant	Member	DOL	Type	Status	Total Reserve \$	Recommended* Reserve \$
19.	KES	CPSU POMONA FOUNDATION	12/10/2018	APD	Closed	\$0	\$0
20.	LIT	CSU CHICO RESEARCH FOUNDATION	9/19/2018	LEP	Open	\$50,669	\$0
21.	SAN	CPSU POMONA FOUNDATION	10/25/2018	LEP	Open	\$77,238	\$77,238
22.	ESP	CPSU POMONA ASSOCIATED STUDENTS, INC.	1/12/2018	LBI	Open	\$110,904	\$110,904
23.	G&G	CSU SAN BERNARDINO STUDENT UNION	9/15/2018	LPD	Open	\$29,486	\$29,486
24.	WIN	CSU FRESNO ASSOCIATION (SAVE MART CENTER)	2/7/2019	APD	Closed	\$0	\$0
25.	BLE	CPSU SAN LUIS OBISPO CAL POLY CORP.	2/14/2019	LBI	Open	\$15,000	\$17,500
26.	ROB	CSU SAN DIEGO AZTEC SHOPS, LTD.	2/10/2018	LBI	Open	\$4,249	\$38,749
27.	GRA	CSU FRESNO ATHLETIC CORPORATION	12/22/2018	LBI	Open	\$25,000	\$25,000
28.	BOL	CSU SAN DIEGO ASSOCIATED STUDENTS	3/29/2019	LPD	Closed	\$0	\$0
29.	TAT	CSU SAN DIEGO RESEARCH FOUNDATION	4/26/2019	APD	Open	\$0	\$0
30.	ROD	CSU DOMINGUEZ HILLS ASSOCIATED STUDENTS	5/29/2019	LBI	Open	\$2,500	\$2,500
Total						1,072,493	975,863
						Difference +/-(-)	(96,631)

* Reserve change recommendations are indicated in **boldface**.

Appendix B
**Component, Subcomponent, and Criteria Scores
with Exceptions**

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Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted	Score	
01 Claims Intake							
1	Claim Reporting	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
1.01	Does member report claim timely?	23	0	7	23	23	100%
1.02	Does the initial report have sufficient information for the adjuster to initiate contacts and investigation?	23	0	7	23	23	100%
1.03	Does the initial report reflect the member's familiarity with CSURMA claim reporting procedures?	22	0	8	22	22	100%
Subcomponent Total		68	0	22	68	68	100%
2	Claim Set Up	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
1.04	Is claim set up within 24 business hours of receipt?	19	3	8	19	22	86%
1.05	Are claim facts reviewed immediately to verify facts conform with coverage provided?	22	1	7	22	23	96%
1.06	Is claim data entry accurate?	21	2	7	21	23	91%
Subcomponent Total		62	6	22	62	68	91%
Category Total:		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
01 Claims Intake (85% target)		130	6	44	130	136	96%

Exceptions: 01 Claims Intake
(Claims scoring below 100%)

1	1992493 - 001	80%
2	1990481 - 001	67%
3	1989433 - 001	83%
4	1985046 - 001	83%
5	1975465 - 001	83%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
02 Investigation							
1	Contacts	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
2.01	Contacts with required parties initiated within 24 hours of receipt of claim?	14	3	13	14	17	82%
2.02	Is contact with parties sufficient to obtain required information?	20	0	10	20	20	100%
Subcomponent Total		34	3	23	34	37	92%
2	Obtaining and Preserving Evidence	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
2.03	Investigation is substantially completed within 15 days of assignment, or the claim is documented with efforts to do so.	19	0	11	19	19	100%
2.04	If the investigation is not complete within 30 days, there is an action plan to complete outstanding items?	9	2	19	9	11	82%
2.05	Investigation includes statements, police reports, photographs appropriate to support liability and damage decisions?	15	0	15	15	15	100%
2.06	If bodily injury is involved, are authorizations obtained?	7	0	23	7	7	100%
Subcomponent Total		50	2	68	50	52	96%
3	Mitigation	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
2.07	If bodily injury is involved, the claim is reported to the index system?	5	7	18	5	12	42%
2.08	When fraud is suspected, additional investigation is pursued, together with reporting to authorities, if appropriate?	0	1	29	0	1	0%
2.09	Did the adjuster perform a documented analysis of the extent of the member's negligence, including, if applicable, comparative negligence of the parties?	11	2	17	11	13	85%
Subcomponent Total		16	10	64	16	26	62%
Category Total: 02 Investigation (85% target)		100	15	155	100	115	87%

Exceptions: 02 Investigation
(Claims scoring below 100%)

1	1995645 - 001	60%
2	1993058 - 001	75%
3	1992493 - 001	75%
4	1991875 - 001	86%
5	1990481 - 001	0%
6	1989433 - 001	0%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions	Number of Responses	Weighted	Score
02 Investigation			
	7	1988412 - 001	83%
	8	1985046 - 001	83%
	9	1984678 - 001	80%
	10	1979174 - 001	86%
	11	1974155 - 001	83%
	12	1953168 - 001	67%
	13	1950262 - 001	75%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
03 Plan of Action/Documentation							
1	Timeliness	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
3.01	Is an action plan documented and updated as necessary?	15	9	6	15	24	63%
3.02	Does the file reflect appropriate activities initiated to resolve the claim?	20	1	9	20	21	95%
Subcomponent Total		35	10	15	35	45	78%
2	Frequency of Updates	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
3.03	Time frames and follow-up dates documented?	2	9	19	2	11	18%
3.04	Diary frequency supported by case facts, but no longer than 60 days?	24	1	5	24	25	96%
3.05	Diary review is documented with date, adjuster name, and action taken?	24	0	6	24	24	100%
Subcomponent Total		50	10	30	50	60	83%
3	Quality of Documentation	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
3.06	Documentation supporting adjuster actions is located in file.	22	3	5	22	25	88%
3.07	Separate folders to house claimant-specific information maintained?	0	0	30	0	0	N/A
3.08	File material receipt recorded by date stamp or other means?	27	0	3	27	27	100%
3.09	File documents communication among adjuster, claimant and defense counsel.	25	0	5	25	25	100%
3.10	Adjuster documentation is clear and professional.	27	0	3	27	27	100%
Subcomponent Total		101	3	46	101	104	97%
Category Total:		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
03 Plan of Action/Documentation (85% target)		186	23	91	186	209	89%

Exceptions: 03 Plan of Action/Documentation
(Claims scoring below 100%)

1	1985046 - 001	89%
2	1975465 - 001	75%
3	1975493 - 001	88%
4	1979174 - 001	88%
5	1979246 - 001	78%
6	1979246 - 002	88%
7	1979835 - 001	89%
8	1950262 - 001	89%
9	1985019 - 001	89%
10	1995645 - 001	71%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions	Number of Responses	Weighted	Score
03 Plan of Action/Documentation			
	11	1987739 - 001	67%
	12	1989747 - 001	89%
	13	1990481 - 001	86%
	14	1991875 - 001	78%
	15	1992493 - 001	86%
	16	1993058 - 001	88%
	17	1984678 - 001	75%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
04 Reserve Management							
1	Procedures	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
4.01	Initial reserve is established within 2 business days of receipt of claim?	12	11	7	12	23	52%
4.02	Reserve adjustments are made within 30 days of receipt of information supporting a material change in developments?	10	0	20	10	10	100%
4.03	File contains documentation of reserve review at regular intervals, no greater than 120 days?	8	3	19	8	11	73%
4.04	Initial reserve and subsequent changes are supported by case facts?	20	0	10	20	20	100%
4.05	Reserves are evaluated by component, i.e., indemnity and expense?	28	0	2	28	28	100%
4.06	Reserve rationale is documented by worksheet, claim notes, report or other acceptable means.	24	1	5	24	25	96%
Subcomponent Total		102	15	63	102	117	87%
2	Evaluation and Accuracy	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
4.07	Indemnity reserve is accurate?	28	1	1	28	29	97%
4.08	Expense reserve is accurate?	18	8	4	18	26	69%
4.09	Reserve is closed within 30 days of final payment?	10	2	18	10	12	83%
Subcomponent Total		56	11	23	56	67	84%
Category Total: 04 Reserve Management (85% target)		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
		158	26	86	158	184	86%

Exceptions: 04 Reserve Management
(Claims scoring below 100%)

1	1988412 - 001	80%
2	1950262 - 001	50%
3	1953168 - 001	67%
4	1975465 - 001	80%
5	1979174 - 001	71%
6	1979835 - 001	71%
7	1985019 - 001	88%
8	1910830 - 001	86%
9	1987739 - 001	83%
10	1995645 - 001	60%
11	1989433 - 001	75%
12	1989747 - 001	83%
13	1990481 - 001	88%
14	1990633 - 001	88%
15	1991875 - 001	83%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted	Score	
04 Reserve Management							
		16	1992493 - 001			50%	
		17	1993058 - 001			67%	
		18	1985046 - 001			88%	
05 Statutory Compliance							
1	Compliance	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
5.01	Claim reflects compliance with state laws and regulations.	27	0	3	27	27	100%
5.02	Claim is flagged for required Medicare reporting?	0	0	30	0	0	N/A
5.03	Does the adjuster require the claimant to comply with government code requirements?	0	0	30	0	0	N/A
5.04	Is there analysis of potential immunity defense (s)?	1	0	29	1	1	100%
Subcomponent Total		28	0	92	28	28	100%
Category Total: 05 Statutory Compliance (85% target)		28	0	92	28	28	100%
Exceptions: 05 Statutory Compliance (Claims scoring below 100%)							
06 Communication							
1	Communication	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
6.01	Prompt response to internal communications?	23	0	7	23	23	100%
6.02	Response to correspondence requiring a response within 5 business days?	25	0	5	25	25	100%
6.03	Claim reflects updates between Risk Management and General Counsel?	3	0	27	3	3	100%
Subcomponent Total		51	0	39	51	51	100%
Category Total: 06 Communication (85% target)		51	0	39	51	51	100%
Exceptions: 06 Communication (Claims scoring below 100%)							

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted	Score	
07 Claim Information System							
1	Data Integrity	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
7.01	Claim entry contains accurate information.	26	1	3	26	27	96%
7.02	Claim data is updated with new information.	24	1	5	24	25	96%
7.03	Claim system promotes easy identification of electronic documents through use of file and folder naming conventions.	26	1	3	26	27	96%
7.04	Claim data is accurately reflected in loss run data.	27	0	3	27	27	100%
Subcomponent Total		103	3	14	103	106	97%
2	Medicare Reporting	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
7.05	Claim contains entries for fields required for Medicare reporting under MMSEA (Legal Name, DOB, Gender, SSN) and for meaningful loss information reports	24	0	6	24	24	100%
Subcomponent Total		24	0	6	24	24	100%
Category Total: 07 Claim Information System (85% target)		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
		127	3	20	127	130	98%

Exceptions: 07 Claim Information System
(Claims scoring below 100%)

1	1992493 - 001	80%
2	1979835 - 001	80%
3	1953168 - 001	75%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
08 Claim Disposition and Payment							
1 Evaluation and Documentation		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
8.01	Was the damage evaluation performed within 30 days of receipt of damages information?	15	0	15	15	15	100%
8.02	If injury/disability was considered questionable, was an activity check performed or an independent medical examination considered?	0	0	30	0	0	N/A
8.03	Does the adjuster establish a value range and a negotiating plan prior to initiating negotiations?	5	0	25	5	5	100%
8.04	Is the evaluation properly documented?	11	0	19	11	11	100%
8.05	If wage loss was involved, did the adjuster verify with the employer?	1	0	29	1	1	100%
8.06	If property damage, was it verified by appraisal/photographs or adjuster verification of contractor's scope and pricing?	5	1	24	5	6	83%
8.07	Were any applicable damage offsets assessed and applied?	2	2	26	2	4	50%
8.08	Are negotiations documented, stating each settlement offer and demand?	9	0	21	9	9	100%
8.09	Is a release executed prior to issuing a settlement check?	13	0	17	13	13	100%
8.10	Does file contain adequate documentation that Medicare interests have been protected pursuant to MMSEA?	0	0	30	0	0	N/A
Subcomponent Total		61	3	236	61	64	95%
2 Authority		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
8.11	Is settlement authority requested within 10 days of completing the evaluation?	6	0	24	6	6	100%
8.12	Does the authority request clearly outline issues relevant to the claim to allow an informed decision?	5	0	25	5	5	100%
8.13	Is settlement authority documented in the claim file?	6	0	24	6	6	100%
Subcomponent Total		17	0	73	17	17	100%
3 Payments		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
8.14	Payment is issued timely.	19	1	10	19	20	95%
8.15	Are payment requests supported by documentation?	20	0	10	20	20	100%
8.16	Payment is issued accurately.	18	1	11	18	19	95%
Subcomponent Total		57	2	31	57	59	97%
Category Total:		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
08 Claim Disposition and Payment (85% target)		135	5	340	135	140	96%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions	Number of Responses	Weighted	Score
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08 Claim Disposition and Payment

Exceptions: 08 Claim Disposition and Payment
(Claims scoring below 100%)

1	1993413 - 001		92%
2	1989433 - 001		91%
3	1985019 - 001		67%
4	1984678 - 001		80%
5	1979246 - 002		88%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
09 Litigation/Recovery Management							
1	Litigation Management	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
9.01	Is the suit referred to a panel law firm within 5 days of notice?	7	0	23	7	7	100%
9.02	Does assignment include an engagement letter providing counsel with litigation guidelines?	11	1	18	11	12	92%
9.03	Does counsel work with adjuster to develop a litigation strategy?	8	1	21	8	9	89%
9.04	Does counsel provide a preliminary evaluation within 30 days of assignment?	8	2	20	8	10	80%
9.05	Does counsel provide a litigation budget within 30 - 45 days of assignment?	5	4	21	5	9	56%
9.06	Is counsel's analysis thorough, providing a fact summary and analysis of liability and governing statutes?	8	1	21	8	9	89%
9.07	Is counsel's subsequent reporting timely, within client guidelines?	11	0	19	11	11	100%
9.08	Is alternative dispute resolution considered, if appropriate?	4	0	26	4	4	100%
9.09	Do legal billings comply with litigation management guidelines?	9	1	20	9	10	90%
Subcomponent Total		71	10	189	71	81	88%
2	Recovery Management	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
9.10	Was responsible third party contacted within 10 days of knowledge or was there an attempt to identify potentially responsible parties?	0	0	30	0	0	N/A
9.11	Is there an investigation to determine the existence of contracts that would shift liability to another party?	0	0	30	0	0	N/A
9.12	If another responsible party is identified, is there appropriate follow-up contact until a response is obtained?	0	0	30	0	0	N/A
9.13	Was the responsible party notified in writing?	0	0	30	0	0	N/A
9.14	In the event the responsible party declines payment or ignores requests for payment, is there a decision made on whether or not to pursue subrogation after completing a cost-benefit analysis?	0	0	30	0	0	N/A
Subcomponent Total		0	0	150	0	0	N/A
Category Total:		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
09 Litigation/Recovery Management (85% target)		71	10	339	71	81	88%

Exceptions: 09 Litigation/Recovery Management
(Claims scoring below 100%)

1	1992493 - 001	60%
2	1990481 - 001	88%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions	Number of Responses			Weighted		Score
09 Litigation/Recovery Management						
	3	1989747 - 001				71%
	4	1985019 - 001				75%
	5	1979835 - 001				89%
	6	1975465 - 001				75%
	7	1971627 - 001				80%
Overall (85% target)	986	88	1,206	986	1,074	92%

Appendix C

Carl Warren and Company

Public Entity Liability Claims Handling Best Practices

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CARL WARREN & COMPANY

Public Entity
Liability Claims Handling
Best Practices

Confidential & Proprietary

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CLAIMS HANDLING BEST PRACTICES

➤ CONTACT

Adjusters are to make contact with claimants within 24-48 hours of receipt of the claim (taking into consideration weekends and holidays). 24 hour contact is preferred. If contact cannot be made via telephone within that time frame, a letter is sent to the claimant, advising of receipt of the matter and the need to discuss same. While we will not chase claims, we do believe that early contact results in the establishment of rapport and good communication. As for the client's personnel, contact will be made within the same timeframe or as agreed upon between Carl Warren & Company and the client (should you desire to first make contact with individuals as an introduction, etc.). Attempted contact with any and all witnesses will also be made within this timeframe to secure appropriate interviews and/or statements.

➤ RESERVES

Carl Warren's reserve philosophy is based on the review of the entire matter, taking into account many factors. Unless otherwise advised by the client, Carl Warren reserves on the indemnity side to full value, then takes into consideration comparative/contributory negligence, tender potential, the jurisdiction, the strength or weakness of the plaintiff attorney (where applicable), the strength and/or weakness of witnesses, the claimant themselves and any other factors that will result in a potential change in the value of the claim. At no time will a matter be reserved at less than 10% of full value (taking into account the areas discussed) with the thought being that even the best, strongest and most perfectly defensible matter could, if presented to a trier of fact (Judge or Jury), result in an adverse verdict 1 out of 10 times.

➤ DIARY

Our files are on strict diary and are reviewed at pre-established intervals, to ensure the timely investigation and completion of work as well as the adequacy of the established reserves. The system is customized for each client. We can set up manager diaries to review files every 10 days, every 30 days or as needed. Adjusters review the diary report weekly and the Claim Supervisor receives reports weekly as



to late diaries. The Supervisor will also audit at least 10 adjuster files monthly. Any trends or problems found will be addressed internally. The Supervisor reviews all reserve changes, payments and ensures the files are on diary. He/she can review files as often as the client feels necessary.

➤ **REPORTING**

A Preliminary Report will be provided to the client within 7 days of our receipt of the matter, with copies as determined. This will include a review of the facts as known, an initial liability discussion, initial reserves, and a plan of action. Within 30 days of receipt of the matter, an Investigation Report will be provided to the client which will present a more complete discussion of the matter, the results of the investigation to date, recommendations as to the overall matter, a reserve review and an updated Plan of Action. Every 30 days, or as agreed upon, a Status Report will be provided to update the claim to conclusion.

➤ **FILE MANAGEMENT**

Where the client determines that an investigation is necessary, the focus of our investigation is on the timely gathering of critical information and preservation of potential evidence. Towards that end, we will make contact with the claimant, witnesses and the client within 24 hours of receipt of the claim. The facts are obtained, damages assessed and an evaluation is made. The results of the investigation are analyzed and a liability determination is made, taking into consideration the possible comparative fault of the claimant and any applicable contractual indemnity provisions. Within 2 business days of receipt of a new claim, the adjuster enters the claims information into our Risk Management Information System, MyCarlWarren. The initial investigation findings are reported to the client no later than 7 days with a complete investigative report provided within 30 days. We can also investigate and handle through conclusion all telephone-adjusted claims. The goal is to complete a comprehensive evaluation expeditiously and advise the client of the liability exposure. We will then act on the client's authority to resolve the claims as quickly, fairly and efficiently as possible.

➤ **INTERNAL AUDITS**

Each of our adjusters is audited on a regular basis for compliance with Carl Warren policies, procedures and protocols as well as the client protocols. These audits, done by supervisors (10 per month) as well as by our Quality Assurance Department (focus audits) allow us to review the work being performed. Supervisors are required



to enter notes into the files and guide and direct the adjusters on each claim. Adjusters are required to keep an updated diary and supervisors review each claim every 30 days to confirm that all diaries are up to date.

➤ CALIFORNIA TORT CLAIM ACT

Our claims teams have an extensive knowledge and understanding of the California Tort Claim Act that governs claims against public entities; from how a claim is presented to time deadlines, statutes, and immunities. When a claim is presented to the client and then reported to Carl Warren & Company, we evaluate the sufficiency, timeliness and merits of the claim and recommend the appropriate response within the required time deadlines set forth in the Act. This includes strategic responses, such as when delays occur from a lack of claimant response. It is our belief that, as a public entity, our clients should benefit from every possible defense and administrative relief when responding to claims.

➤ EXCESS REPORTING

This will be a point of discussion between Carl Warren and the client as to whether you desire to take on the role of notice to the carriers or give that responsibility to us.

➤ TENDERS

This is a big part of the success of a program. Our adjusters are responsible for confirmation of or discussion as to why a tender is pursued or not. At first review of a new matter (within 7 days) the adjuster must include, in the file notes and the preliminary report, a discussion of any potential viable tenders and the strength of same. Adjusters also understand the need to maintain good business relationships, so where appropriate, the adjuster will gain authority from the client prior to pursuit of a tender. Tenders are made not only to specific entities, but also their carriers, so as to secure responses and where appropriate, gain acceptance of same. Adjusters understand the concept of tendering early and often and also understand that tenders are not based on liability, but in contract. Many times an education needs to take place to the tendered entity that will be quick to not accept a tender because "they are not liable." While that may be correct, it is not a factor in the acceptance of the tender.



➤ **INDEXING/MMSEA**

Each matter where a bodily injury is alleged will be indexed with the Insurance Service Organization (ISO) for prior incidents. If a “hit” comes back, it will be pursued as appropriate by the handling adjuster. In addition, where applicable, claimants will be indexed for Medicare beneficiary status, so as to comply with any and all requirements of MMSEA as necessary. If a claimant/plaintiff is found to be a beneficiary, all steps will be taken to protect the requirements of MMSEA prior to any settlement, verdict or judgment.

➤ **LITIGATION MANAGEMENT**

Carl Warren adjusters do not turn litigated matters over to counsel. Unless instructed otherwise by the client, the adjuster will be an intricate part in the tripartite relationship between the client, the attorney and Carl Warren. When appropriate and with granted authority, Carl Warren will retain defense counsel on behalf of the client for litigation purposes. In some claims of a sensitive nature, and with the prior authority of the client, counsel may be retained prior to the commencement of litigation. A Retention Letter will be sent to counsel, enumerating the Litigation Guidelines to be followed and requesting a Litigation Budget, to be received within 30 days, along with counsel’s Preliminary Litigation Report. The adjuster will review any and all work done by counsel, as well as all legal bills, for appropriateness, before presenting to the client. Regular conference calls will take place and will include the client as applicable. The adjuster will seek to complete all tasks that can be undertaken by an adjuster during the litigation process to control costs.

➤ **AUTHORITY**

At the beginning of the relationship, Carl Warren will have no settlement authority. All authority will be granted by the client. As the relationship evolves, discussions will take place to determine if the client wishes to grant any authority level to Carl Warren. The client will be an integral part of any and all discussions related to any authority requests, whether they relate to denial of a claim, pursuit of a tender, settlement, retention of counsel, contact with the client personnel, etc.

➤ **DENIAL OF CLAIMS**

Authority to deny a claim will be that of the client with a recommendation from the adjuster. If a claim is denied and the claimant is not represented, the adjuster will



wait a period of 60 days before closing a file, should the claimant fail to respond to the letter of denial. If the claimant is represented, the adjuster will wait a period of 30 days prior to closing a file for lack of response or pursuit.

Appendix D
Defense Counsel Suspension Letter

DRAFT



CARL WARREN & COMPANY
Claims Management and Solutions

Date

Defense Attorney Name
Defense Attorney Address

**Re: Principal: Auxiliary Organizations Risk Management Alliance (AORMA)
Member:
Additional Insured:
Claimant:
Date of Loss:
Our File:**

Dear Mr. Attorney:

As you may recall, you received the above mentioned assignment and retention letter dated (date). Within the retention letter there were various requirements for reporting with timeframes for completion. To date we have not received your signed copy confirming receipt of the CSURMA AORMA's Policy & Procedure No. L-2 - Liability Claims Administration and Litigation Management guidelines, litigation budget or initial evaluation.

As stated in the retention letter, payment of the legal bills is contingent on the return of the signed letter, receipt of the initial evaluation and litigation budget as well as the submission of a revised budget when the approved budget is exceeded.

As a result, we are providing formal notice that you have not complied with the requirements and that payment of further billings will be suspended until the needed documents are received.

I apologize for any inconvenience this may cause and look forward to receiving the requested/needed documents as soon as possible. Thank you for your cooperation.

Sincerely,

CARL WARREN & COMPANY

AN EMPLOYEE-OWNED COMPANY

1000 S. Hill Road, Suite 215 | Ventura, CA 93003

P. O. Box 7059 | Ventura, CA 93006-7059

www.carlwarren.com | Tel: 805-650-7020 | 800-345-7338 | Fax: 866-254-4423

CA License # 2607296

Cc:

CSU Auxiliary Organization

Alliant Insurance Services, Inc.
Attention: Mimi Long
100 Pine Street, 11th Floor
San Francisco, CA 94111

Zachary Gifford, Risk Management and Public Safety
The California State University
401 Golden Shore, 5th Floor
Long Beach, CA 90802

William Hsu, CSURMA General Counsel
Office of General Counsel
401 Golden Shore, 2nd Floor
Long Beach, CA 90802



2019 General Liability and Errors and Omissions
Claim Audit

California State University Risk Management Authority

October 25, 2019



October 25, 2019

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

RE: **California State University Risk Management Authority
2019 General Liability and Errors and Omissions Claims Audit**

Dear Mr. Leong:

Please find enclosed the findings and recommendations of our claims audit on behalf of the California State University Risk Management Authority (CSURMA). This audit examines the claims handling practices of State Risk Management (SRM) in the self-administration of its claims.

We present an overview of our findings in Chapter I and discuss our findings in Chapter II. We look forward to discussing this report.

Bickmore appreciates the opportunity to provide claims program and evaluation services and the assistance received from SRM and Alliant Insurance Services to complete this project.

We stand ready to answer any questions. Please feel free to contact me at:

Direct: 916.290.4616
Mobile: 916.413.0066
E-mail: demitchell@bickmore.net

It has been a pleasure to provide services for this important project.

Respectfully submitted,

DRAFT

Dennis Mitchell, CPCU, SCLA, ARM
Senior Claims Consultant

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- A. Claims Audit List
- B. Component, Subcomponent, and Criteria Scores with Exceptions

I. Executive Summary

The California State University Risk Management Authority (CSURMA) is a Joint Powers Authority (JPA) authorized by California Government Code §6500 et seq. The JPA was established in 1997 to perform pooled group insurance and risk management-related activities for the California State University (University) system and its 23 campuses. Claims and risk management functions are centralized in the Chancellor's Office in Long Beach, California.

The University is the largest four-year public university system in the nation with nearly 53,000 faculty and staff, and 481,000 students at its 23 statewide campus locations and the Chancellor's office.

Claims have been administered by the Systemwide Office of Risk Management (SRM) since 2012 under the management of a Director and two claim staff members who provide claim oversight and support services. The Claims Director reports to the Assistant Vice Chancellor - Financing, Treasury, and Risk Management. We provide an organization chart in Exhibit I-1.

The Director and SRM staff works closely with the Office of General Counsel (OGC) and campus risk managers. The Board of Trustees (BOT) has delegated settlement authority to General Counsel. While there is no direct reporting relationship between the Director and OGC, effective management of claims made against the University requires creation of an atmosphere of cooperation and mutual respect which exists between both divisions.

The same level of cooperation is required between SRM and each of the campus risk managers to promote effective claims investigation, evaluation and resolution. Campuses may have claim settlement authority of \$100,000 or to the campus deductible, whichever is lower.

Coverage is provided under a Master Coverage Document governing General Liability and Errors and Omissions Coverage which specifies coverage provided to members, definitions, limitations, exclusions, and conditions. A summary document is updated annually and provides member self-insured retention (SIR) levels recorded on the individual member declarations page.

Coverage is intentionally broad, providing \$5,000,000 of pooled coverage which is the self-insured retention (SIR). CSURMA purchases excess coverage above the SIR for \$4,000,000, shared by Markel Global Reinsurance and Great American. Ironshore Indemnity Company provides another \$5,000,000 over the \$5,000,000 followed by excess and reinsurance up to \$300,000,000.

SRM handles General Liability (including personal injury, employment practices, errors and omissions) claims only. Auto Liability claims are handled by the California Office of Risk and Insurance Management (ORIM) and Property claims are handled by Alliant.

Each of the 23 campuses has a designated Risk Manager whose role in handling claims is supported by SRM. The University's OGC assigns an attorney to each campus to assist with legal claim issues. OGC is responsible for litigation management and oversight, including:

- Assigning newly litigated claims to OGC, an Attorney General (AG) with the California Department of Justice (DOJ), or outside counsel;
- Promoting evaluation and ongoing strategy development;
- Providing general guidance and settlement recommendations; and
- Controlling litigation costs.

SRM is responsible for administering claims made against the University, including:

- Receiving, recording, and acknowledging new claims;
- Coordinating liability investigations with the campus Risk Manager;
- Ensuring reserve accuracy by evaluating claim developments and seeking additional information when appropriate;
- Reporting appropriate claims to the University's excess carriers;
- Promoting case resolution by obtaining settlement authority when appropriate, coordinating resolution, and overseeing check issuance;
- Ensuring closed claims with payments contain sufficient documentation to support the payment(s); and
- Providing campuses with reports on claim activity.

To meet its responsibilities, SRM maintains daily contact with campus Risk Managers and with OGC to gather and exchange information regarding the 250 liability claims they administer annually.

The purpose of this audit is to:

- Verify CSURMA's claims are administered effectively by SRM, and practices meet industry best practices, comply with state law, and internal procedures; and
- Identify opportunities for program improvement and make recommendations to ensure improvement.

To assist CSURMA in assessing the effectiveness of its claims administration, we:

- Reviewed CSURMA “Liability Claims Administration Guidelines” (updated August 2019) which discusses the role of staff, the claim process, the different departments involved in the claim process, and the campus risk management organization.
- Reviewed the “Liability Claims Operations Manual” (also updated August 2019) which guides staff of all facets of claims handling and processing, including role of SRM team members, required forms, workflows, claim data input, and reports.
- Reviewed CSURMA’s “Master Coverage Documents – General Liability and Errors and Omissions;”
- Interviewed SRM claims administration staff regarding:
 - Workflows and administration of claims according to established Guidelines;
 - Communication with campus Risk Managers; and
 - Communication with OGC located in Long Beach and at the campuses.
- Reviewed open and closed claims data and selected the sample of 45 liability claims shown in Appendix A;
- Reviewed the sample claims onsite at the Chancellor’s Office in Long Beach, California from August 19 through August 23, 2019, to determine whether SRM policies and procedures meet industry best practices and are applied;
- Provided feedback communicating our findings on each claim to SRM at the conclusion of the onsite audit; and
- Provided opportunity for SRM Claims Management to rebut individual claim findings.

SRM is led by a Director who reports to the Assistant Vice Chancellor – Financing, Treasury, and Risk Management. Claims administrative staff includes:

- One Claims Examiner, responsible for day-to-day handling of claims under the supervision of the Director;
- One Administrative Analyst responsible for invoice payments, member billing, and workers’ compensation financial support for the University;
- Two additional staff within SRM, who do not have direct role in claims, provide risk control and risk management services to the 23 campuses;

- One Assistant Director, whose primary role is to assist the 23 CSU campuses in areas of risk management and insurance, environmental health and safety, workers' compensation, emergency management, and business continuity; and
- One Senior Manager of Risk and Environmental Health and Safety, who reports to the Director and supports the campuses by developing programs to improve health and safety.

SRM uses *iVOS*[®] software, originally developed by Valley Oak Systems and now supported by Ventiv Technology, to record statistical and financial data in a web-based environment. *iVOS*[®] is a user-friendly system which supports a paperless claims administration environment and allows:

- Documentation of claim activity in an electronic notepad;
- Use of template letters which automatically download electronically to the file;
- Retention of scanned documents through its "sticky notes" feature; and
- Development and issuance of a variety of reports to apprise members and management of claim activity.

Alliant provided a ten-year history of open and closed claims through July 31, 2019. Our analysis of the data reflected 197 open pending claims and we randomly selected 45 open and closed claims for review. After excluding two "Other" claims, 28 claims (65%) of the sample are litigated, compared to the overall pending litigation rate of 45%.

We find overall performance at 98% indicating a **Superior** performance level as shown in Exhibit I-3. All but one of the components we measure achieved a superior score.

We find:

- SRM complies with industry best practices and its internal procedures for administering liability claims;
- In evaluating the investigation component, we recognize SRM's role is to support campus risk management efforts to investigate claims, rather than conduct investigations or hire a vendor to investigate;
- Because OGC is charged with management of litigation strategy and costs, SRM's role is to ensure continued reserve accuracy by communicating frequently with OGC to obtain current developments impacting the reserve and determining necessity to report to excess carriers;
- Claims are promptly recorded and well documented; and

- SRM has an opportunity for improvement to ensure and Insurance Services Office (ISO) *ClaimSearch*[®] index report is filed where claimants allege bodily injury claims. Additionally the examiner must document review of any index report returns and note relevance to the subject claim, if any.

To arrive at our findings we compared performance in the eight claims handling component areas for each claim shown in Appendix A against industry standards, state law, and CSURMA’s requirements. Results are shown in Exhibit I-2 “Scoring by Component with Financials,” and graphically in Exhibit I-3.

In Exhibit I – 4 we provide detail on how our performance assessment is applied.

We review the scoring and make recommendations to enhance performance for component results below Commendable, or when subcomponents are scored below Acceptable.

To improve performance we recommend implementing the enhancements discussed in Table I-1.

Table I-1
Performance Enhancement Recommendations Summary

Performance Component	Performance Enhancement Recommendations
Investigation	<ul style="list-style-type: none"> • Complete a bodily injury index report for each qualifying claim through <i>ISO ClaimSearch</i>[®], as required by industry best practices and CSU Guidelines to: <ul style="list-style-type: none"> – Develop information on the claimant’s prior injuries; and – Provide data necessary for ISO to query the Centers for Medicare & Medicaid Services (CMS) regarding Medicare eligibility. • Document receipt of index return and indicate any relevance to the claim.

In Section II, we present our findings in detail with a discussion of industry standards and our recommendations. We recommend our report be read in its entirety.

Exhibit I – 1
System Risk Management
Organizational Chart
FY 2018 - 2019

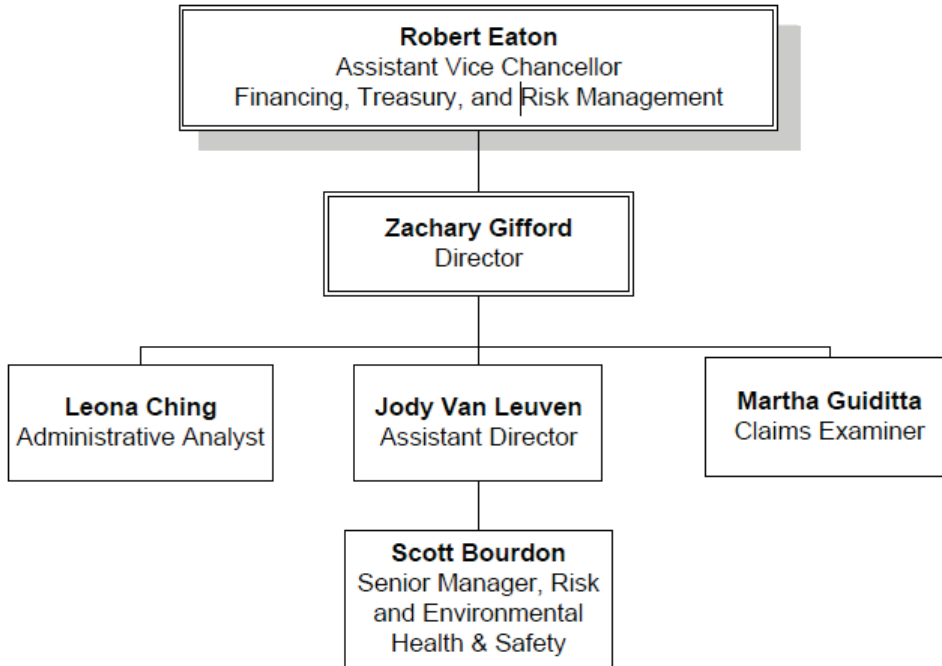


Exhibit I-2
Scoring by Component with Financials

Claims Reviews Completed:	45	Actual Reserve:	\$2,981,056
Incurred:	\$5,805,601	Recommended Reserve:	\$2,996,056
Paid:	\$2,824,545	Net Reserve Change:	\$15,000

Claims Administration Component	Claims Graded	Number of Responses for Component			Score	
		Yes	No	NA	2019	2017
01 Claims Intake	39	225	0	45	100%	99%
02 Investigation	37	93	5	307	95%	97%
03 Plan of Action/Documentation	45	318	7	125	98%	98%
04 Reserve Management	45	290	8	107	97%	99%
05 Statutory Compliance	41	51	1	128	98%	99%
06 Communication	40	93	1	41	99%	100%
07 Claim Management Information System	41	202	0	23	100%	99%
08 Claim Disposition and Payment	35	130	0	590	100%	98%
09. Litigation/Recovery Management	COMPONENT NOT APPLICABLE FOR THIS AUDIT					
Overall Claims Administration	45	1,402	22	1,366	98%	99%

Appendix B summarizes the “Yes/No” responses and identifies each exception by claim.

Exhibit I-3
Scoring by Component Summary Graph

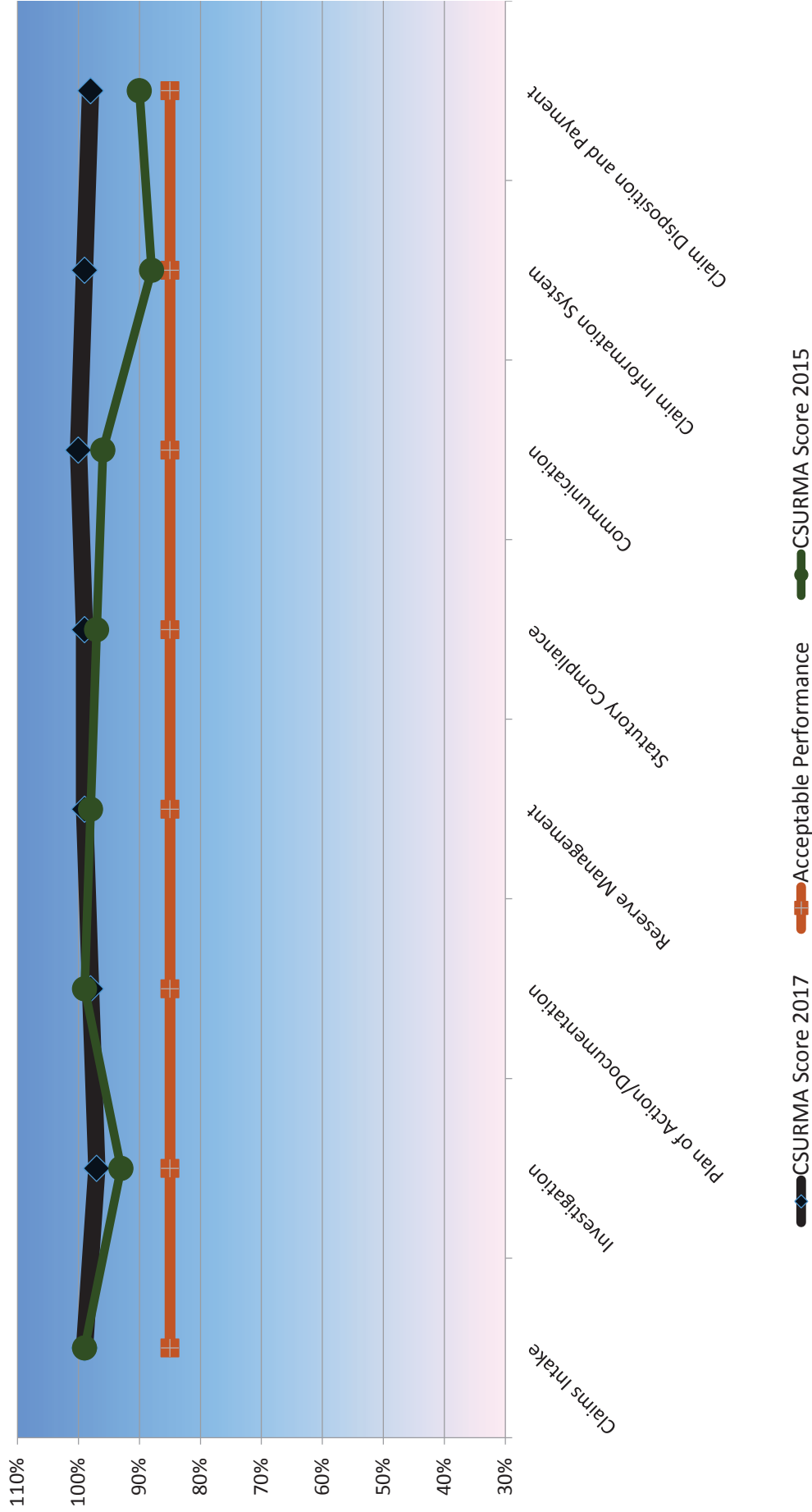


Exhibit I-4 Performance Assessment Methodology

To arrive at our performance assessment, we evaluate nine separate claims handling components for each claim. Components are listed in Exhibit 1-1. For each component, we ask several questions (criteria) which may be answered “Yes,” “No,” or “Not Applicable” as they relate to whether performance requirements (expectations) are met for that claim.

For each claim we review, we provide a scoring form with details to SRM Claim staff and consider feedback provided. The auditor provides a narrative explanation for any “No” finding. Details of these feedback forms are not provided with this report because of potential confidentiality issues, but will be provided to CSURMA upon request.

Evaluation	Criteria
Yes	Where 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.

By scoring each component using the performance evaluation criteria above and dividing the ‘Yes’ findings by possible findings (‘yes’ plus ‘no’ findings), we determine the compliance percentage or score shown in Exhibit I-1. This approach prevents a criterion involving a few claims from unduly influencing the overall score.

Using the performance evaluation scale shown below, we assess performance setting an acceptable target at 85% considering the compliance percentage for each component by claim and across all claims.

Performance	Scale
Superior	96% - 100%
Commendable	91% - 95%
Acceptable	85% - 90%
Requires Improvement	Below 85%

II. Detailed Findings

This chapter provides our findings for each component we measure. Our findings consider how well procedures meet industry best practices and how well procedures are applied in handling the claims according to the sample review. We also consider CSURMA's own procedures as stated in its own written Guidelines.

Below is a narrative discussion of our analysis and findings. Exceptions for all components are found in Appendix B. Upon request, we can provide additional detail to include comment on each claim reviewed. These details are redacted from this report for to ensure confidentiality.

1. Claims Intake

Score 100%

Best practices require the JPA to develop policies and procedures to promote timely, accurate claim reporting by members. Best practices also require an administrator to:

- Maintain manageable caseloads to promote prompt, effective service to members and third party claimants;
- Process assignments within one business day; and
- Verify the master coverage documents apply to the loss date and the claim facts.

Campuses report claims timely and SRM records the information in *iVOS*[®], usually on the date received. Whether reported by telephone or in person, either the campus or SRM advises the claimant of the requirement to complete a Government Tort claim form. Forms, including instructions for completion, are available on the SRM website.¹

Once the Government Tort Claim is filed, the claim is reserved and an acknowledgment is sent to the claimant. While campus Risk Management may not have dedicated investigative staff, they usually provide sufficient information and evidence to SRM through campus police, security, maintenance and environmental staff. In some cases the campus staff may interview the claimant to ascertain facts.

SRM's Director and Claims Examiner provide oversight for claims. They review the claim form for sufficiency, sending out a Notice of Insufficiency if appropriate. If the notice is considered sufficient, SRM coordinates a response with the campus and sends a Notice of Rejection if the claim is to be denied. If the decision is to settle, they determine whether SRM or the campus will negotiate.

¹ http://calstate.edu/risk_management/claims/ contains forms and instructions claimants may use to file their tort claim against the CSU.

Caseloads are manageable. CSURMA incurred an average of 193 claims per year for the three years ending July 31, 2019. During the same period, SRM closed an average of 254 per year, for a closing ratio of 132%. Closings in the most current year were almost twice the number of any prior twelve month period. This is a very favorable ratio; ratios at 100% reflect closures maintaining pace with intake, demonstrating staff are productive in managing the pending claims. A favorable ratio also lessens the likelihood of need for additional staff to handle a growing number of pending claims. Figure II-1 graphically demonstrates the favorable three-year intake and closing data.

CSURMA's claims are complex, with 68% of the total intake for three years and 84% of the pending claims involving bodily injury or personal injury. Almost half (45%) of the pending claims are litigated. Figure II-2 demonstrates the complexity by graphically presenting the composition of the claim intake over the past three years, by claim type and average total incurred. Since the data we received was complete through July 31, 2019, each annual period for which we review claim count and cost statistics, runs from August 1, 20XX through July 31, 20XX.

Figure II-1
Claim Intake and Closings
2016 through 2019

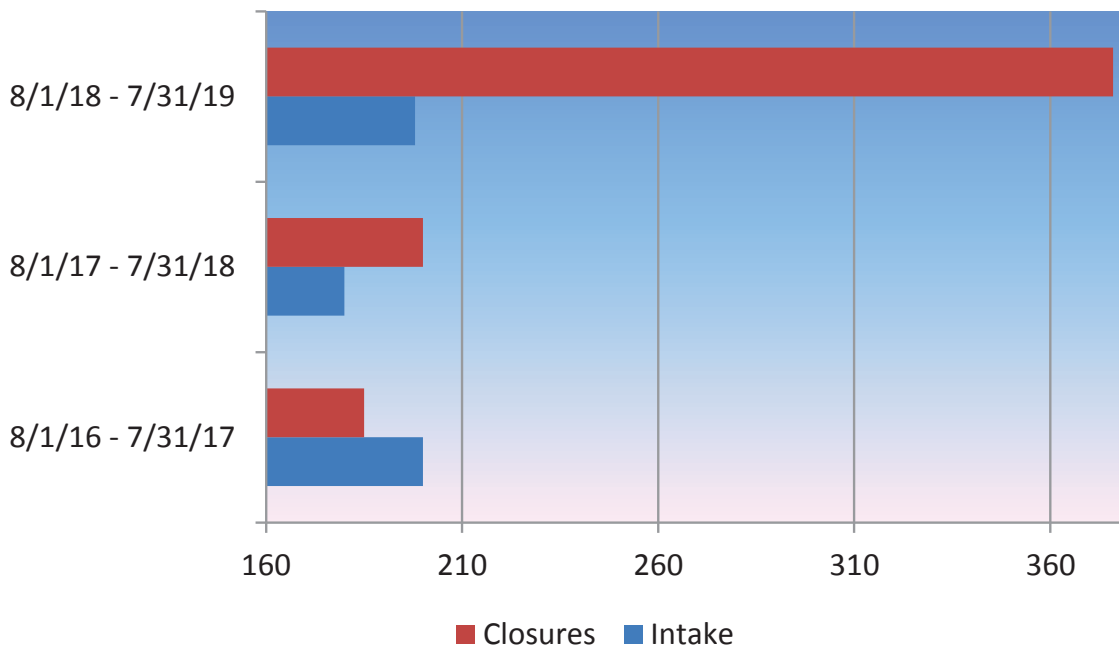
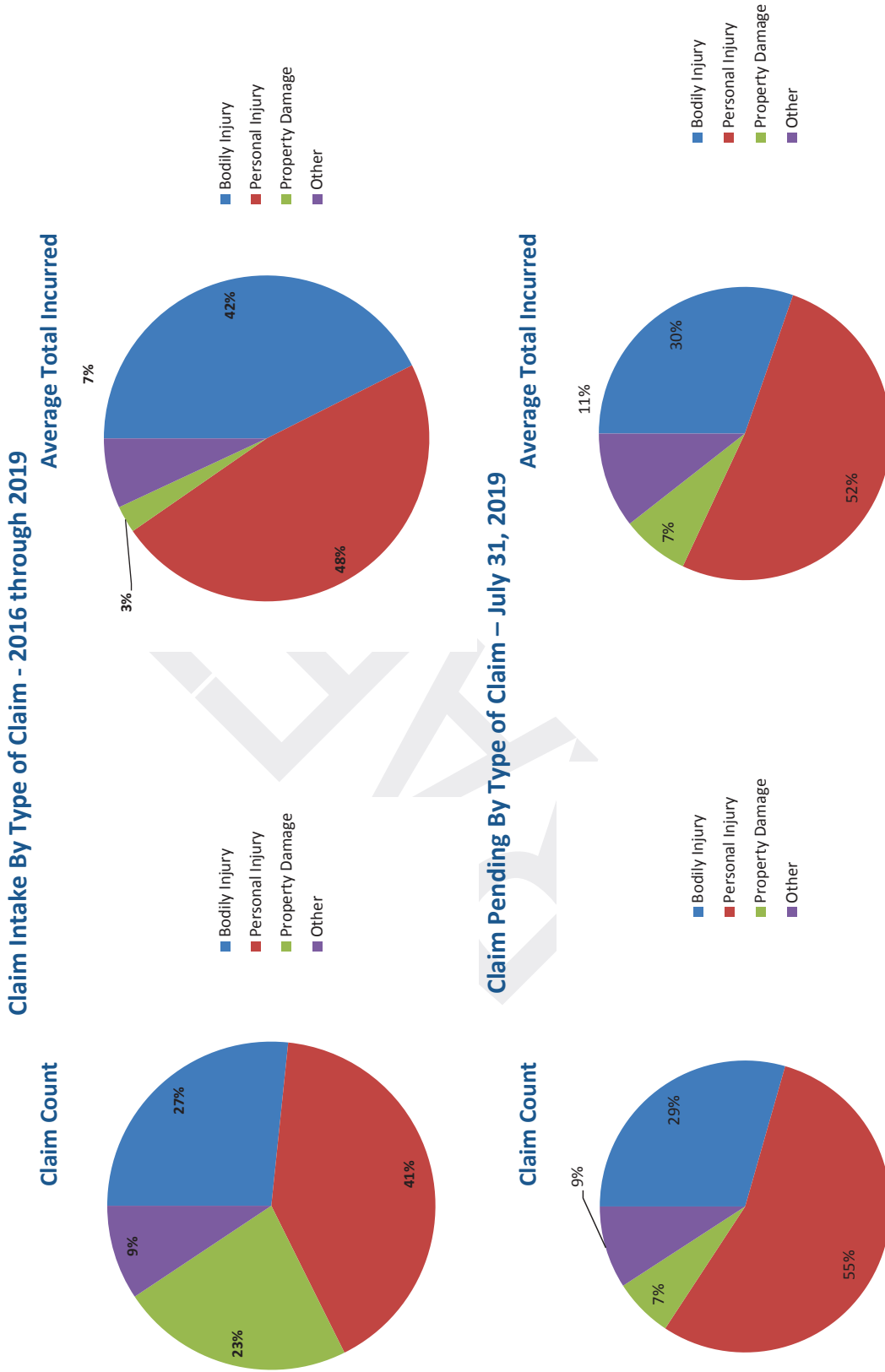


Figure II-2



We find:

- New claims are set up within 24 hours of receipt;
- Reserves are incurred after a claimant files the mandatory claim form, except for those claims which do not require the filing of a claim form, such as civil rights claims.;
- Claims are reviewed immediately to verify facts conform with coverage provided by the Memorandum of Coverage;
- Data is entered accurately; and
- Productivity is excellent with claim closures far outpacing claim intake, in two of the three most recent twelve month periods for which we captured statistics.

Per Appendix B, we note 225 requirements with no exceptions. We evaluate performance as **superior**, exceeding industry standards

2. Investigation

Score 95%

Industry best practices require:

- Completing investigation within 15 days of claim receipt or documenting efforts to do so;
- Documenting an action plan to complete items outstanding after 30 days;
- Developing evidence such as statements, police reports, and photographs to preserve evidence and support liability and damage decisions;
- Reporting bodily injury claims through the Insurance Services Office ISO *ClaimSearch*[®] system to identify prior injuries and claims history;
- Obtaining medical authorizations on bodily injury claims;
- Using a process to identify suspicious claims and target them for closer examination;
- Documenting analysis of the extent of the member's negligence and comparative negligence of the parties; and
- Documenting the initial liability assessment within 15 days of receipt of the claim and re-assessing liability upon receipt of new information.

A properly conducted investigation ensures an accurate understanding of the facts to determine liability. Prompt liability determination can eliminate the need to litigate and, if litigation does occur, allow more focused discovery.

Campus Risk Management performs the initial investigative tasks, and SRM reviews to ensure the evidence and information will support the decision made on the claim. This requires frequent diary by SRM as the claims capabilities of the 23 campuses vary widely requiring SRM to offer polite suggestions to the campus.

ISO *ClaimSearch*[®] indexing is important and serves the dual purpose of determining a claimant's injury history and providing ISO with the data it needs to query the CMS to determine Medicare eligibility.

The SRM Guidelines support best practices by:

- Requiring claim staff to obtain "all available information" from the campus coordinator;
- Following up for outstanding investigation and evidence using the *iVOS*[®] electronic diary feature; and
- Subscribing to ISO *ClaimSearch*[®] and requiring indexing of bodily injury and personal injury claims.

SRM is usually able to make a prompt, accurate determination of liability without the benefit of a dedicated investigative staff. Campus Risk Managers are cooperative and usually able to provide necessary information.

Per Appendix B, we note 98 requirements with five exceptions, all involving the filing of ISO index returns. Overall, 37 claims were eligible for scoring, and we evaluate performance for Investigation as **commendable**, exceeding industry standards. Performance for ISO index reporting reflects fifteen requirements and five exceptions. Review of claims in the audit sample reflects:

- Timely contact with campus staff primarily via telephone or e-mail;
- Claimant contact, if unrepresented, is usually made by the campus, although SRM will assist if necessary;
- Investigation is completed promptly or file is documented with action plan for completion;
- Investigation includes evidence such as police reports, security reports, statements, and photographs;

- The *iVOS*[®] notepad documents the adjuster's analysis of negligence;
- Campus and SRM jointly make the liability determination and decide which will proceed to attempt settlement or deny the claim; and

We provide recommendations for improvement in Table I-1.

3. Plan of Action/Documentation

Score 98%

Best practices require the administrator document action plans and initiate activities to resolve the claim. Claim action plans and activity should be entered into the claim file notes within one day of performing the activity, and at least monthly, with an emphasis on moving the claim toward resolution. Supervisory oversight is required, if necessary to ensure timely disposition.

SRM requires the claim notepad to reflect the current status of the claim based on review of information from the claimant, campus, investigation and OGC. Litigated claims are managed by OGC while SRM reviews its *e-Counsel*[®] administration system and NetDocs document management system periodically and summarizes activity in the *iVOS*[®] notepad.

All 45 claims in the audit sample were eligible for scoring for this component. Per Appendix B, we note 325 requirements and seven exceptions. We evaluate performance as **superior**, exceeding industry standards. Review of the sample claims did not identify trends, although four of the seven exceptions related to either developing or updating a POA or setting timeframes for the plan and maintaining a diary to follow progress. Otherwise, we note:

- Activities intending to resolve a claim are appropriate and timely;
- Diary frequency is sufficiently supported by case facts and denied claims are diared for closure when the statute of limitations runs, unless negotiations are occurring;
- Adjusters document diary activities in the notepad;
- Date-stamping is still important in an electronic environment to promote accurately establishing dates where some activity will be required, although very little documentation is received by regular mail; E-mail documentation should be copied to the claim file in its entirety or preserved in some other fashion to meet statutory records retention requirements;
- Adjuster documentation is clear and professional, although we noted documentation or communication issues on two claims; and
- File documentation on litigated claims frequently contain notes of the adjuster's review of the OGC files which serve to update the claim file.

4. Reserve Management

Score 97%

Industry best practices for reserving include:

- Setting initial reserves within five days of claim receipt;
- Reevaluating reserves at least semi-annually for adequacy based upon the liability and damages information reflected in the investigation and discovery;
- Documenting reserve calculations using Most Probable Outcome (MPO) considering the probable adverse outcome and the probability for a favorable outcome is as follows:
 - 75% or greater chance for favorable outcome, reserve for favorable outcome plus 25% of probable adverse outcome;
 - 51% to 75% chance for favorable outcome, reserve for favorable outcome plus 50% of probable adverse outcome; and
 - 50% or less chance for favorable outcome, reserve for 100% of probable adverse outcome.

SRM's Operations Manual requires setting the initial reserve within five days of receipt of the claim. While no dates for reserve review or evaluation are set, there is a clear expectation the final reserve will be established shortly after the investigation is complete and the damages can be evaluated. The Manual also provides guides on what to consider in setting or adjusting a reserve and promotes the MPO concept of reserving.

All 45 claims were eligible for scoring for reserve management. Per Appendix B, we note 298 requirements and eight exceptions. Exceptions were minor with no criterion receiving more than one exception except for the criterion to establish the initial reserve within five days of receipt of the claim. Review of the sample reflects:

- For timely establishment of the initial reserve we note 37 requirements and four exceptions;
- Initial reserves are set by the Director or the Examiner, with the Director providing guidance where necessary;
- All but one claim reflect adjustments are made within 30 days of receipt of knowledge indicating and adjustment to be required;
- Subsequent reserve reviews are documented frequently, generally around 30 days, but no later than 120 days;

- Reserves are supported by case facts;
- Reserves are evaluated separately for indemnity and expense;
- Notepad documentation and the iVOS[®] reserve section support the adjustment, although we note one exception. The iVOS reserve section does not contain sufficient space to document the rationale of a complex case reserve and truncates the examiner’s input;
- Prompt file closure is important and we note closure occurred within 30 days of final activities in 34 of the 35 eligible claims; and
- Reserves are accurate; we provided only one reserve adjustment recommendation for an indemnity claim in Table II-1. Our recommendation for a \$15,000 increase amounts to less than 1% of the total reserves in the sample as reflected in Appendix A.

**Table II-1
Recommended Reserve Adjustment**

Claim No	Incurred \$	Reserve \$	Comments
DOI	Paid \$	Recommended \$	
2016-03116	45,000	31,974	Recommend adjusting indemnity reserve to \$25,000 (+15,000). Offer made in 12/2018 but fell apart as claimant could not make up her mind. Presumably the offer is still on the table should the plaintiff change again prior to an appellate decision.
12/30/2016	13,026	46,974	

We assess reserve management performance as superior, exceeding industry best practices.

5. Statutory Compliance

Score 98%

Best practices require compliance with:

- Any state Fair Claims Practices Act;
- Government code section(s) relating to filing or responding to claims, if appropriate; and
- Other federal or state laws relating to handling and payment of claims.

As a public entity, CSURMA is exempt from the requirements of the California Fair Claims Practices Act included in the California Insurance Code. Nevertheless, SRM treats claimants fairly and works diligently with the campuses to accept or settle claims within the 45 days provided by the California Government Code.

Section 111 of the MMSEA established mandatory reporting requirements for liability insurance (including self-insurance), no-fault insurance, and workers' compensation. This act requires claims administrators to identify a Medicare beneficiary (whose injury or accident might result in a settlement) to enable appropriate determination concerning coordination of benefits, including any Medicare recovery entitlement.

The CMS is responsible for implementing the MMSEA. Beginning January 1, 2012, Responsible Reporting Entities (RREs) were to begin reporting Total Payment Obligation to Claimant (TPOC) settlements, judgments, awards, or other payments over \$100,000. This threshold diminishes over the years and the current reporting threshold is now \$750. The complete reporting threshold dates are as follows.

Amount	TPOC Date on or after	Reporting Required*
\$100,000	October 1, 2011	January 1, 2012
\$50,000	April 1, 2012	July 1, 2012
\$25,000	July 1, 2012	October 1, 2012
\$5,000	October 1, 2012	January 1, 2012
\$2,000	October 1, 2013	January 1, 2014
\$1,000	October 1, 2014	January 1, 2015
\$750	January 1, 2017	April 1, 2017

*Within the quarter beginning on this date.

Note the minimum reporting threshold is now \$750.

Because CSURMA funds its self-insured retention, CSURMA is the RRE under MMSEA. CSURMA contracts with ISO to identify and report appropriate claims. ISO provides CSURMA with a listing of claims identifying Medicare recipients.

For the Medicare-eligibility determination process to work correctly, the adjuster must:

- Complete the ISO *ClaimSearch*[®] index form and ensure it contains complete information required by CMS to search the database;²
- Document the claim file with a positive match from the query; and
- Verify the accuracy of the data submitted for the query.

² Required information includes the claimant's full legal name, last five digits of social security number, date of birth, and gender.

Per Appendix B, 52 requirements with one exception. The single exception involved Medicare status of a claimant where the CMS query did not disclosed eligibility, yet medical bills were paid at least in part by Medicare. We evaluate performance as **superior**. Review of the claim sample reflects:

- SRM enforces provisions of the California Tort Claims Act found in §910 et seq. of the California Government Code by:
 - Notifying claimants of the requirement to complete a tort claim form;
 - Placing the tort claim form on its website with instructions for completion;
 - Reviewing submitted tort claim forms for completion and returning those deemed insufficient; and
 - Acknowledging receipt of the form and sending a timely rejection notice or taking steps to settle the claim.
- SRM flagged one of two potentially Medicare-eligible claims and documented the file appropriately.

6. Communication

Score 99%

Best practices require:

- Prompt response to internal communications; and
- Prompt response to external correspondence or communication.

Internal communication takes place between SRM, each campus representative and OGC. Communication with the public is coordinated between the campus and SRM, except when related to claims.

Communication between OGC and SRM is important to ensure SRM is effective in accurately evaluating case reserves. SRM must also determine if the case requires reporting to the excess carrier to ensure CSURMA does not incur a penalty for late reporting.

Our review of the 40 claims eligible for scoring for this component reflects:

- *iVOS*[®] notepads demonstrate continuous communication between OGC and SRM on litigated claims;
- OGC provides SRM with direct access to *e-Counsel*[®] and *NetDocs*[®] which usually provide updated information SRM needs to continually evaluate case reserves; adjusters use the information obtained by reviewing these systems to update case status in *iVOS*;

- OGC provides a monthly status report form to campus risk management which provides a summary of investigation and discovery to date and includes counsel's opinion on the chance of prevailing;
- OGC is helpful in securing reporting compliance for claims being handled by the Attorney General's office; and
- SRM promptly responds to internal or external communications, including correspondence.

Per Appendix B, we note 94 requirements with one exception. We assess performance as **superior**.

7. Claims Management Information System (CMIS)

Score 100%

Industry best practices require the CMIS to collect and organize data on each claim to:

- Support claims handling efficiency by:
 - Providing data fields adequate to collect and store information required to handle claims; and
 - Ensuring data is collected timely and entered and updated accurately.
- Support the ability to provide loss experience reports (LERs), including:
 - Provision of LERs to members and loss control personnel to promote risk analysis; and
 - Provision of electronic data information (EDI) per regulatory requirements.

SRM meets best practices by requiring:

- Entry of each claim related to an event separately in the CMIS; and
- CMIS updates of new claim information to be completed by the SRM staff.

SRM provides step-by-step instructions for most data entry procedures in its Manual.

Our review of the 41 sample claims eligible for scoring reflects:

- Claim financial data reviewed agrees with the loss run;
- We found no errors within data fields, but cannot verify Medicare query data;

- Adjusters update data fields when necessary;
- iVOS[®] contains sufficient fields to support provision of meaningful reports; and
- Notepad entry is timely.

Per Appendix B, we note 202 requirements and all have been met. We evaluate performance as **superior**.

8. Claim Disposition and Payment

Score 100%

Industry best practices require documentation of:

- Evaluation of damages within 30 days of receipt;
- Verification of bodily injury claims by medical bills and reports;
- Extent of property damage by itemized building scope, appraisal, and pricing verification;
- Damage offsets such as prior damage, injury, or depreciation;
- Authorization requests and approvals;
- Support for settlement evaluation, evidence of planning negotiations, and documentation of offers and demands;
- Releases executed prior to settlement check issuance;
- Protection of Medicare's interest when there is a secondary payer obligation in accordance with the MMSEA; and
- Timely, accurate, and supported payments.

The University Board of Trustees delegates settlement authority to its General Counsel "in consultation with the Chancellor and/or appropriate campus Presidents, settlement, termination, or other resolution of all claims and litigation."³

General Counsel has established settlement authority as follows:

- Campus Risk Managers, in consultation with OGC, have settlement authority within the campus deductible up to \$100,000;

³ Standing Orders of the Board of Trustees of the California State University (Adopted March 15, 2006).

- Settlements exceeding the campus deductible, but under \$100,000 require concurrence of the campus Risk Manager, campus counsel, and SRM;
- Settlements exceeding \$100,000 require approval by a Settlement Committee consisting of campus counsel, an OGC litigator, and the Deputy Vice Chancellor of Risk Management. The Settlement Committee makes its recommendation to the General Counsel who may approve settlement up to \$250,000; and
- Settlements above \$250,000 require approval by the Chancellor.

CSURMA Policies and Procedures delegate funds as above and require written approval from appropriate University personnel for amounts exceeding \$100,000. CSURMA also maintains a list of individuals in the Chancellor's Office and on the campuses who have authority to settle claims.

In practice, SRM is involved in settlement of most non-litigated claims, by:

- Reviewing initial investigations, requesting additional investigation if appropriate, and making a recommendation to the campus to accept, compromise, or reject the claim;
- Assessing and verifying damages, attempting to develop mitigating factors, and evaluating the claim considering comparative negligence;
- Discussing a settlement recommendation, gaining consensus on value, and determining who will negotiate settlement; and
- Negotiating with the claimant and obtaining signed releases prior to issuing checks.

Campus Risk Managers usually rely on SRM to resolve the claim within the agreed value or review with SRM to compare with their evaluation.

Responsibility for litigated claims is retained by the OGC. This includes assignment of defense counsel, development of strategy, managing attorney fees (where defense is assigned to the AG or outside counsel), and litigation costs. While resolution of suits is also OGC's responsibility, SRM is usually part of the evaluation and settlement process.

In reviewing the 35 claims eligible for scoring we identified no exceptions per Appendix B, exceeding industry standards and assessed as **superior**, we note:

- Adjusters generally complete a documented evaluation within 30 days of receipt of damage information;
- Adjusters establish a value range for the claim prior to beginning negotiations;

- Evaluations are properly documented when SRM participates in the settlement;
- Negotiations are properly documented, recording offers and demands;
- Releases are executed prior to issuance of a settlement check;
- Although SRM does not control litigation strategy, the claim files reflect:
 - SRM influences the strategy;
 - Continued case monitoring throughout the litigation process;
 - SRM regularly provides input for evaluations and participates in mediations and settlement conferences; OGC may request SRM to attend a mediation or settlement conference on cases handled by OGC with little input from SRS during the litigation.
- The process of counsel selection is transparent and demonstrates the objective to match the case with the individual attorney. New litigation is assigned to OGC, Office of the AG, or outside counsel;
- The assignment process is inclusive, with campus weighing in on the assignment decision in most cases; and, the Assistant Vice Chancellor and Chief Counsel – Litigation, usually seek input from staff during the decision process;
- Payment of approved fees and costs are processed through SRM:
 - OGC-handled cases incur no fees;
 - AG-handled cases incur fees at hourly rates significantly less than “market rates” and monthly billing submitted to OGC details tasks performed and hours spent; and
 - Outside counsel incurs fees at contracted rates with billings monitored and approved by OGC.
- We note settlement of one claim where Medicare’s interest may not have been protected. While Medicare-eligibility was not confirmed, file documentation contained medical information potential eligibility suggesting eligibility;
- Payments are not issued by SRM, but requested through the CSURMA Accounting Department and entered into *iVOS*[®]; and
- Settlement checks and copies of releases and other supportive material are maintained in the claim file.

9. Litigation/Recovery Management

Score N/A

Litigation Management is not assessed as OGC is responsible for assigning and managing litigation, developing strategy and controlling costs. SRM maintains communication to determine the current status and relies on direct access to OGC's electronic files.

Best practices for recovery management require:

- Prompt identification of and contact with responsible parties;
- Prompt identification of contracts to potentially shift liability to a third party;
- Appropriate follow up with responsible parties to effect recovery;
- Assessment of costs and methods to effect recovery should the responsible party decline payment; and
- Protection of the statute of limitations when the decision is made to use legal assistance to obtain payment.

No sample claims involved potential recovery.

Appendix A

Claims Audit List

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Claims Audit List

Claim Number	Claimant	Member	DOL	Type	Status	Total Reserve \$	Recommended Reserve \$
1. 2016-003228	Ald, H	Stanislaus, CSU	5/2/2017	BI	Open	\$117,286	\$117,286
2. 2017-003314	Ami, M	Fullerton, CSU	11/13/2017	PI	Open	\$16,994	\$16,994
3. 2016-003212	Apo, N	San Marcos, CSU	2/6/2017	PI	Open	\$184,149	\$184,149
4. 2017-003355	Bri, E	Maritime Academy,	11/8/2017	BI	Open	\$290,529	\$290,529
5. 2018-003464	Cha, L	Northridge, CSU	9/19/2018	BI	Open	\$395,005	\$395,005
6. 2017-003374	CITY	East Bay, CSU	2/1/2018	Other	Open	\$199,194	\$199,194
7. 2018-003524	Col, C	Long Beach, CSU	11/11/2018	PI	Open	\$1,000	\$1,000
8. 2018-003474	CSAA	Sonoma, CSU	8/15/2018	PD	Open	\$100	\$100
9. 2017-003243	Ebe, A	Sonoma, CSU	9/27/2017	BI	Closed	\$0	\$0
10. 2017-003342	Esp, A	San Luis Obispo,	1/12/2018	BI	Open	\$68,661	\$68,661
11. 2017-003278	Fis, A	San Luis Obispo,	12/1/2017	PI	Open	\$5,500	\$5,500
12. 2017-003484	For, D	Channel Islands, CSU	2/23/2018	PI	Closed	\$0	\$0
13. 2018-003548	HarA	Humboldt, CSU	5/9/2019	PD	Closed	\$0	\$0
14. 2017-003410	Hey, C	Dominguez Hills, CSU	4/14/2018	BI	Open	\$46,893	\$46,893
15. 2017-003368	Hon, S	Fullerton, CSU	4/5/2018	PI	Open	\$16,065	\$16,065
16. 2017-003352	Jen, L	San Francisco, CSU	8/28/2017	PI	Open	\$40,277	\$40,277
17. 2015-003400	Jon, Y	San Jose, CSU	6/23/2016	PI	Closed	\$0	\$0

Claim Number	Claimant	Member	DOL	Type	Status	Total Reserve \$	Recommended Reserve \$
18. 2017-003299	Kem, S	San Diego, CSU	10/19/2017	BI	Open	\$39,076	\$39,076
19. 2018-003481	Kha, E	Long Beach, CSU	11/15/2018	PI	Open	\$397,902	\$397,902
20. 2017-003456	Kin, S	Fullerton, CSU	6/25/2018	PI	Open	\$1,000	\$1,000
21. 2016-003324	Lov, J	San Jose, CSU	2/1/2017	PI	Open	\$0	\$0
22. 2017-003449	Lun, S	Humboldt, CSU	6/16/2018	BI	Open	\$24,705	\$24,705
23. 2017-003438	Man, I	Northridge, CSU	6/18/2018	PI	Open	\$14,089	\$14,089
24. 2016-003116	Man, T	Channel Islands, CSU	12/30/2016	PI	Open	\$31,974	\$46,974
25. 2015-003549	Mat, H	Sacramento, CSU	6/27/2016	PI	Open	\$25,000	\$25,000
26. 2018-003457	McN, J	Channel Islands, CSU	8/9/2018	Others	Open	\$6,000	\$6,000
27. 2013-002740	Meh, S	Northridge, CSU	5/15/2014	BI	Closed	\$0	\$0
28. 2016-003271	Nes, K	Long Beach, CSU	6/4/2017	BI	Open	\$61,340	\$61,340
29. 2015-002902	Nor, I	Long Beach, CSU	10/1/2015	PI	Closed	\$0	\$0
30. 2016-003069	Ouz, M	Los Angeles, CSU	10/17/2016	BI	Closed	\$0	\$0
31. 2017-003401	Ram, J	Monterey Bay, CSU	3/6/2018	BI	Closed	\$0	\$0
32. 2017-003364	Rob, J	San Diego, CSU	2/10/2018	BI	Open	\$23,347	\$23,347
33. 2017-003423	Rui, N	Los Angeles, CSU	6/29/2018	BI	Open	\$50,000	\$50,000
34. 2018-003482	San, D	Fullerton, CSU	10/31/2018	BI	Open	\$255,000	\$255,000
35. 2017-003425	San, S	Sonoma, CSU	6/13/2018	BI	Closed	\$0	\$0
36. 2017-003387	SAND	Maritime Academy,	6/25/2018	PD	Open	\$321,448	\$321,448

Claim Number	Claimant	Member	DOL	Type	Status	Total Reserve \$	Recommended Reserve \$
37. 2017-003398	Sea, M	Sonoma, CSU	5/13/2018	PI	Closed	\$0	\$0
38. 2017-003272	She, J	HQ- Long Beach	8/11/2017	PI	Open	\$257,682	\$257,682
39. 2017-003320	Sin, D	East Bay, CSU	9/1/2017	BI	Open	\$45,000	\$45,000
40. 2016-003270	Str, J	San Diego, CSU	6/2/2017	BI	Closed	\$0	\$0
41. 2016-003150	Tap, E	San Jose, CSU	12/9/2016	PI	Closed	\$0	\$0
42. 2013-002685	Tig, G	San Jose, CSU	2/9/2014	PI	Closed	\$0	\$0
43. 2018-003504	Whi, K	Northridge, CSU	11/11/2018	PI	Closed	\$0	\$0
44. 2016-003428	Wil, N	Fullerton, CSU	1/16/2017	PI	Open	\$45,840	\$45,840
45. 2016-003121	Yan, C	San Bernardino, CSU	8/20/2016	BI	Closed	\$0	\$0
Totals						\$2,981,056	\$2,996,056

Appendix B

Component, Subcomponent, and Criteria Scores with Exceptions⁴

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⁴ The total for NA scores in Appendix B differs from the total in Exhibit I-1 by 630. The difference represents the exclusion of the Litigation Management category in Exhibit I-1 while included in Appendix B. When all category answers reflect NA, there is no impact on scoring.

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

CSURMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
01 Claims Intake							
1	Claim Reporting	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
1.01	Does member report claim timely?	38	0	7	38	38	100%
1.02	Does the initial report have sufficient information for the adjuster to initiate contacts and investigation?	37	0	8	37	37	100%
1.03	Does the initial report reflect the member's familiarity with CSURMA claim reporting procedures?	38	0	7	38	38	100%
Subcomponent Total		113	0	22	113	113	100%
2	Claim Set Up	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
1.04	Is claim set up within 5 days of receipt?	38	0	7	38	38	100%
1.05	Are claim facts reviewed immediately to verify facts conform with coverage provided?	38	0	7	38	38	100%
1.06	Is claim data entry accurate?	36	0	9	36	36	100%
Subcomponent Total		112	0	23	112	112	100%
Category Total:		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
01 Claims Intake (85% target)		225	0	45	225	225	100%

Exceptions: 01 Claims Intake
Questions with "No" response

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

CSURMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
02 Investigation							
1	Contacts	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
2.01	Contacts with required parties initiated within 24 hours of receipt of claim?	20	0	25	20	20	100%
2.02	Is contact with parties sufficient to obtain required information?	14	0	31	14	14	100%
Subcomponent Total		34	0	56	34	34	100%
2	Obtaining and Preserving Evidence	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
2.03	Investigation is substantially completed within 15 days of assignment, or the claim is documented with efforts to do so.	16	0	29	16	16	100%
2.04	If the investigation is not complete within 30 days, there is an action plan to complete outstanding items?	18	0	27	18	18	100%
2.05	Investigation includes statements, police reports, photographs appropriate to support liability and damage decisions?	12	0	33	12	12	100%
2.06	If bodily injury is involved, are authorizations obtained?	0	0	45	0	0	N/A
Subcomponent Total		46	0	134	46	46	100%
3	Mitigation	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
2.07	If bodily injury is involved, the claim is reported to the index system?	10	5	30	10	15	67%
2.08	When fraud is suspected, additional investigation is pursued, together with reporting to authorities, if appropriate?	0	0	45	0	0	N/A
2.09	Did the adjuster perform a documented analysis of the extent of the member's negligence, including, if applicable, comparative negligence of the parties?	3	0	42	3	3	100%
Subcomponent Total		13	5	117	13	18	72%
Category Total: 02 Investigation (85% target)		93	5	307	93	98	95%

Exceptions: 02 Investigation
Questions with "No" response

	CLAIM	QUESTION
1.	2017-003243	2.07
2.	2016-003228	2.07
3.	2017-003320	2.07
4.	2017-003425	2.07

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

CSURMA

Components, Subcomponents and Questions	Number of Responses	Weighted	Score
02 Investigation	5. 2017-003401	2.07	

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

CSURMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
03 Plan of Action/Documentation							
1	Timeliness	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
3.01	Is an action plan documented and updated as necessary?	39	2	4	39	41	95%
3.02	Does the file reflect appropriate activities initiated to resolve the claim?	41	0	4	41	41	100%
Subcomponent Total		80	2	8	80	82	98%
2	Frequency of Updates	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
3.03	Time frames and follow-up dates documented?	33	2	10	33	35	94%
3.04	Diary frequency supported by case facts, but no longer than 60 days?	35	0	10	35	35	100%
3.05	Diary review is documented with date, adjuster name, and action taken?	44	0	1	44	44	100%
Subcomponent Total		112	2	21	112	114	98%
3	Quality of Documentation	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
3.06	Obsolete	0	0	45	0	0	N/A
3.07	Obsolete	0	0	45	0	0	N/A
3.08	File material receipt recorded by date stamp or other means?	44	1	0	44	45	98%
3.09	File documents communication among adjuster, claimant and defense counsel.	39	2	4	39	41	95%
3.10	Adjuster documentation is clear and professional.	43	0	2	43	43	100%
Subcomponent Total		126	3	96	126	129	98%
Category Total:		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
03 Plan of Action/Documentation (85% target)		318	7	125	318	325	98%

Exceptions: 03 Plan of Action/Documentation
Questions with "No" response

CLAIM	QUESTION
1. 2017-003398	3.09
2. 2017-003364	3.03
3. 2018-003548	3.08
4. 2017-003401	3.09
5. 2017-003423	3.01
6. 2018-003474	3.03
7. 2017-003272	3.01

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

CSURMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
04 Reserve Management							
1	Procedures	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
4.01	Initial reserve is established within 5 days of receipt of claim?	33	4	8	33	37	89%
4.02	Reserve adjustments are made within 30 days of receipt of information supporting a material change in developments?	20	1	24	20	21	95%
4.03	File contains documentation of reserve review at regular intervals, no greater than 120 days?	29	0	16	29	29	100%
4.04	Initial reserve and subsequent changes are supported by case facts?	41	0	4	41	41	100%
4.05	Reserves are evaluated by component, i.e., indemnity and expense?	42	0	3	42	42	100%
4.06	Reserve rationale is documented by worksheet, claim notes, report or other acceptable means.	34	1	10	34	35	97%
Subcomponent Total		199	6	65	199	205	97%
2	Evaluation and Accuracy	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
4.07	Indemnity reserve is accurate?	41	1	3	41	42	98%
4.08	Expense reserve is accurate?	36	0	9	36	36	100%
4.09	Reserve is closed within 30 90 days of final payment?	14	1	30	14	15	93%
Subcomponent Total		91	2	42	91	93	98%
Category Total: 04 Reserve Management (85% target)		<i>Yes</i> 290	<i>No</i> 8	<i>N/A</i> 107	<i>Actual</i> 290	<i>Possible</i> 298	<i>Pct</i> 97%

Exceptions: 04 Reserve Management
Questions with "No" response

	CLAIM	QUESTION
1.	2017-003243	4.06
2.	2016-003324	4.01
3.	2018-003481	4.01
4.	2015-003400	4.01
5.	2015-002902	4.02
6.	2016-003116	4.07
7.	2016-003121	4.09
8.	2018-003504	4.01

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

CSURMA

Components, Subcomponents and Questions		Number of Responses			Weighted	Score	
05 Statutory Compliance							
1	Compliance	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
5.01	Claim reflects compliance with state laws and regulations.	40	0	5	40	40	100%
5.02	Claim is flagged for required Medicare reporting?	1	1	43	1	2	50%
5.03	Does the adjuster require the claimant to comply with government code requirements?	5	0	40	5	5	100%
5.04	Is there analysis of potential immunity defense (s)?	5	0	40	5	5	100%
Subcomponent Total		51	1	128	51	52	98%
Category Total: 05 Statutory Compliance (85% target)		51	1	128	51	52	98%

Exceptions: 05 Statutory Compliance
Questions with "No" response

CLAIM	QUESTION
1. 2016-003271	5.02

06 Communication

1	Communication	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
6.01	Prompt response to internal communications?	37	0	8	37	37	100%
6.02	Response to correspondence requiring a response within 5 business days?	21	0	24	21	21	100%
6.03	Claim reflects updates between Risk Management and General Counsel?	35	1	9	35	36	97%
Subcomponent Total		93	1	41	93	94	99%
Category Total: 06 Communication (85% target)		93	1	41	93	94	99%

Exceptions: 06 Communication
Questions with "No" response

CLAIM	QUESTION
1. 2015-002902	6.03

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

CSURMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
		Yes	No	N/A	Actual	Possible	Pct
07 Claim Information System							
1	Data Integrity	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
7.01	Claim entry contains accurate information.	41	0	4	41	41	100%
7.02	Claim data is updated with new information.	40	0	5	40	40	100%
7.03	Claim system includes sufficient fields to provide meaningful loss information reports.	41	0	4	41	41	100%
7.04	Claim data is accurately reflected in loss run data.	41	0	4	41	41	100%
Subcomponent Total		163	0	17	163	163	100%
2	Medicare Reporting	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
7.05	Claim contains entries for fields required for Medicare reporting under MMSEA (Legal Name, DOB, Gender, SSN)?	39	0	6	39	39	100%
Subcomponent Total		39	0	6	39	39	100%
Category Total:		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
07 Claim Information System (85% target)		202	0	23	202	202	100%

Exceptions: 07 Claim Information System
Questions with "No" response

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

CSURMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
08 Claim Disposition and Payment							
1 Evaluation and Documentation		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
8.01	Was the damage evaluation performed within 30 days of receipt of damages information?	6	0	39	6	6	100%
8.02	If injury/disability was considered questionable, was an activity check performed or an independent medical examination considered?	0	0	45	0	0	N/A
8.03	Does the adjuster establish a value range and a negotiating plan prior to initiating negotiations?	2	0	43	2	2	100%
8.04	Is the evaluation properly documented?	6	0	39	6	6	100%
8.05	If wage loss was involved, did the adjuster verify with the employer?	0	0	45	0	0	N/A
8.06	If property damage, was it verified by appraisal/photographs or adjuster verification of contractor's scope and pricing?	1	0	44	1	1	100%
8.07	Were any applicable damage offsets assessed and applied?	2	0	43	2	2	100%
8.08	Are negotiations documented, stating each settlement offer and demand?	2	0	43	2	2	100%
8.09	Is a release executed prior to issuing a settlement check?	7	0	38	7	7	100%
8.10	Does file contain adequate documentation that Medicare interests have been protected pursuant to MMSEA?	0	0	45	0	0	N/A
Subcomponent Total		26	0	424	26	26	100%
2 Authority		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
8.11	Is settlement authority requested within 10 days of completing the evaluation?	0	0	45	0	0	N/A
8.12	Does the authority request clearly outline issues relevant to the claim to allow an informed decision?	0	0	45	0	0	N/A
8.13	Is settlement authority documented in the claim file?	2	0	43	2	2	100%
Subcomponent Total		2	0	133	2	2	100%
3 Payments		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
8.14	Payment is issued timely.	34	0	11	34	34	100%
8.15	Are payment requests supported by documentation?	34	0	11	34	34	100%
8.16	Payment is issued accurately.	34	0	11	34	34	100%
Subcomponent Total		102	0	33	102	102	100%
Category Total:		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
08 Claim Disposition and Payment (85% target)		130	0	590	130	130	100%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

CSURMA

Components, Subcomponents and Questions	Number of Responses	Weighted	Score
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08 Claim Disposition and Payment

Exceptions: 08 Claim Disposition and Payment Questions with "No" response

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

CSURMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
		Yes	No	N/A	Actual	Possible	Pct
09 Litigation/Recovery Management							
1 Litigation Management		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
9.01	Is the suit referred to a panel law firm within 5 days of notice?	0	0	45	0	0	N/A
9.02	Does assignment include an engagement letter providing counsel with litigation guidelines?	0	0	45	0	0	N/A
9.03	Does counsel work with adjuster to develop a litigation strategy?	0	0	45	0	0	N/A
9.04	Does counsel provide a preliminary evaluation within 30 days of assignment?	0	0	45	0	0	N/A
9.05	Does counsel provide a litigation budget within 30 - 45 days of assignment?	0	0	45	0	0	N/A
9.06	Is counsel's analysis thorough, providing a fact summary and analysis of liability and governing statutes?	0	0	45	0	0	N/A
9.07	Is counsel's subsequent reporting timely, within client guidelines?	0	0	45	0	0	N/A
9.08	Is alternative dispute resolution considered, if appropriate?	0	0	45	0	0	N/A
9.09	Do legal billings comply with litigation management guidelines?	0	0	45	0	0	N/A
Subcomponent Total		0	0	405	0	0	N/A
2 Recovery Management		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
9.10	Was responsible third party contacted within 10 days of knowledge or was there an attempt to identify potentially responsible parties?	0	0	45	0	0	N/A
9.11	Is there an investigation to determine the existence of contracts that would shift liability to another party?	0	0	45	0	0	N/A
9.12	If another responsible party is identified, is there appropriate follow-up contact until a response is obtained?	0	0	45	0	0	N/A
9.13	Was the responsible party notified in writing?	0	0	45	0	0	N/A
9.14	In the event the responsible party declines payment or ignores requests for payment, is there a decision made on whether or not to pursue subrogation after completing a cost-benefit analysis?	0	0	45	0	0	N/A
Subcomponent Total		0	0	225	0	0	N/A
Category Total:		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
09 Litigation/Recovery Management (85% target)		0	0	630	0	0	N/A

Exceptions: 09 Litigation/Recovery Management
Questions with "No" response

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

CSURMA

Components, Subcomponents and Questions	Number of Responses			Weighted		Score
Overall (85% target)	1,402	22	1,996	1,402	1,424	98%

CAMPUS WORKERS' COMPENSATION PROGRAM CLAIMS ADMINISTRATION AUDIT

ISSUE: CSURMA engages Sedgwick Claims Management Services (Sedgwick CMS) to serve as third-party administrator (TPA) for Campus and AORMA Workers' Compensation Risk Pool claims. Pursuant to CSURMA Policy and Procedure No. 5, a regular performance audit is performed to review services delivered by Sedgwick, particularly in regards to the standards of performance for the industry and the specific requirements outlined in the Service Agreement between CSURMA and Sedgwick CMS. A service performance audit on the Campus Workers' Compensation program was completed by Jacki Graf, CSURMA's Workers' Compensation Claims Consultant in June 2019. This is the 9th audit of the Campus Workers' Compensation Program.

RECOMMENDATION: The Board will be asked to review the service performance audit.

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

BACKGROUND: CSU is permissibly uninsured for Workers' Compensation. An agreement between CSURMA and Sedgwick CMS for Workers' Compensation claims administration contains performance standards required by CSURMA and associated compliance measurement for each party. A brief summary of the audit findings follows:

- A 10% sample of the open indemnity/future medical inventory was reviewed.
- Overall score 92%. 2% increase over 2017 result.
- Category results - Initial Contact/Documentation: 90%, Claims Management: 95%, Process Control 91%
- Areas of Strength - Employee and Coordinator initial contact, Medical Direction/Control 9/12 categories at 90% or above, Litigation Management 8/10 categories at 90% or above, Diary Management and Excess Reporting. Excess reporting noted a significant improvement in the providing of timely update reports to the carriers.

- Areas to focus upon in coming year:
 - Supervisory contact, Follow-up Employee Contact, Documenting Initial Attorney Case Analysis, Index on converted medical only files and annual follow-up, Authority for MSC, SAR in 30 days, Respond to changes in file status from a reserve standpoint within 30 days, comply with Claims Balance Worksheet requirements.

The audit confirmed that the files are well handled. The claims staff have good working relationships with the Campus Workers' Compensation Coordinators and manage the files appropriately through timely diary. Supervisory oversight with appropriate direction was noted in the files on a regular basis.

PUBLICATION: None.

ATTACHMENT(S):

- a. CSURMA Workers' Compensation Claims TPA Audit 2019 Report.

Confidential
Comment DRAFT

CSU **The California State University**
WORKING FOR CALIFORNIA



**CSU WORKERS' COMPENSATION
CLAIMS TPA
AUDIT
2019 REPORT**



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1. INTRODUCTION

The California State University (CSU) is permissibly uninsured for purposes of Workers' Compensation as authorized by the State of California. A Service Agreement between California State University Risk Management Authority (CSURMA) and Sedgwick to provide workers' compensation claims administration was entered into on July 1, 2003. Client Service Instructions were developed jointly with CSU and Sedgwick CMS to set forth claim procedures for expected claims handling. The agreement contains performance standards required by CSURMA and the associated compliance measurement for each. This agreement now extends through June 30, 2022.

This report represents the ninth audit conducted of Sedgwick CMS since the inception of the Workers' Compensation Third Party Administrator's Contract in 2003. Seven full audits and two "mini" audits have been conducted. The enclosed report reflects the findings of the full audit conducted in May through June of 2019.

Alliant appreciates the opportunity to provide Workers' Compensation auditing services to the CSU.

ALLIANT INSURANCE SERVICES

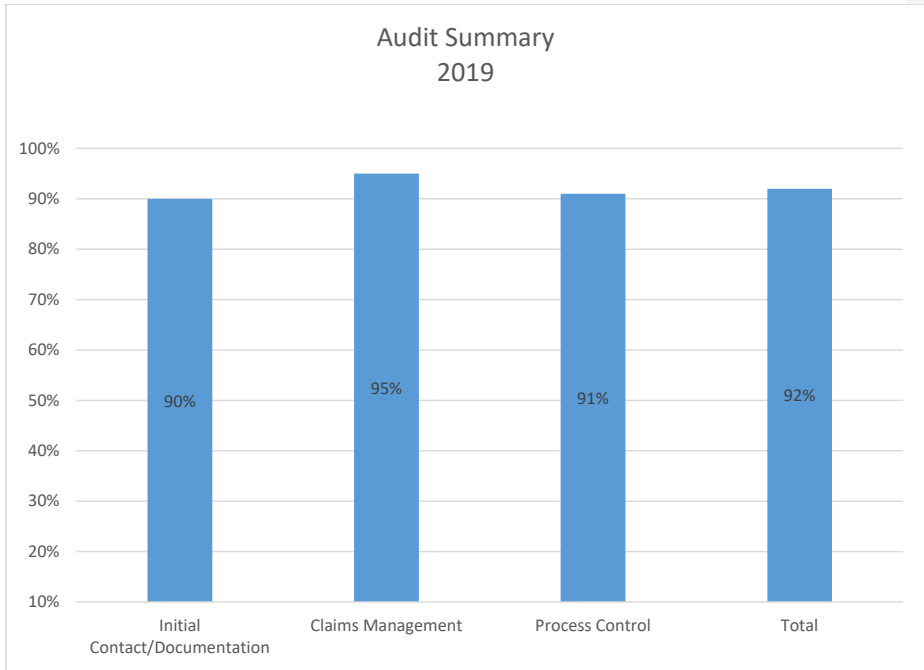
Jacki Graf

2. EXECUTIVE SUMMARY

2.1. OVERVIEW

An audit of workers' compensation files representing 10% of the open indemnity and future medical file population was conducted on files handled by Sedgwick during May and June of 2019. The majority of the claims staff is located in their Rancho Cordova office, with a satellite unit in Roseville and individual examiners in Oakland and Pleasanton. Sedgwick achieved a total audit score of 92% in this review. The average compliance standard required by the Service Agreement with Sedgwick is 90%. Detailed findings and results have been provided to CSU Systemwide Office Risk Management.

The audited areas are subsets of the three major audit categories: Initial Contact and Documentation, Claims Management and Process Control. The table below summarizes the findings in the three major categories:



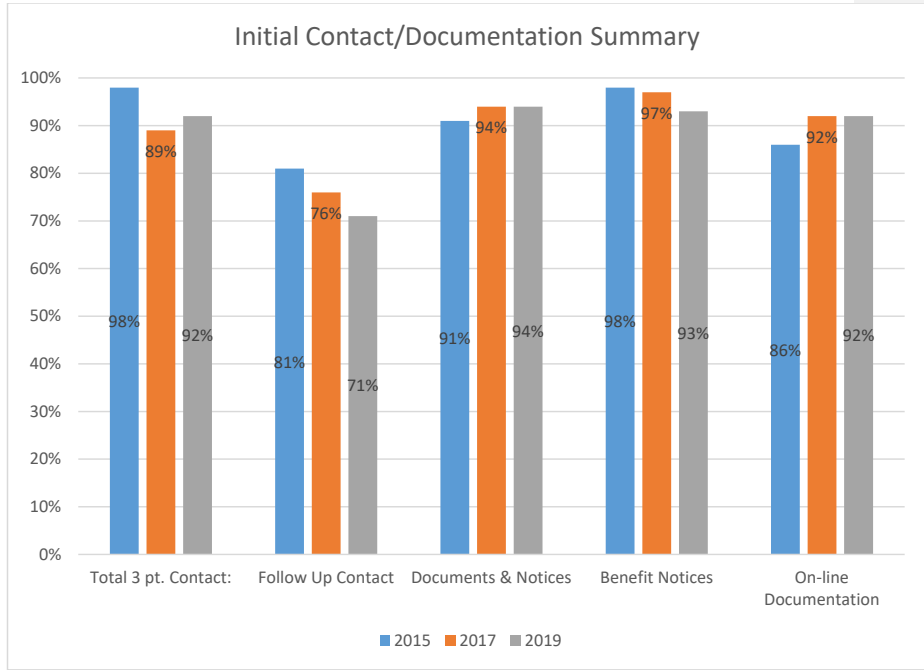
All three major categories met or exceeded the 90% standard with a 90% in Initial Contact/Documentation, 95% in Claim Management and 91% in Process Control. The overall result is 2% higher than the 2017 audit.

2.2. FINDINGS

2.2.1. Findings – Initial Contact and Documentation

The 2019 audit demonstrated 92% for the overall result in the category of Initial Contact/Documentation. 92% was also the overall score in this category in the 2017 audit. This remains a strong area for the claims handlers.

The following chart illustrates the findings in the subsets within the Initial Contact and Documentation category below:



Four of the 5 categories are above goal.

The Three Point Contact category saw an overall 3% improvement over last audit, with a noteworthy 10% improvement in the Employee Contact area. On Time Supervisor Contact rose 2%, though the completed Supervisor contact dropped 3%. Coordinator Contact rose 6% as did the optional Medical Facility Contact category. There was no change in Employee Completed or Coordinated Completed both rating a high 98% score.

The Follow-Up Contact category evaluates whether ongoing contact is maintained with injured workers throughout the life of the file per the standards outlined in the CSU Client Service Instructions. The performance in this sub category continues to be below standard. Ground has been lost in this audit period on this item again. The score fell from 81% in 2015 to 76% in 2017 to 71% in 2019. This is an area that needs more consistent attention.

Five of the campus inventories achieved 100% in this category. These examiners are to be commended for the consistent and sustained employee contact. Other inventories did not demonstrate a consistent performance in this area. This standard requires compliance by all examiners in the program. CSU values communication with the injured worker. Maintaining an ongoing dialogue through file resolution will reduce litigation and foster a more timely closure.

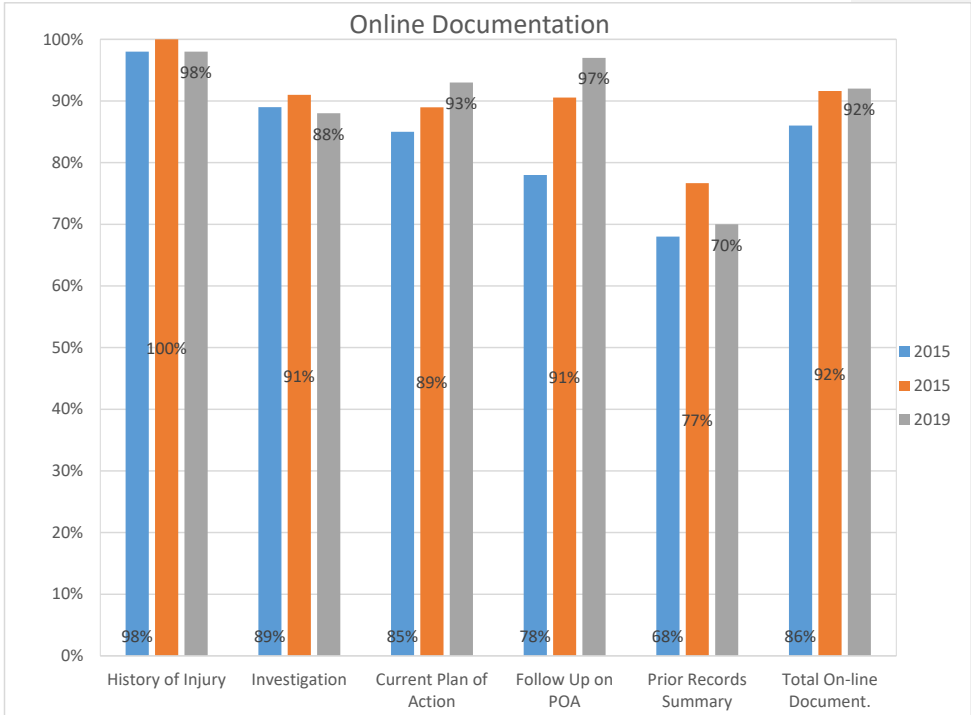
The Documents and Notices category had not change from the 2017 remaining at 94%.

Claim Form documentation dropped from 91% to 89% in this review period. I would like to see a summary of the claim form outlined in the notepad and not merely a notation that the Claim Form was returned by the injured worker. Also follow up with the campus for receipt of the returned Claim form by the employee should be done if a completed form is not transmitted at claim set up. This is the first document that an employee completes following an injury and it is useful to compare this injury report at the onset of the claim to how the injury expands over time as is seen in some files.

The Benefit Notices category result remains strong at 93%. This is a 4% drop from the finding in the last audit. Some of the follow up Permanent Disability notices were not timely sent.

The On-line Documentation category remains consistent at 92%. This area evaluates the documentation of the life of a file through concise summary of pertinent issues and the plan, steps or strategy to resolve same.

The specific areas evaluated are the documentation of the History of the Injury 98%, Investigation 88%, Current Plan of Action 93%, Follow-Up on the Plan of Action 97% and Prior Record Summary 70%.

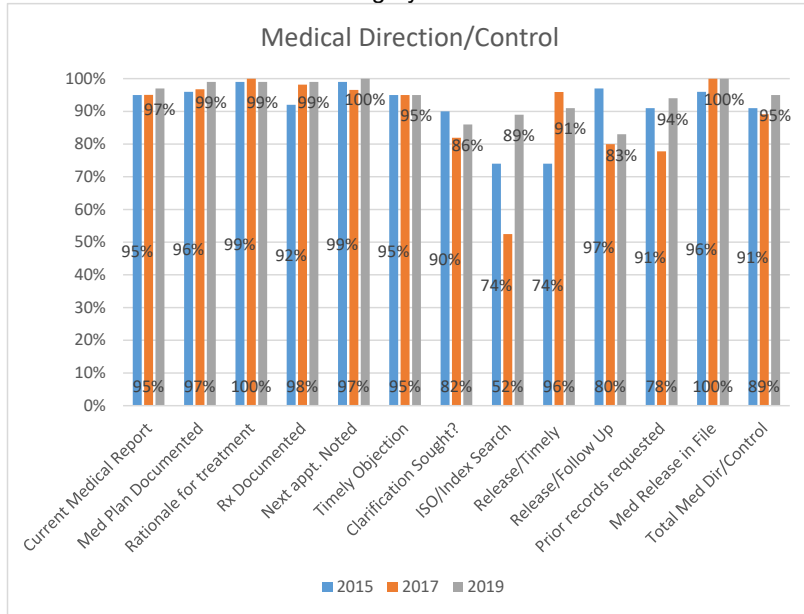


Follow up on POA (Plan of Action) continues to improve rising to 97% in this review. The files reviewed demonstrated that there was progress achieved in file movement from POA to POA and this was documented in the action plans. A good increase (+4%) was also noted in Current Plan of Action. Prior Record Summary lost ground with a 7% decline from the 2017 finding and remains significantly under goal at 70%. The investigation goal dropped 3% and at 88% is shy of goal.

2.2.2. Findings – Claims Management

Sedgwick achieved a score of 95% in the Claims Management category in this audit. This represents a 5% increase in this category since 2017. The Claims Management category is composed of two sub categories: Medical Direction/Control and Litigation Management. The results in the sub-categories are 95% in Medical Direction/Control and 96% in Litigation Management.

The chart below illustrates the results for the sub-categories that comprise the Medical Direction/Control category.



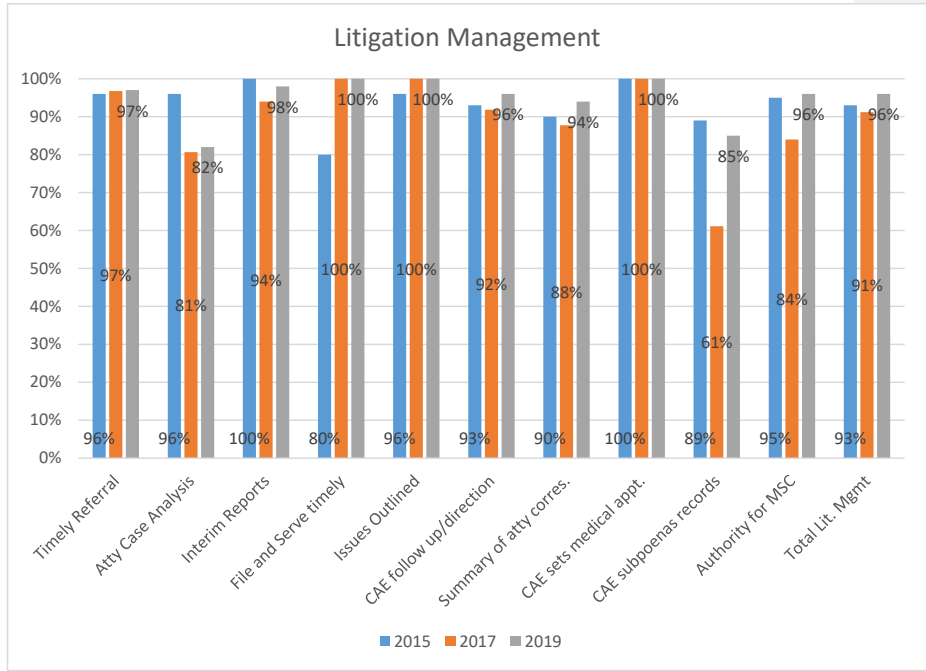
Nine of twelve sub category results surpass the standard. This is an area of strength for the claims staff. Medical Direction of the claim file is critical to the claim result as Workers' Compensation benefit eligibility is based upon medical evidence.

Medical Management/Control is the heart of claim management and the categories Current Medical Report through Clarification Sought evaluate the medical aspect of this area of claims management. Indemnity benefits are determined and verified by medical reporting. Recovery from injury or residuals are based on medical reports. Medical reports drive the case file.

The overall category improved 6% this review. Three categories are below desired goal: Clarification sought at 86%, ISO Index Search at 89%, and Medical Release Follow-up at 83%. Each of these categories improved from the last review 4%, 37% and 3% respectively. The 37% improvement in Index Search demonstrates a fix in the automation of this category. I am pleased to see this correction and vastly improved result.

Commented [JG1]:

The second component in the overall Claims Management Category is Litigation Management. Sub category results for the last 3 audits are displayed below.



Litigation Management improved by 5% over last review. This is a very strong result. Eight out of the ten subcategories are above standard.

Scores ranged from 82% to 100%. The most notably change was in the area of Claims Subpoenas records. This category rose 24%!! Quite the change in behavior.

Another noteworthy area of improvement is that of Authority for MSC (Mandatory Settlement Conference). This improved 12% and is now above goal at 96%.

Only two areas did not attain goal: Attorney Case analysis at 82% and Claims Subpoena Records at 85%.

Attorney case analysis rose from 81% in the 2017 review to 82% currently.

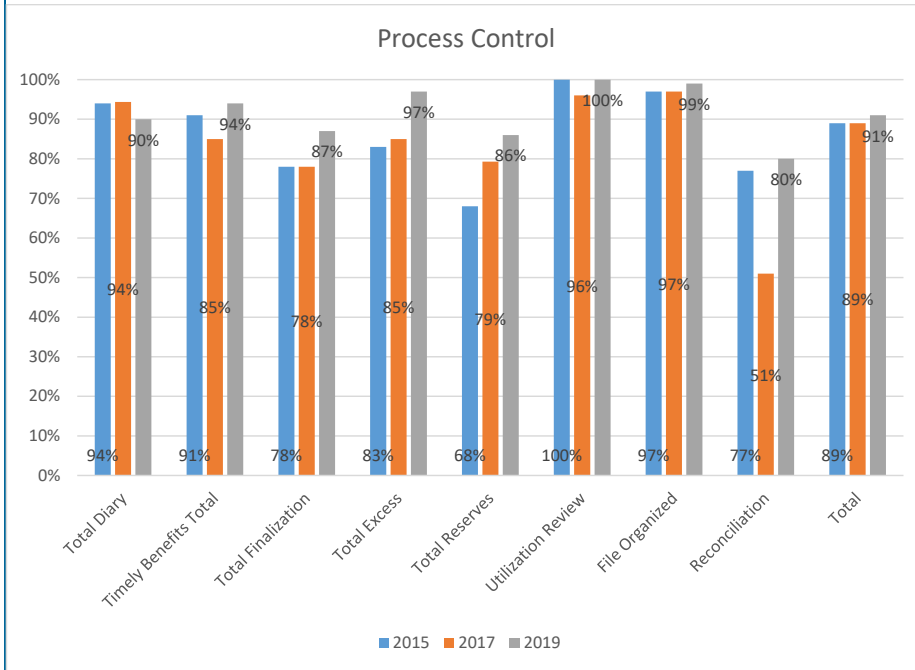
This category requires that the defense attorney initial analysis be received and posted to the note section of the claims system within 30 days of the file transmittal. This occurred in 28 of the 34 applicable files. While most of the time the attorney did send the analysis within 30 days, there were files where the examiner never posted a summary of the analysis to the claim file. As stated in prior review reports, the legal analysis of the claim issues should be a touchstone in the file for further claims handling.

Claims Subpoena Records gained ground remarkably with a 24% improvement as stated above. It falls short of goal by 5% at this time.

2.2.3. Findings – Process Control

The overall score in the Process Control category for the 2019 audit is 91%. This is a 2% over the last review.

The chart below displays the findings in the individual sub-categories in Process Control.



The following categories met or exceeded standard: Diary 90%, Timely Benefits Total 94%, Total Excess 97%, Total UR (Utilization Review) 100%, and Organization 99%.

The following areas did not meet standard: Finalization 87%, Reserves 86% and Reconciliation (Balance Sheet) 80%.

Comments:

Diary – At standard; 4% drop from prior review. There was a change in ranks in the Supervisors during the review period. The work of 3 different supervisors was reviewed in this audit. I found instances where the initial claim review at 5 days was not timely. I also noticed that there were some files where there was no supervisory review or an incomplete diary. There seemed to be an issue in the transition of diaries with the change in supervisor.

Timely Benefit Administration –94% above standard

Finalization Result – 87% below standard; represents a 5% improvement from last audit.

Ratings are obtained timely with a 98% result. The SAR's are not being completed through the approval process in 30 days. This category gained ground from 49% to 67% in this review. There is still considerable room for improvement. This area has historically been below standard.

The examiners generally prepare the SAR within 30 days of the rating, but when the internal review process requires operations manager approval the process often extends beyond the 30 day window due primarily to revisions that are requested. There is tracking system in place to monitor this process but the total turnaround exceeds 30 days in 33% of the cases.

Excess Reporting – Above Standard 97%

This category reviews both timely reporting to the Excess Carriers and Chancellor Office. All three component categories exceed goal.

Overall Reserve Awareness – Below Standard 86%

This category has improved overall 8%. There is still room for improvement. I will reiterate my comments from the prior review; the examiners need to timely recognize the pace/pattern of use of medical care and set reserves timely where there is reasonable expectation of permanent disability residuals especially in litigated claims.

Reconciliation- Below standard 80%

While this result misses the target by 10%; it demonstrates a 29% improvement over the last finding. This is a significant positive change. It is clear that the examiners are more aware of the need for a claims balancing as required by the Client Service Instructions.

The CSI's require that a claim file have a Claims Balance Worksheet completed annually for claims where indemnity benefits have been paid. This ensures that benefits are properly calculated. It was noted that 16 campuses had a 100% finding of compliance in this area. This is a marked improvement.

2.2.4. Findings – Staff Commentary

There has been changes in the staff since the last review.

16 of the campus inventories overall result are above 90%. By virtue of the overall audit score of 92% it is clear that staff is doing a good job of complying with Client Service Instructions.

2.3. RECOMMENDATION

Listed below are recommendations by category:

2.3.1. CSI Compliance Review

As always, an annual CSI refresher training review should be arranged. Given the audit findings this should particularly highlight the following areas: Supervisor Contacts, Follow Up Contact, DWC-1 documentation, Investigation, Prior Record Summary, Clarification Sought, ISO/Index Search, Follow-up Medical Release Timely, Initial Attorney Analysis, Examiner Subpoena Records, SAR in 30 days, Reserves Adequate and Timely, and Reconciliation.

CSI Update

The CSI document will be reviewed with Sedgwick to determine if any changes are recommended to ensure compliance. It is my understanding that Sedgwick is performing a review on the CSI at this time.

2.3.2. Training and Development

Specific training and development should be provided where individual examiner performance is not at standard.

Conclusion:

This audit documents that Sedgwick is performing at a high level and continues to maintain good performance. Campus client feedback indicates an overall high level of Client Satisfaction.

3. THE AUDIT

Criteria for the audit encompassed the following three major categories:

- **INITIAL CONTACT AND DOCUMENTATION**
- **CLAIMS MANAGEMENT**
- **PROCESS CONTROL**

Each criterion was assessed primarily on a quantitative assessment of whether appropriate documentation was present. In some instances, a degree of qualitative assessment was necessary to decide if documentation was adequate. Percentage scores were calculated for each criterion as well as for each category.

Results in each category are compared to the standards set forth in the Service Agreement and Client Service Instructions.

4. AUDIT FORMAT

Detailed findings for each major category, as well as each criterion, are presented in the following pages of this section. The presentation follows the format below:

MAJOR CATEGORY

CRITERION: (1 through X)

OVERVIEW: A brief statement describing the importance of this criterion.

ASSESSMENT: Statement of performance requirement for this criterion as called for in the Service Agreement. Description of approach used to assess compliance.

SCORE: Numerical findings.

SUMMARY AND RECOMMENDATIONS: Suggestions for improved performance in this major category.

5. AUDIT RESULTS

5.1. INITIAL CONTACT AND DOCUMENTATION

The Initial Contact and Documentation categories are made up of sub-groups consisting of: Three Point Contact, Follow-Up Contact, Documents and Notices, Benefit Notices and On-line Documentation.

5.1.1. Initial Contact and Documentation, Three Point Contact

OVERVIEW: To make a determination of compensability on each claim, an examiner must investigate all the facts of the injury. This requires communication with the injured worker, the employer and the physician. The injured worker relates the facts of the injury, the employer verifies these facts and the physician gives an opinion as to whether the injury is consistent with the facts as related by the injured worker.

CSU believes that the first contact with the injured worker is the most significant step in initializing a claim. Speaking directly to the injured worker is the best way to get the most information about the facts of the claim. The investigation process is critical to making informed compensability decisions. Direct contact also provides the opportunity to give the most accurate information to the employee regarding the process. Most injured workers have a very limited understanding of the workers' compensation process. Personal contact by the examiner can relieve anxiety and can give the employee confidence that their claim will be handled professionally and in a timely manner.

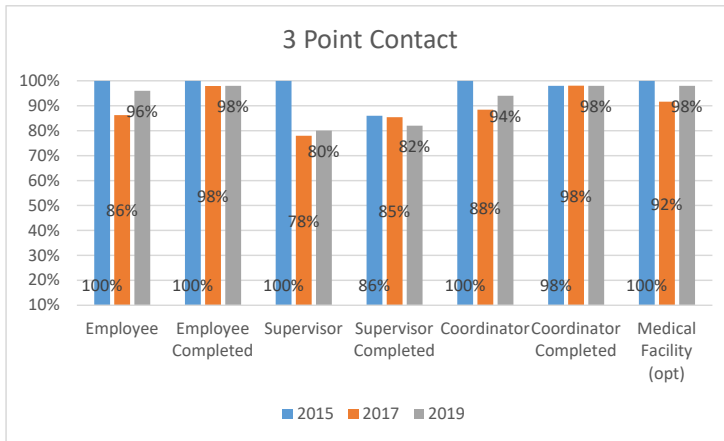
Contacting the employer at the time a new report of injury is received enables the adjuster to verify all pertinent information. It allows the employer to share any concerns about the facts of the injury and to give the adjuster any additional information not addressed in the Form 5020, Employer's First Report of Injury.

Contact with the supervisor provides an opportunity to validate the injured workers history of events, gather information about the physical requirements of the job and possible modified duty options and give a broader picture of the injured worker as an employee.

The Client Service Instructions do not require physician contact within one day of notice of claim. This is optional, if the medical information is available by medical report. If the Doctor's First Report of Injury (Form 5021) is not available, a discussion with the physician or medical office will provide necessary information on diagnosis, work status and treatment.

ASSESSMENT: The Service Agreement and the CSI require that Sedgwick contact the key individuals: Employee (EE), Workers' Compensation Coordinator (WCC), and Supervisor, within one working day of Sedgwick CMS's knowledge of the injury. If the Claims Examiner is unable to make

contact on the first day, subsequent calls should be made until each of the individuals is contacted. A compliance of 90% is required.



SCORE: 92% - The initial investigation of a claim file has historically been an area of strength for the Sedgwick claims staff. The current scores in these items ranged from 82% to 98%. Initial Contact Supervisor and Supervisor Completed are below goal; 80% and 82% respectively. There has been a 10% improvement in the Employee Contact category. Also a 6% positive shift for Coordinator Contact and Medical Facility.

If it has been determined that the information from the WC Coordinator is sufficient to determine compensability without completing the Supervisor contact, the file should be so documented. I must stress that in most instances, the Supervisor will be a good source of information, given the daily contact with the employee and knowledge of the work schedule/duties; so this completed contact would add to the knowledge of the claim file and the employee's motivations. I think it should be the rare exception that a Supervisor contact is not completed.

The overall Three Point Contact category is above goal at 92% having risen from 89% in the 2017 review.

5.1.2. Initial Contact and Documentation – Follow-up Contact

OVERVIEW: The Customer Service Instructions require that unrepresented employees be contacted every 14 days when losing time from work. For all other employees, contact shall be maintained at 60 day intervals.

ASSESSMENT: The on-line notes were reviewed to determine if phone contact was made at the sixty day interval on unrepresented employees during the last 180 days or at the 14 day intervals as defined in the CSI.

SCORE: 71% - did not meet standard

SUMMARY AND RECOMMENDATIONS: This category declined from the prior review where the result was 76%. It should be noted that on 6 campus inventories the category scored 100%. This area continues to lose ground and needs to be emphasized by Supervisory and Management staff.

Claims where the contact remains active throughout the life of the file will have less litigation and more opportunity to manage the claims process proactively. I noted that by and large, the examiners routinely maintain contact with the injured worker while they are paying IDL or temporary disability. The communication is not maintained once the employee becomes Permanent & Stationary or is back to work. At that point in the claim, the expectation is contact at 60 day intervals. Continued contact at this juncture will keep the employee informed of the steps necessary to resolve the claim and eliminate the need for attorney representation.

5.1.3. Benefit Notices

OVERVIEW: State mandated Benefit notices are required whenever there is a decision point in the benefit delivery for Workers' Compensation. Benefit notices are sent when claims or benefits start, stop, or change; and are delayed or denied. Benefit notices are sent regarding the entitlement to indemnity benefits: Temporary Disability, Industrial Disability Leave, Permanent Disability, and Supplemental Job Displacement benefits.

ASSESSMENT: In the confines of this audit review, files were examined to see that the correct notice was sent timely.

SCORE: 93% Above goal

5.1.4. On-line Documentation

OVERVIEW: Sedgwick utilizes the Juris claims system for claim documentation. The client portal to view the claim documentation is in the Via One system.

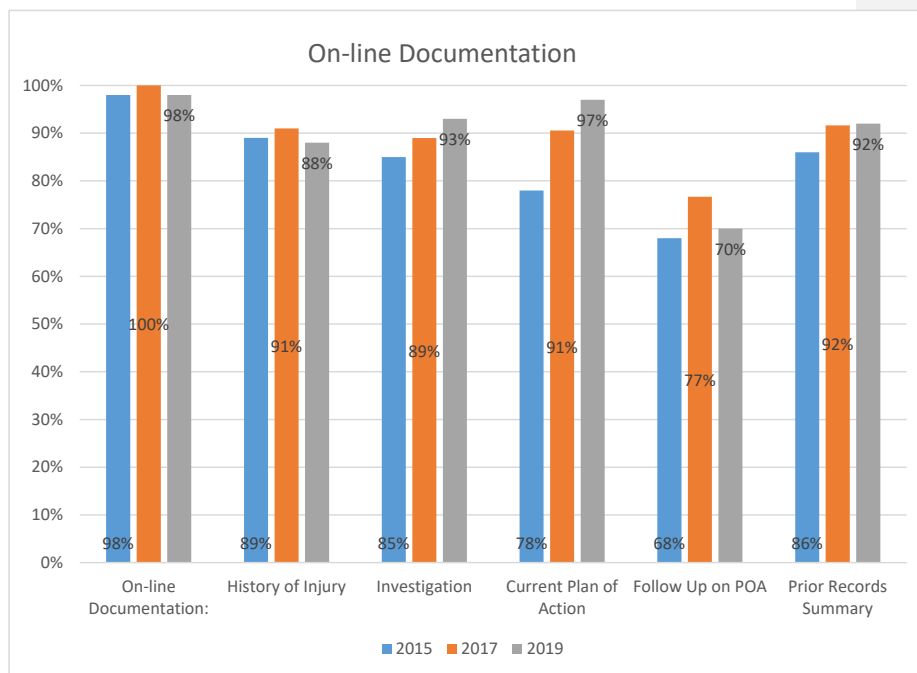
As this access to claim information is CSU's primary tool for monitoring claims, it is critical that details be documented clearly and accurately. The CSI states that all entries will contain appropriate detail, identify the issues of the claim and describe the plan of action being undertaken to resolve these issues. An Action Plan will be documented in the notepad every 90 days on indemnity files and at 180 day intervals on Future Medical files.

Medical records received via medical release or subpoena will be summarized on Notepad.

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ASSESSMENT: The file documentation in the notepad was reviewed in the following areas: History of Injury, Investigation, Plans of Action (POA); Current POA, Follow-Up POA and Prior Record Summary. The file documentation was reviewed to determine if there was a clear picture of claim events. The file was also reviewed for documentation summarizing subpoenaed medical records and how these records impact the claim exposure. The Service Agreement requires 90% compliance.

SCORE: 92%



There has been movement in the individual category results, while the overall total score remains unchanged from the prior review.

Those areas that have demonstrated an uptick in the result are: Current Plan of Action +4%, Follow-up on Plan of Action +6%

The areas that have dropped in score are: History of injury -2%, Investigation -3% and Prior Record Summary -7%.

Two areas are below goal and require improvement: Investigation at 88% and Prior Record Summary at 70%.

I found a few cases where there could have been a more thorough investigation of the initial accident. Prior record review has been below goal in

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at least the last 5 audits with scores ranging from 77% to 68%. It is important for medical evaluation of causation issues and the possibility of apportionment that records be reviewed and noted by the examiner for pertinent information. Nine campus inventories achieved 100% in this category.

5.2. CLAIMS MANAGEMENT

Overall CLAIMS MANAGEMENT: The Claims Management category directs and controls the path of the claim to resolution. Directing the medical process determines injury compensability and subsequent benefit eligibility benefits, as well as, the nature and scope of medical care. The goal of claim management is to resolve treatment issues, bring the medical condition to a stable status, return the employee to work, and finalize Permanent Disability benefits. This is done through a process of diary management and issue resolution strategy. Claim management requires effective communication with employee, physician, employer and attorney. Effective claims management requires competency in Workers' Compensation laws, strong analytical skills, effective time management and good communication.

Claims Management is divided into two overall categories: Medical Direction/Control and Litigation Management.

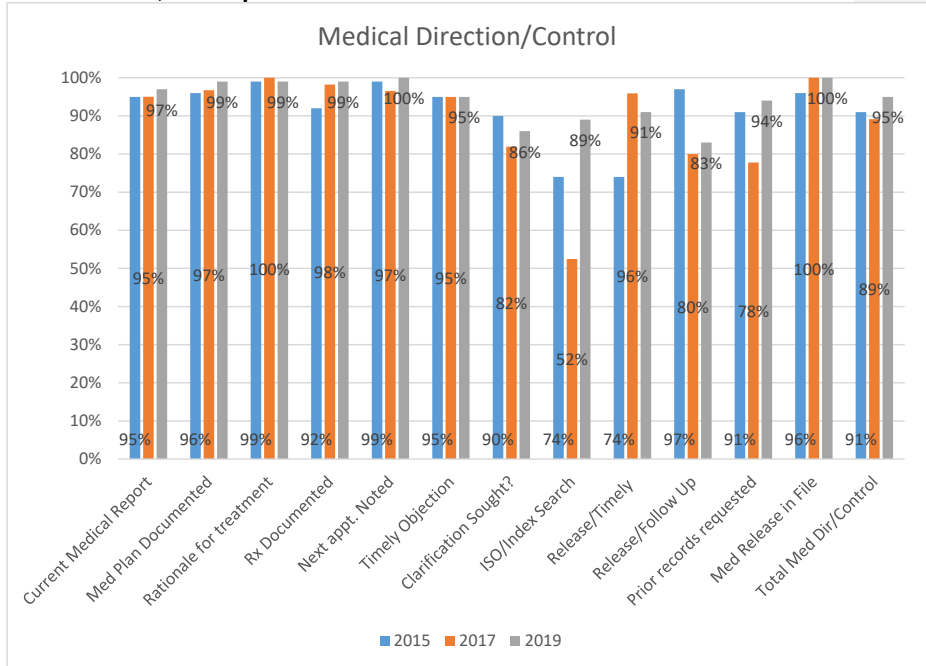
5.2.1. Medical Direction/Control

OVERVIEW: While effective and efficient management of all aspects of the case is the key to lowering the cost of the claim; medical management is the most critical. This is because the merits of the claim are primarily based upon the medical evidence. In addition, if treatment is not authorized promptly, the recovery period for the injured employee is prolonged. If there is not a current medical report in the file, the case cannot move to finalization.

All physicians must have a complete medical picture. If an employee has had prior injuries to the same body part, the physician should have those records to evaluate the disability of the current injury. In addition, Reform Legislation provides for apportionment for pre-existing conditions and prior awards. This can mitigate the financial exposure of the claim. The Examiner must provide the physician a clear and complete presentation of the medical issues affecting case exposure.

ASSESSMENT: This audit determined if the categories scored below met the standards set in the CSI agreement by online file review.

SCORE: 95%; 6% Improvement



RECOMMENDATIONS:

Note the overall category is well above goal at 95%.

Three areas in this overall category are below goal.

Clarification sought: 86%. This is an area where an examiner can indeed make an impact on the course of a claim. Good claims practice is to communicate with the treating and evaluating physicians to clarify any issues with respect to causation, treatment, disability and apportionment. This can be done via letters to the physician or phone calls. It is prudent for the claims examiner to develop a rapport with the treating and evaluating physicians for the campuses that they serve. This will aid the campus in making return to work decisions and assist the examiner in compensability and benefit delivery decisions. New body parts that appear in medical reporting that are not part of the original claim should be addressed with the physician to establish compensability. Some examiners communicate regularly with the treating and evaluating physicians. Clarification can also be sought through the PQME/QME process.

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Index Search: This category missed goal by 1%. This is a marked improvement of last review. The result of 89% represents a 37% improvement. Excellent progress.

Medical release follow up – 83%. This score improved 3% over last review. The med release follow up process is inconsistent in the inventory. It is noted that when files convert from medical only to indemnity the med release solicitation process is not consistently pursued.

5.2.2. Litigation Management

OVERVIEW: Once an applicant's (employee's) attorney becomes involved in a claim, the average cost of the claim rises, due both to the cost of defending the case and the higher average settlement values obtained. When an attorney does become involved, legal costs can be minimized by involving the adjuster in performing as many tasks as possible that lead to the defense of the claim and final resolution. Complex issues can benefit by defense attorney involvement to direct the case appropriately. Proactive management on the claim examiner's part is essential in controlling legal costs.

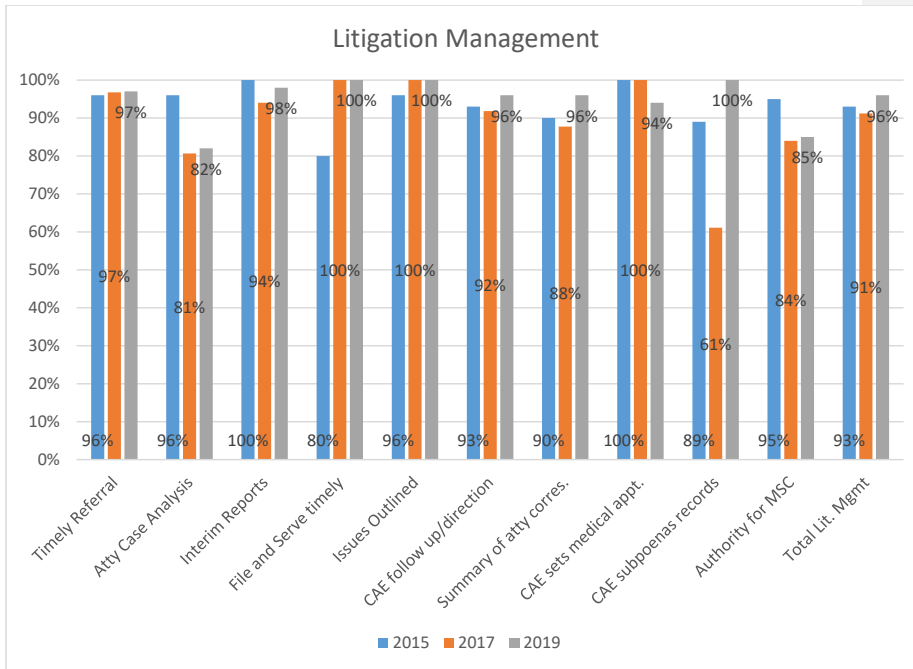
ASSESSMENT:

- **Timely Referral:** The audit evaluated whether an attorney was assigned at the appropriate time in the file events.
- **Attorney Case Analysis:** The CSI's and the Service Agreement requires defense counsel to submit a case analysis within thirty days of assignment. The file was reviewed for documentation of this initial case analysis.
- **Interim Reports:** The assessment was two-fold in this area: whether the defense attorney provided interim reports timely based upon case events and whether the examiner posted a pertinent summary of the reports to the notepad timely.
- **File and Serve Timely:** The audit assessed whether the claims examiner served medical reports and other information as required on the parties to the litigation or the WCAB as necessary.
- **Issues Outlined:** The file was reviewed to determine if the pertinent issues were documented in the notepad.
- **Claims Examiner Follow up/Direction:** The notepad was reviewed to determine if the examiner performed the tasks recommended by the defense attorney.
- **Summary of Attorney Correspondence:** The file was reviewed for same. It is now common practice by most of the examiners to paste a complete copy of the attorney's correspondence in the notepad.

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- Examiner Sets Medical Appt: As addressed in the CSI, the claims examiner will continue to manage the file, including performing administrative tasks, such as setting medical appointments, sending appointment letters and medical record requests. These tasks are to be completed by Sedgwick staff with few exceptions.
- Examiner Subpoenas Records: See above
- Authority for MSC: Settlement authority must be obtained well before the Mandatory Settlement Conference date. The WCAB procedures require that a Declaration for Readiness to Proceed (DOR) be filed to seek a hearing date before the board. The timing of the SAR, therefore, is tied to the timing of the DOR. The CSI prohibit settlement negotiations without a Settlement Authority Request authorized by the campus and/or the Chancellor's office as necessary. The SAR must be presented to CSU 30 days prior to the defense attorney filing a Declarations or Readiness. If the DOR is filed by the applicant, the SAR must be submitted within five days of receipt of notification.

SCORE: 96%



SUMMARY AND RECOMMENDATIONS:

LITIGATION MANAGEMENT – Overall the result in this category is very good; Total Litigation Management is 96%. Two areas do not meet goal: Attorney Analysis 82% and Authority for MSC 85%.

There was one category with a significant positive shift in score; Claims subpoenas records was found in 100% of the case representing a 39% improvement.

Attorney Analysis – 82%. This category rose 1%. This is the documentation of the Defense Attorney's initial case analysis. The attorney is to provide this within 30 days of the case referral and the examiner is to document same upon receipt. This was not consistently documented by all examining staff. This is an important document in the file and serves as the guide for future claim strategy and resolution. I cannot stress enough the need to document the initial case analysis. Thirteen campus inventories attained 100% in this category.

Authority for MSC also rose 1%. I will reiterate the observation from the prior review the SAR process must be timely for authority to be provided prior to the Mandatory Settlement Conference. The awareness of this time sensitive issue needs to be raised. A system solution to timely identifying upcoming conference settings should be explored.

5.3. PROCESS CONTROL

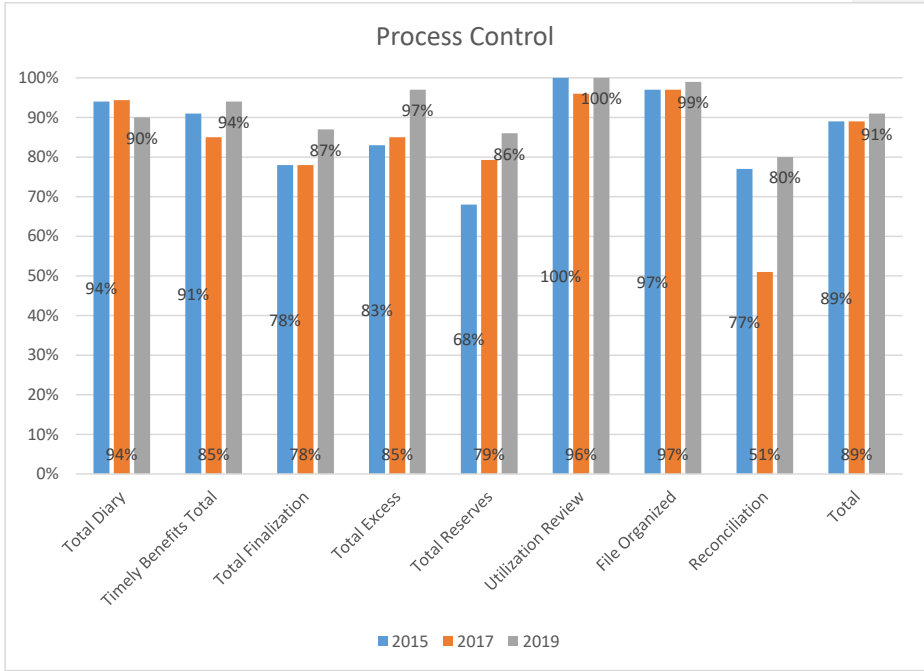
OVERVIEW: The Process Control Section evaluates that diary oversight is performed by the examiner and supervisor at CSU prescribed intervals, that benefits are timely delivered to injured workers, that appropriate steps are taken to bring files to resolution upon receipt of a Permanent and Stationary (P & S) report, that excess reporting requirements are met, that reserves are adequate and timely adjusted, that Utilization Review process is timely, files are organized and that a claims balance/reconciliation is conducted at intervals specified in the CSI.

- **Diary** - Examiners are to maintain a 30 day oversight diary on open files. For files where disability is being paid, the file must document that there is medical verification for disability at 14 day intervals consistent with payments. The supervisor is responsible for reviewing new files at five days, and delayed files throughout the delay process up to and including any denial decisions. Supervisor oversight diary is to be conducted every 90 days on indemnity files. Future medical files require daily oversight at 180 day intervals.
- **Timely Benefits** - The files were reviewed to determine if payments were made on time and/or penalties were paid for late payments.

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- Finalization - Upon receipt of a Maximum Medical Improvement (MMI) report, files were reviewed to determine if the examiner rated the report within 30 days of receipt of the report, drew up a Settlement Authorization Request (SAR) within 30 days of the rating and paid the award correctly/timely once approved.
- Excess Reporting - Files meeting excess reportable criteria were reviewed for notification to the excess carrier, that the notice was timely and the reports were current. Should the excess carrier close their file, Chancellor Office reporting should be maintained pursuant to reserve criteria until file closure.
- Reserves – Reserves should reflect the most probable outcome of the claim based on information readily available at any point in time. As that information changes, reserves should be adjusted accordingly. All reserve calculations should be clearly reflected in the file. The Service Agreement requires that reserves be evaluated and adjusted on a regular basis, but at a minimum, any time the medical prognosis changes. The online reserve screen was reviewed for adequacy and timeliness. A reserve change is considered timely if it is posted thirty days from the event causing the change in the financial outlook of the claim. The rationale should also be documented on the reserve screen and PD ratings should be adjusted for age in occupation to support the PD estimate.

SCORE: 91% - Overall Process Control. Exceeds goal.



5.3.1. Diary

SCORE: 91% - both sub categories are above goal

5.3.2. Timely Benefits

SCORE: 95% - above standard

This category improved by 9%.

5.3.3. Finalization

SCORE: 87% - below standard.

Overall score improved by 9%. The rating component of the finalization score has remained above goal since at least 2010 and in this review was found to be at 98%. The SAR in 30 days component continues to struggle to achieve goal with a 66% score in 2010, 33% score in 2013 and 57% in 2015, 49% score in 2017 and 67% in 2019. In 2015, there were 10 campus locations that achieved a 100% score in the SAR in 30 days category. In 2017, there were four. In 2019, ten campus inventories attained 100% in this category.

As indicated in the Executive Summary section of this report, the review process once the Examiner completes the SAR initially can take more than 30 days. The category did improve by 18%. The approval delay occurs when

files require review at the Operations level and changes in the document are requested.

5.3.4. Excess Reporting

SCORE: 97% - above goal

The Excess Reporting category looks at both the timely reporting to the excess carriers pursuant to their respective requirements and the reporting of claims to the Chancellor's Office when reserve thresholds exceed \$175,000.

This category looks at three areas:

- Carrier Notified: 100%
- Notified Timely: 92%
- Report Current: 97%

Following the last review steps were taken to improve compliance in this area. These changes have been successful in ensuring excess reporting is completed timely.

5.3.5. Reserves

SCORE: 86% - below standard; +7%

This area made some improvements but it is still noted that permanent disability was not recognized timely as a probable outcome by some examiners particularly in litigated or surgical files. The full realistic cost of lifetime medical exposure was not always recognized. The pace or pattern of use of medical care needs to be monitored routinely to ensure reserve adequacy. This should be part of the regular diary review.

5.3.6. Utilization Review

SCORE -96%

Files were found to have proper and timely UR documentation in all files where UR was appropriate. UR is noted to be used more frequently in the management of prescription drugs with positive impact. There was only one file where UR was not utilized.

5.3.7. Organization

SCORE: 99%

Files have the appropriate documentation.

RECONCILIATION
SCORE: 80%; + 29%

A concerted effort was made by the claims staff to meet the Reconciliation (Claims Balancing) goal. Marked improvement.

The supervisors will need to continue to monitor this activity as part of their routine diary review.

5.3.8. Summary and Recommendations

Process control improved 2% in the overall score since the last review audit and now exceeds goal. The categories to target for improvement are SAR in 30 days and Reserves.

PROCESS CONTROL SUMMARY AND RECOMMENDATION

DIARY – above goal. Maintain result

TIMELY BENEFITS – above goal. Maintain result

FINALIZATION –Processing of SARs has improved but remains below goal. When changes are recommended at the operations level the SAR process exceeds the 30 days window. The SAR will need to be presented to Operations earlier in the 30 day timeframe to allow for modifications to the SAR document.

EXCESS REPORTING – An annual refresher on all Excess, Chancellor Office reporting requirements, and thresholds need to be conducted for claims staff. Excess Reporting Reference Charts should be made available to all claims staff. The reporting has improved and meets goal.

RESERVES – There remains a need to realistically estimate the probable ultimate cost of the claim file timely. Adjustments should be made timely (within 30 days) of an event that changes the financial exposure of a claim.

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Such events can be indications for surgery, loss time from work, litigation, pattern of medical treatment use etc.

UTILIZATION REVIEW – No recommendations

ORGANIZATION – No recommendations

RECONCILIATION – The Service Agreement requires balancing of each file annually and at time of closing. EIA requires 6 month balancing of the file. Supervisors need to continue to review and raise the awareness of the requirement.

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6. STAFFING

OVERVIEW

The attached spreadsheet indicates the campus assignments, and inventory count of each Claims Examiner. It also provides the years of experience in workers' compensation, years of experience with Sedgwick, Self-Insurance Plans Certificate and any other designation.

The Service Agreement requires that all adjusters have an equivalent of five years of experience handling workers' compensation claims. All must attain a Self-Insured Plans Certificate within six months of hire date. Supervisors at Sedgwick must have a minimum of 10 years of experience handling/supervising claims.

Two graduates of the Sedgwick examiner training program are on staff in the program with CSU approval and both are meeting standards for the program.

ASSESSMENT:

The average caseload assignment as of May 31, 2018 was 95 files. The average caseload ranged from 92 to 98 throughout Fiscal Year 2017/2018.

The target caseload is 125. The caseloads have remained well below the target throughout FY 2017/2018. This continues to represent a very reasonable workload and that staffing levels are adequate.

There were staffing changes since the last review. A new Supervisor joined the team in September 2018. This employee is well experienced in Workers' Compensation, and has been a long time Sedgwick Supervisor in another program. The prior Supervisor returned to an examiner position in October 2018.

SUMMARY AND RECOMMENDATIONS:

With caseloads at such reasonable levels the work product should remain strong. Examiner inventories should be reviewed no less than quarterly by Sedgwick management to ensure reasonable workloads. When new examiners join the team it is essential that the service requirements of the CSU be reviewed and compliance with same observed. Campus contacts report satisfaction with examiner performance. Supervisory oversight ensures compliance and that inventories are well tended by all staff. The program runs well and produces good results. This is expected to continue with the staff, systems and oversight programs that are in place.

CSURMA ADMINISTRATIVE SERVICE CALENDAR

ISSUE: This item is provided as an information item to advise the Board of Directors of the various recurring administrative activities and when they take place over the course of the year. It includes items noting when they appear before the Executive Committee and Board of Directors. It is to be provided for information with each agenda packet.

RECOMMENDATION: It is recommended that the Board of Directors review the CSURMA Administrative Service Calendar and provide direction to staff as appropriate.

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

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S):

- a. CSURMA Administrative Services Calendar

CSURMA AORMA SERVICE CALENDAR

DATE	ACTION / RESPONSIBILITY	RESPONSIBLE ENTITY	LEAD	STATUS
JANUARY 2019				
01/01/19	CSURMA Policies and Procedures (odd in odd years / even in even years)	Alliant Staff	Robert Leong	Completed
01/02/19	FORM 700 - JPA ADMIN finalizes current year member listing	Alliant Staff	Tevea Him	Completed
01/06/19	State Filing - Statement of Facts – Roster of Public Agencies - file with Secretary of State	Alliant Staff	Tevea Him	Pending
01/06/19	State Filing - Joint Powers Authority - file with Secretary of State - As Needed	Alliant Staff	Tevea Him	N/A
01/06/19	State Filing - Financial Statement to the County Auditor and State Controller	Alliant Staff	Tevea Him	Completed
01/06/19	Treasurers' Bond	Alliant Staff	Van Rin	Completed
01/07/19	Announce the new AORMA Committee open seats on the AORMA Committee at the AOA Conference	Nominations Committee	Mimi Long	Completed
1/13-16/2019	CSURMA AOA CONFERENCE	Alliant Staff	Mimi Long	Completed
01/13/19	CSURMA EC Meeting	Alliant Staff	Mimi Long	Completed
01/14/19	AIME Committee Meeting	Alliant Staff	Stacey Weeks	Completed
01/15/19	FORM 700 - JPA ADMIN sends Form 700 to CSURMA FILERS, including EC, BOD, AORMA, Standing Committees, and designated consultants, including identified Alliant personnel	Alliant Staff	Tevea Him	Completed
01/31/19	Final premium / rate letter to all AORMA members	Alliant Staff	Mimi Long	Completed
01/31/19	Workers' Compensation Scorecard - Receive report from Sedgwick and distribute	Alliant Staff / Sedgwick	Tevea Him	Completed
FEBRUARY 2019				
02/01/19	Campus Liability Risk Pool claims audit (every odd year)	Alliant Staff	Mimi Long	Completed
02/01/19	AORMA Liability Program claims audit (every odd year)	Alliant Staff	Mimi Long	Completed
02/01/19	Campus Workers' Compensation Risk Pool claims audit (every odd year)	Alliant Staff	Jacki Graf	Completed
02/01/19	AIME Risk Pool claims audit (every odd year)	Alliant Staff	Mimi Long	Completed
02/01/19	AORMA Workers' Compensation program claims administration audit (every even year)	Alliant Staff	Jacki Graf	N/A
MARCH 2019				
03/01/19	AORMA Liability Program - Reinsurance Recovery / EPL Deductible Recovery (verify w/ Yumi)	Carl Warren	Mimi Long	N/A
03/01/19	CSURMA Cash Flow Statement at Dec 31st	Alliant Staff	Susan Leung	
03/01/19	AORMA Liability Program - Reinsurance Recovery (verify w/ Yumi)	Carl Warren	Mimi Long	N/A
03/01/19	Chancellor's Office Services Budget Proposals	Alliant Staff	Mimi Long	Completed
03/01/19	CSURMA Budget (EC and AORMA Approval)	Alliant Staff	Robert Leong	Completed
03/01/19	Review of the CSURMA Master Investment Policy	Alliant Staff	Mimi Long	Completed
03/01/19	CSURMA Mid-Term Budget Amendments	Alliant Staff	Robert Leong	Completed
03/01/19	FORM 700 - Follow up No. 3 - JPA ADMIN follows up with FILER	Alliant Staff	Tevea Him	Completed
03/01/19	Review the Auxiliary Service Provider Report	Alliant Staff	Mimi Long	Completed
03/01/19	Appointment of the Campus Programs RPTG - Spring 2018 (FY 2019/2020)	Alliant Staff	Robert Leong	Completed
03/07/19	AORMA Committee Meeting	Alliant Staff	Mimi Long	Completed
03/07/19	CSURMA EC Meeting	Alliant Staff	Mimi Long	Completed
03/08/19	CSURMA EC LRP Meeting	Alliant Staff	Mimi Long	Completed
03/20/19	Forward slate of nominees to fill the open seats on the AORMA Committee	Alliant Staff	Mimi Long	Completed
03/31/19	Completion of the Form 700 – Statement of Economic Interest	BOD and Alliant Staff	Tevea Him	Completed
APRIL 2019				
04/01/19	Campus Risk Pool Administrator verifies Campus Primary and Alternate representative remain in place by contacting campus representatives (i.e. ensure no leave of absence, retirement, change in duties, etc.)	Alliant Staff	Tevea Him	Completed
04/01/19	Send out ballot for AORMA Committee term beginning on July 1, 2019	Alliant Staff	Tevea Him	Completed
04/30/19	Workers' Compensation Scorecard - Receive report from Sedgwick and distribute	Alliant Staff / Sedgwick	Tevea Him	Completed

CSURMA AORMA SERVICE CALENDAR

DATE	ACTION / RESPONSIBILITY	RESPONSIBLE ENTITY	LEAD	STATUS
MAY 2019				
05/06/19	<i>AIME Committee Meeting</i>	Alliant Staff	Stacey Weeks	Completed
05/02/19	<i>CSURMA BOD NMO Meeting via Teleconference</i>	Alliant Staff	Mimi Long	Completed
05/02/19	<i>AORMA Committee Meeting</i>	Alliant Staff	Mimi Long	Completed
05/03/19	<i>CSURMA EC Meeting</i>	Alliant Staff	Mimi Long	Completed
05/03/19	<i>CSURMA BOD Meeting</i>	Alliant Staff	Mimi Long	Completed
05/01/19	Approval by EC Resolution allowing Treasurer to invest or reinvest funds (P/O Budget Resolution	BOD and Alliant Staff	Tevea Him	Completed
05/01/19	Approval of Conflict of Interest Code by BOD every even-number year - File with FPCC as required	BOD and Alliant Staff	Tevea Him	Completed
05/04/19	Receive back all AORMA Committee ballots for the term beginning on July 1, 2019	Alliant Staff	Tevea Him	Completed
05/11/19	CSURMA Quarterly Investment Reschedule for EC Meeting	Alliant Staff	Tevea Him	Completed
05/15/19	FORM 700 - Follow up No. 1 - JPA ADMIN follows up with FILER	Alliant Staff	Tevea Him	Completed
05/30/19	Send out appointment letters to the newly elected AORMA Committee members for the term beginning on July 1, 2019	AORMA Chair/Alliant Staff	Tevea Him	N/A
05/30/19	Send out appointment letters to the newly elected Executive Committee members for the term beginning on July 1, 2019	AORMA Chair/Alliant Staff	Tevea Him	N/A
05/30/19	Update the AORMA Committee and Standing Committee Org Chart for the term beginning July 1, 2019	Alliant Staff	Tevea Him	Completed
05/30/19	Update the AORMA Committee and Standing Committee Roster for the term beginning July 1, 2019	Alliant Staff	Mimi Long	Completed
JUNE				
06/01/19	AORMA Liability Program - Reinsurance Recovery / EPL Deductible Recovery (verify w/ Yumi	Carl Warren	Mimi Long	Completed
06/01/19	CSURMA Cash Flow Statement at March 31st	Alliant Staff	Susan Leung	Completed
06/01/19	FORM 700 - Follow up No. 2 - JPA ADMIN follows up with FILER	Alliant Staff	Tevea Him	Completed
06/30/19	<i>Expiring Contract: CO Enterprise Accounting / Financial Services - July 1, 2018 to June 30, 2019</i>	Alliant Staff	Mimi Long	Completed
06/30/19	<i>Expiring Contract: UC Office of Risk Services Performing Arts Center of Excellence - November 1, 2013 to June 30, 2019</i>	Alliant Staff	Mimi Long	Completed
06/30/19	<i>Expiring Contract: Alliant Loss Control Services - July 1, 2018 to June 30, 2019 (new term July 1, 2019 to June 30, 2022)</i>	Alliant Staff	Mimi Long	Completed
06/30/19	<i>Expiring Contract: CO OGC / Legal - July 1, 2017 to June 30, 2019</i>	Alliant Staff	Mimi Long	Completed
06/30/20	<i>Expiring Contract: CO Systemwide Professional Development (AORMA online training)</i>	Alliant Staff	Mimi Long	N/A
06/30/19	<i>Expiring Contract: Carl Warren & Company (1st and 2nd options June 30, 2020 and 2021)</i>	Alliant Staff	Mimi Long	Completed
06/30/19	<i>Expiring Contract: CO Risk Management - July 1, 2017 to June 30, 2019</i>	Alliant Staff	Mimi Long	Completed
06/30/19	<i>Expiring Contract: Agility - July 1, 2017 to June 30, 2019</i>	Alliant Staff	Mimi Long	Completed
06/30/19	<i>Expiring Contract: Sedgwick - July 1, 2013 to June 30, 2019</i>	Alliant Staff	Mimi Long	N/A
06/30/20	<i>Expiring Contract: Employers Group Service Corp - July 1, 2013 to June 30, 2019</i>	Alliant Staff	Mimi Long	N/A
06/30/21	<i>Expiring Contract: Sedgwick CMS - July 1, 2018 to June 30, 2021</i>	Alliant Staff	Mimi Long	N/A
06/30/20	<i>Expiring Contract: Praesidium - July 1, 2017 to June 30, 2020</i>	Alliant Staff	Mimi Long	N/A
06/30/20	<i>Expiring Contract: Witt O'Brien's, LLC - July 1, 2014 to July 1, 2019</i>	Alliant Staff	Mimi Long	N/A
06/30/19	<i>Expiring Contract: Veoci - July 1, 2018 to June 30, 2019</i>	Alliant Staff	Mimi Long	Completed
06/30/21	<i>Expiring Contract: HSR (AIME and Club Sports) - July 1, 2015 to July 1, 2021</i>	Alliant Staff	Mimi Long	N/A
06/30/19	Request COI from all vendor's contract	Alliant Staff	La Shaunda	In Process

CSURMA AORMA SERVICE CALENDAR

DATE	ACTION / RESPONSIBILITY	RESPONSIBLE ENTITY	LEAD	STATUS
JULY				
07/01/23	OCIP Renewal (5 year program)	Alliant Staff	Daniel Howell/ Mimi Long	N/A
07/01/19	Financial audit prep with KPMG	Alliant Staff / RM	Van Rin	Completed
07/01/19	Send to CSU Accounting the approved dividends and allocation of program costs for invoicing	Alliant Staff	Van Rin	Completed
07/04/19	Send out AORMA binder, insurance summary and invoice to all members	Alliant Staff	Van Rin	Completed
07/05/19	Request Workers' Compensation and Liability loss runs @ 6/30 – Forward to Actuary	Alliant Staff	Mimi Long	Completed
07/07/19	Request Liability (EPL check register) for minimum EPL deductible calculation for upcoming fiscal year	Alliant Staff	Tevea Him	Completed
07/14/19	FORM 700 - Follow up No. 1 - JPA ADMIN follows up with FILER	Alliant Staff	Tevea Him	Completed
07/15/19	Final FY Payroll - request from Chancellor's Office	Alliant Staff	Robert Leong	Completed
07/15/19	Process the Liability and Workers' Compensation dividend checks and forward to Alliant for distribution	CSU Accounting	Van Rin	Completed
07/TBD/2019	AORMA Officers Retreat – TBD	AORMA Officers	Mimi Long	Completed
07/21/19	FORM 700 - Follow up No. 2 - JPA ADMIN follows up with FILER	Alliant Staff	Tevea Him	Completed
07/28/19	FORM 700 - FORMS DUE TO FPCC ON THIS DATE [ASSUMING/LEAVING]	Alliant Staff	Tevea Him	Completed
07/31/19	Actuarial Study - receive draft and forward to RM	Alliant Staff	Robert Leong	Completed
07/31/19	Campus Workers' Compensation Program Safety National Aggregate Stop Loss Report - Present to EC in Sept	Alliant Staff	Robert Leong	Completed
07/31/19	Distribute the Liability and Workers' Compensation dividend checks	Alliant Staff	Van Rin	Completed
07/31/19	Request final audited payroll from all Workers' Compensation program members for expired year	Alliant Staff	Tevea Him	Completed
07/31/19	Survey legal counsel compensation and recommend to AORMA a fair and equitable maximum allowable hourly rate (every three years)	Liability TPA	Mimi Long	Completed
07/31/19	Workers' Compensation Scorecard - Receive report from Sedgwick and distribute	Alliant Staff / Sedgwick	Tevea Him	Completed
07/31/19	Appointment of the Campus Programs RPTG - 2019 (FY 2021/2022)	Alliant Staff	Robert Leong	Completed
07/31/19	Campus Workers' Compensation Program Safety National Aggregate Stop Loss Report	Alliant Staff	Robert Leong	Completed
AUGUST				
08/01/19	FORM 700 - JPA ADMIN sends entering and leaving office notices to AORMA FILERS who will be taking office on AORMA and Standing Committees	Alliant Staff	Tevea Him	Completed
08/01/19	Send out letter regarding Campus Appointment of CSURMA Board of Directors Members and Alternate	Alliant Staff	Tevea Him	Completed
08/01/19	Send out letter to regarding Claims Settlement Authority Annual Confirmation	Alliant Staff	Tevea Him	Completed
08/01/19	Send out letter to regarding Foreign Travel Authority Confirmation	Alliant Staff	Tevea Him/ Stacey Weeks	Completed
08/01/19	Completion of draft actuarial studies for Workers' Compensation and Liability programs	Actuary	Mimi Long	Completed
08/01/19	AOA EC Meeting: Send out AORMA Summary	Alliant Staff	Mimi Long	Completed
08/11/19	CSURMA Quarterly Investment Reschedule for EC Meeting	Alliant Staff	Tevea Him	Completed
08/15/19	AOA EC Meeting - San Diego	Alliant Staff	Mimi Long	Completed
08/31/19	Calculate additional premium or return premium for each Workers' Compensation program member based on the audited payroll	Alliant Staff	Mimi Long	Completed
08/31/19	Calculate each member's minimum EPL deductible for the upcoming program term	Alliant Staff	Mimi Long	Completed
08/31/19	Complete Target Surplus Funding Report	Alliant Staff	Mimi Long	Completed
08/31/19	Completion of Financial Audit	CSU Accounting	Mimi Long	In Process
08/31/19	UIP - Process EDD Statement of Reimbursable Benefit Charges for the period ending 6/30	Alliant Staff	Tevea Him	Completed
Begin Task	Completion of the Public Self-Insurer's Annual Report for CSURMA (must be filed with the state by Oct 1st.)	Alliant Staff	Mimi Long	In Process
Begin Task	AORMA Workers' Compensation Desk Audit	Alliant Staff	Mimi Long	N/A

CSURMA AORMA SERVICE CALENDAR

DATE	ACTION / RESPONSIBILITY	RESPONSIBLE ENTITY	LEAD	STATUS
SEPTEMBER				
09/01/19	AORMA Liability Program - Reinsurance Recovery (verify w/ Carl Warren)	Carl Warren	Mimi Long	Completed
09/01/19	CSURMA Cash Flow Statement at June 30th	Alliant Staff	Susan Leung	In Process
<i>09/04/19</i>	<i>AORMA Long Range Plan meeting</i>	<i>Alliant Staff</i>	<i>Mimi Long</i>	<i>Completed</i>
<i>09/04/19</i>	<i>AORMA New Committee Member Orientation meeting</i>	<i>Alliant Staff</i>	<i>Mimi Long</i>	<i>Completed</i>
<i>09/05/19</i>	<i>AORMA Committee Meeting</i>	<i>Alliant Staff</i>	<i>Mimi Long</i>	<i>Completed</i>
<i>09/05/19</i>	<i>CSURMA EC Orientation Meeting</i>	<i>Alliant Staff</i>	<i>Mimi Long</i>	<i>Completed</i>
<i>09/06/19</i>	<i>CSURMA EC Meeting</i>	<i>Alliant Staff</i>	<i>Mimi Long</i>	<i>Completed</i>
<i>TBD</i>	<i>CAJPA Fall Conference and Training Seminar -South Lake Tahoe</i>	<i>Alliant Staff</i>	<i>Mimi Long</i>	<i>Completed</i>
09/14/19	CAJPA Standards review (2017, 2020, 2023 and every 3 years thereafter) - Start the Process	Alliant Staff	Mimi Long	N/A
09/15/19	Prepare invoices or checks for the Workers' Compensation payroll audit	CSU Accounting	Van Rin	Completed
09/15/19	Quarterly Risk Management Report for Systemwide Risk Management	Alliant Staff	Dan Howell	
09/30/19	CSURMA Quarterly EPL Deductible Recoverys ending September 30 (Begin Task)	Alliant Staff	Van Rin	Completed
09/30/19	Completion of the AORMA Committee (September Letter) updating all AORMA members on the funding and dividends approved for the upcoming fiscal year	Alliant Staff/AORMA C	Mimi Long	In Process
OCTOBER				
10/01/19	Request completion of the Liability applicator	Alliant Staff	Mimi Long	Completed
10/01/19	Stewardship Report	Alliant Staff	Mimi Long	Completed
10/01/19	Update the CSURMA Tri-Fold based on June 30 financials.	Alliant Staff	Mimi Long	Completed
10/01/19	Request estimated Workers' Compensation payroll	Alliant Staff	Mimi Long	Completed
10/15/19	CSURMA Quarterly Investment Reschedule for EC Meeting	Alliant Staff	Tevea Him	Completed
<i>10/14/19</i>	<i>AIME Committee Meeting</i>	<i>Alliant Staff</i>	<i>Stacey Weeks</i>	<i>Completed</i>
10/31/19	Government Compensation Report (request from CSU Accounting)	Accounting	Tevea Him	
10/31/19	Workers' Compensation Scorecard - Receive report from Sedgwick and distribute	Alliant Staff / Sedgwick	Tevea Him	
NOVEMBER				
11/01/19	Review CAJPA Accrediation Standard for new or reoccurring item	Alliant Staff	Tevea Him	
11/01/19	FORM 700 - Campus Risk Pool Administrator sends request to campus president to confirm appointments of primary and alternate representative to BOD (Note: AORMA Representatives are maintained through their election process)	Alliant Staff	Tevea Him	Completed
<i>11/08/19</i>	<i>CSURMA BOD Meeting</i>	<i>Alliant Staff</i>	<i>Mimi Long</i>	
<i>11/08/19</i>	<i>CSURMA EC Meeting</i>	<i>Alliant Staff</i>	<i>Mimi Long</i>	
11/28/19	Send campus risk pool renewal budget (Budget)	Alliant Staff	Robert Leong	
11/28/19	Send campus risk pool renewal budget (Early Bird Renewal Letter)	Alliant Staff	Robert Leong	
11/28/19	Campus Risk Pool Deductible - Confirm (every 3 years - 2017, 2020)	Alliant Staff	Robert Leong	
11/30/19	Review volunteer losses within the Workers' Compensation program	Alliant Staff	Mimi Long	Completed
11/30/19	UIP - Process EDD Statement of Reimbursable Benefit Charges for the period ending 9/30	Alliant Staff	Tevea Him	

CSURMA AORMA SERVICE CALENDAR

DATE	ACTION / RESPONSIBILITY	RESPONSIBLE ENTITY	LEAD	STATUS
DECEMBER				
12/01/19	2018 Vendor Survey - Review List of Vendors and Work on Recipients	Risk Management	Risk Management	
12/01/19	CSURMA Cash Flow Statement at Sept. 30th	Alliant Staff	Susan Leung	
12/01/19	Appointment of the Club Sport Insurance Programs RPTG - Spring 2019 (FY 2019/2020)	Alliant Staff	Robert Leong	
12/01/19	AORMA Liability Program - Reinsurance Recovery (verify w/ Carl Warren)	Carl Warren	Mimi Long	
12/05/19	AORMA Committee Meeting	Alliant Staff	Mimi Long	
12/15/19	FORM 700 - Campus Risk Pool Administrator sends revised Campus Primary and Alternate CSURMA BOD member listing to JPA ADMIN	Alliant Staff	Tevea Him	
12/15/19	Quarterly Risk Management Report for Systemwide Risk Management	Alliant Staff	Dan Howell	
12/30/19	Financial Audit - mail to Secretary of State and County Auditor	Alliant Staff/Accounting	Tevea Him	
12/31/19	CSURMA Quarterly EPL Deductible Recoverys	Alliant Staff	Van Rin	In Process
12/31/19	Expiring Contract: Enterprises Rent A Car - January 1, 2018 - December 31, 2018	Alliant Staff	Mimi Long	
12/31/20	Expiring Contract: UC RSS			
12/31/19	Expiring Contract: Alliant Insurance Services (Brokerage Agreement) - December 31, 2019	Alliant Staff	Mimi Long	
12/31/19	Expiring Contract: Alliant Insurance Services (Brokerage Agreement OCIP) - December 31, 2019	Alliant Staff	Mimi Long	
12/31/19	Expiring Contract: Alliant Insurance Services (Program Admin Agreement) - December 31, 2019	Alliant Staff	Mimi Long	

CSURMA BOARD OF DIRECTORS AND STAFF CONTACT LIST

ISSUE: Attached is a list of phone numbers and e-mail addresses for members of the CSURMA Board of Directors and CSURMA Staff.

RECOMMENDATION: Staff recommends that members review the list at each meeting for accuracy. If there are any changes, please contact Tevea Him via email at thim@alliant.com.

FISCAL IMPACT: None

BACKGROUND: An accurate and current list facilitates better communication among the Board members and with staff.

PUBLICATION: None.

ATTACHMENT(S):

- a. CSURMA Board of Directors and Staff Contact List

CSURMA BOARD OF DIRECTORS MEMBERS

Effective at July 1, 2019

Representative /Alternate	Member	Position	Campus	Organization	E-Mail	Telephone Number
Representative	Thom Davis	Vice President for Business and Administrative Services	Bakersfield	California State University, Bakersfield	tdavis31@csub.edu	661-654-2287
Alternate	Tim Ridley, CSP, ARM-P	Associate Vice President Human Resources	Bakersfield	California State University Bakersfield	tridley1@csub.edu	661-654-2066
Secretary-Auditor	Zachary Gifford	Director, Systemwide Risk Management	Chancellor's Office	California State University, Office of the Chancellor	zgifford@calstate.edu	562-951-4600
Representative / Treasurer	Robert Eaton	Assistant Vice Chancellor, Financing, Treasury, and Risk Management	Chancellor's Office	California State University, Office of the Chancellor	reaton@calstate.edu	562-951-4671
Alternate	Steve Relyea	Executive Vice Chancellor and CFO	Chancellor's Office	CSU Chancellor's Office	srelyea@calstate.edu	562-951-4600
Representative	<i>Vacant</i>		<i>Channel Islands</i>	<i>California State University, Channel Islands</i>		
Alternate	Laurie Nichols	Senior Director, Human Resources	Channel Islands	California State University, Channel Islands	laurie.nichols@csuci.edu	805-437-8425
Representative	Michael Thorpe	Risk Manager	Chico	California State University, Chico	methorpe@csuchico.edu	530-898-6588
Alternate	Ann Sherman	VP for Business & Finance	Chico	California State University, Chico	asherman@csuchico.edu	530-898-6231
Representative	Ron T. Coley	Interim Vice President for Administration and Finance	Dominguez Hills	California State University, Dominguez Hills	rcoley@csudh.edu	310-243-3301
Alternate	Shauneice Milton	Manager, Workers Compensation/ADA	Dominguez Hills	California State University, Dominguez Hills	smilton1@csudh.edu	310-243-3707
Representative	Nyassa Love Johnson	Risk Management & Internal Control	East Bay	California State University, East Bay	nyassa.love@csueastbay.edu	510-885-2743
Alternate	Debbie Chaw	Vice President Administration & Finance/CFO	East Bay	California State University, East Bay	debbie.chaw@csueastbay.edu	510-885-3803
Representative	Debbie Adishian-Astone	Interim Vice President for Administration Services and Associate Vice President for Auxiliary Operations	Fresno	California State University, Fresno	debbiea@csufresno.edu	559-278-0802
Alternate	Lisa Kao	Associate Dir EHS, Risk Mgmt & Sustainability	Fresno	California State University, Fresno	lisak@csufresno.edu	559-278-6910
Representative	Michael Coughlin	Risk Manager	Fullerton	California State University, Fullerton	mcoughlin@fullerton.edu	657-278-8673
Alternate	John Beisner	Executive Director, Risk Management	Fullerton	California State University, Fullerton	jbeisner@fullerton.edu	657-278-4937
Representative	Kimberly Comet	Director of Risk Management & Safety	Humboldt	Humboldt State University	Kimberly.Comet@humboldt.edu	707-826-3305
Alternate	Doug Dawes	Vice President for Administrative Affairs	Humboldt	Humboldt State University	Douglas.Dawes@humboldt.edu	707-826-3351
Representative	Scott Apel	Vice President and Chief Financial Officer, Administration and Finance	Long Beach	California State University Long Beach	scott.apel@csulb.edu	562-985-1658
Alternate	Felissa Waynick, ARM-P	Risk Manager	Long Beach	California State University, Long Beach	felissa.waynick@csulb.edu	562-985-2396
Representative	Lisa Chavez	VP, Administration/CFO	Los Angeles	California State University, Los Angeles	lchavez10@cslanet.calstatela.edu	323-343-3500
Alternate	Nidavone Niravanh	Director of Risk Management and EH&S	Los Angeles	California State University, Los Angeles	nnirava@calstatela.edu	323-343-3527
Representative	Franz Lozano	Vice President for Administration and Finance	Maritime	California Maritime Academy	flozano@csum.edu	707-654-1038
Alternate	Michael Martin	Interim Executive Director, Human Resource	Maritime	California Maritime Academy	mmartin@csum.edu	707-654-1000

CSURMA BOARD OF DIRECTORS MEMBERS

Effective at July 1, 2019

Representative /Alternate	Member	Position	Campus	Organization	E-Mail	Telephone Number
Representative	Kevin Saunders	Vice President Administration & Finance	Monterey	California State University, Monterey Bay	kesaunders@csumb.edu	831-582-3398
Alternate	Amy Thomas	Director for Environmental Health, Safety & Risk Management	Monterey	California State University, Monterey Bay	amythomas1@csumb.edu	831-582-4766
Representative	Edith Winterhalter	Director, Administrative Services	Northridge	California State University, Northridge	edith.t.winterhalter@csun.edu	818-677-4066
Alternate	Lisa Telles	Risk Manager	Northridge	California State University, Northridge	lisa.telles@csun.edu	818-677-2079
Representative	Albert Vasquez	Interim AVP, Strategic Enterprise Risk Management	Pomona	California State Polytechnic University	albertv@cpp.edu	909-869-4846
Alternate	<i>Vacant</i>		<i>Pomona</i>	<i>California State Polytechnic University</i>		
Representative	Jonathan Bowman	Vice President for Administration and Chief Financial Officer	Sacramento	California State University, Sacramento	bowman@csus.edu	916-278-6312
Alternate	Gary Rosenblum	Senior Director, Risk Management Services	Sacramento	California State University, Sacramento	gary.rosenblum@csus.edu	916-278-5252
Representative	Beiwei Tu	Executive Director of Risk Management	San Bernardino	California State University, San Bernardino	Beiwei.Tu@csusb.edu	909-537-4552
Alternate	Douglas R. Freer	Vice President for Administration and Finance and Chief Financial Officer	San Bernardino	California State University, San Bernardino	dfreer@csusb.edu	909-537-5130
Representative	Agnes Wong Nikerson	Interim VP and CFO	San Diego	San Diego State University	awongnickerson@sdsu.edu	619-594-6017
Alternate	Jessica Rentto	Associate Vice President Administration	San Diego	San Diego State University	jrentto@mail.sdsu.edu	619-594-8640
Representative	Jeff Wilson	Interim Vice President of Administration and Finance, CFO	San Francisco	San Francisco State University	wilsonjd@sfsu.edu	415-338-2599
Alternate	Michael Beatty	Risk Manager	San Francisco	San Francisco State University	mbeatty@sfsu.edu	415-338-1124
Representative	Marla Perez-Guerra	Risk Management Manager	San Jose	San Jose State University	marla.perez@sjsu.edu	408-924-2159
Alternate	Charlie Faas	VP, Administration & Finance/CFO	San Jose	San Jose State University	charlie.faas@sjsu.edu	408-924-1550
Representative	Dru Zachmeyer	Director, Contracts & Procurement/Risk & Real Estate Management	San Luis Obispo	California Polytechnic State University, San Luis Obispo	dzachmey@calpoly.edu	805-756-6473
Alternate	Cindy Vizcaino Villa	Senior Vice President, Administration and Finance, CFO	San Luis Obispo	California Polytechnic State University, San Luis Obispo	cvvilla@calpoly.edu	805-756-2171
Representative	Neal Hoss	VP, Finance and Administrative Services	San Marcos	California State University, San Marcos	nhoss@csusm.edu	760-750-4950
Alternate	Erin Fullerton	Risk Manager	San Marcos	California State University, San Marcos	Efullerton@csusm.edu	760-750-4516
Representative	Tyson Hill	Interim Senior Director for Risk Management	Sonoma	Sonoma State University	tyson.hill@sonoma.edu	707-664-4039
Alternate	Joyce Lopes	Vice President for Administration & Finance / CFO	Sonoma	Sonoma State University	joyce.lopes@sonoma.edu	707-664-2310
Representative	Regan Linderman	Associate Vice President, Financial and Support Services	Stanislaus	California State University, Stanislaus	rlinderman@csustan.edu	209-667-3145
Alternate	Mary Stephens	Interim Vice President for Business & Finance	Stanislaus	California State University, Stanislaus	mestephens@csustan.edu	209-667-3077

CSURMA BOARD OF DIRECTORS MEMBERS

Effective at July 1, 2019

Representative /Alternate	Member	Position	Campus	Organization	E-Mail	Telephone Number
AORMA Rep	Russell Wittmeier	Human Resources Director	Chico	The CSU, Chico Research Foundation	rwittmeier@csuchico.edu	530-898-5731
AORMA Rep	Cecilia Ortiz	Director	Dominguez Hills	Loker Student Union	cortiz@csudh.edu	310-243-3854
AORMA Rep	Chuck Kissel	Executive Director	Fullerton	CSU Fullerton Auxiliary Services Corporation	ckissel@fullerton.edu	657-278-4990
AORMA/EC	Dave Nakamura	Executive Director	Humboldt	Humboldt State University Center	dave.nakamura@humboldt.edu	707-826-4878
AORMA Rep	Starr Lee	Director of Administration & Legal /Associate Executive Director	Monterey	The University Corporation at Monterey Bay	stlee@csumb.edu	831-582-3000
AORMA Rep	Bill Olmsted	Interim Executive Director	Sacramento	University Union Operation of CSUS, Inc.	olmsted@csus.edu	916-278-6744
AORMA Rep	Trina Knight	Human Resources Director	Sacramento	University Enterprises, Inc., CSU Sacramento	trinak@csus.edu	916-278-7003
AORMA Rep	Leslie Levinson	Chief Financial Officer	San Diego	San Diego State University Research Foundation	llevinson@mail.sdsu.edu	619-594-8941
AORMA/EC	Dwayne Brummett	Director of Business Services	San Luis Obispo	Associated Students, Inc., California Polytechnic State University at San Luis Obispo	dbrummet@calpoly.edu	805-756-5768
AORMA Rep	Bella Newberg	Associate Vice President, Business Development & Executive Director, CSUSM Corporation	San Marcos	California State University San Marcos Corporation	newberg@csusm.edu	760-750-4700