



**APPROVED**

**MINUTES OF THE CSURMA AORMA  
PROGRAMS COMMITTEE MEETING  
OCTOBER 3, 2013  
TELECONFERENCE MEETING  
2:00 PM**

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**MEMBERS PRESENT**

Guy Dalpe, Cesar Chavez Student Center (San Francisco State University)  
Kurt Borsting, Associated Students, Inc. (CSU Fullerton) – *Left at 4:01pm*  
Haleh Minakary, The Cal Poly Pomona Foundation, Inc. (Cal Poly Pomona)  
Gigi Kiama, University Corporation (CSU Monterey Bay)

**MEMBERS ABSENT**

Mark Day, Santos Manuel Student Union (CSU San Bernardino)

**STAFF, GUESTS AND CONSULTANTS**

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

**A. CALL TO ORDER**

The meeting was called to order by Guy Dalpe at 2:05 PM.

**B. PUBLIC COMMENTS**

There were no public comments.

**C. GENERAL ADMINISTRATION**

**C1. Approval of the Agenda Order**

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

**First:** Kurt Borsting  
**Second:** Gigi Kiama

**MOTION CARRIED**

<b>NAME</b>	<b>AYE</b>	<b>ABSTAIN</b>	<b>NAY</b>	<b>ABSENT</b>
Kurt Borsting	<b>X</b>			
Guy Dalpe	<b>X</b>			

Gigi Kiama	<b>X</b>			
Haleh Minakary	<b>X</b>			
Mark Day				<b>X</b>

**C2. Approval of Minutes – August 8, 2013**

A motion was made to approve the minutes from the August 8, 2013 meeting.

**First:** Haleh Minakary

**Second:** Kurt Borsting

**MOTION CARRIED**

<b>NAME</b>	<b>AYE</b>	<b>ABSTAIN</b>	<b>NAY</b>	<b>ABSENT</b>
Kurt Borsting	<b>X</b>			
Guy Dalpe	<b>X</b>			
Gigi Kiama	<b>X</b>			
Haleh Minakary	<b>X</b>			
Mark Day				<b>X</b>

**C3. 2013 Workers’ Compensation Payroll Desk Audits**

Annually, staff performs “desk” payroll audits of twelve (12) Workers’ Compensation program members. As directed by the Program Committee, Staff will audit any member who has an experience modification factor in excess of 1.00 (unless they were audited the previous year), any members with an experience modification factor in excess of 1.25 (even if they were audited the previous year) and a random selection of members.

Staff reviewed the following member information:

- Loss information as provided by the Third Party Claims Administrator (Sedgwick)
- Estimated payroll
- Exposure information as documented on the AORMA Liability Program application

Mimi stated that she did not see anything in the desk audit that would indicate that a member had not allocated its payroll to the correct classification code.

Mimi expressed concern regarding the class code assignments on the loss run. Her spot check of losses indicated that the injured employees were not always coded to the correct class code. When looking at the actual claim form which Sedgwick uses to input the claims information, many of the forms did not include the employee’s payroll classification. Therefore, Sedgwick has to make that determination. Gigi stated that the workers’ compensation claim form does not allow you to input a class code number. Mimi will work with Sedgwick to fix this problem. Mimi will also instruct Sedgwick to obtain from the member the injured employee’s payroll class code prior to entering the loss into their system.

Mimi also talked about the workers’ compensation rates for the AORMA class codes. According to the actuary, AORMA does not currently have enough losses in any one AORMA class code to make the rates stable. The six AORMA class codes are a combination of between two and five WCIRB rates. Every year the actuary reviews losses within each of AORMA’s six class codes and provides an estimated rate for that class code. Because AORMA members have relatively few losses within each class code one bad year, or good year, can completely skew the rate for that class code. The WCIRB rates, on the other hand, include losses from all California insureds and therefore are very stable. Mimi suggested using one of the WCIRB rates within each of the AORMA class codes rather than the current AORMA/WCIRB combined rate. The workers’ compensation program includes an experience modification factor which serves to modify a member’s premium based on its own loss experience. A workers’ compensation rate is basically, the statewide average claim cost for that activity. If the member has more losses than what was expected, then its experience modification factor will increase. If losses are lower than what was expected, the experience modification factor will decrease. If all AORMA members are using the same WCIRB rates at the start of the policy term, any payroll reporting discrepancies will be accounted for at the end of the policy term within the new experience modification factor. According to the actuary, in order to stabilize the rates it’s vital that the same stable rates are utilized by all members. The committee will review and approve the FY 14/15 workers’ compensation rates at its next meeting in December.

**C4. Approval of the 2014 Meeting Dates for the CSURMA AORMA Programs Committee**

The following meeting dates were proposed:

Date	Day	Time	Location
02/06/14	Thursday	2:00 pm	Teleconference
04/10/14	Thursday	2:00 pm	Teleconference
07/31/14	Thursday	2:00 pm	Teleconference
12/11/14	Thursday	2:00 pm	Teleconference

A motion was made to approve the 2014 meeting dates for the Program Committee.

**First:** Gigi Kiama  
**Second:** Haleh Minakary

**MOTION CARRIED**

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting	X			
Guy Dalpe	X			
Gigi Kiama	X			
Haleh Minakary	X			
Mark Day				X

**C5. Approval of the Long Range Action Plan for FY 13/14**

At the September 2013 Long Range Planning meeting, the AORMA Committee updated the FY 13/14 Long Range Action Plan. The following actions/responsibilities have been assigned to the Programs Committee to oversee, coordinate and take action on:

1. Finalized Property and Crime Programs – Rating Methodology (for FY 14/15 term)
2. Liability Programs – Rating Methodology (for FY 14/15 term)

Mimi would like to add two more items to list.

1. WC Rates
2. IRIC – Grants / Contractor’s (outsourcing) – Agreement language.

Haleh suggested creating a task force to work with the AOA Research and Sponsored Programs Committee.

A motion was made to approve the FY 13/14 Long Range Action Plan with the two addition items Mimi presented.

**First:** Haleh Minakary  
**Second:** Gigi Kiama

**MOTION CARRIED**

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting	X			
Guy Dalpe	X			
Gigi Kiama	X			
Haleh Minakary	X			
Mark Day				X

**C6. Review of the FY 14/15 Total Funding for the Liability, Workers’ Compensation, Property and Crime Programs**

Mimi explained that at the September 2013 meeting, the AORMA Committee approved the total funding for the Liability, Workers’ Compensation, Property and Crime programs. The Programs Committee will approve the member allocation of the total program costs at its meeting on December 12, 2013.

The following funding amounts were approved by the AORMA Committee for FY 14/15:

**Liability Program**

Pooled Layer Funding at an 70% Confidence Level: \$1,675,550



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Claims Administration:	\$15,000
Program Administration Fee:	\$777,825
Excess insurance:	\$1,354,740
<i>Total Liability Program Expenses:</i>	<i>\$3,823,115</i>

**Workers' Compensation Program**

Pooled Layer Funding at an 80% Confidence Level:	\$3,108,750
Claims Administration:	\$205,000
Program Administration Fee:	\$551,699
Excess insurance:	\$517,000
<i>Total Workers' Compensation Program Expenses:</i>	<i>\$4,382,449</i>

**Property Program**

Pooled Layer Funding:	\$350,000
Administrative Costs:	\$329,019
Excess Insurance Premium:	\$2,500,000
<i>Total Property Program Expense:</i>	<i>\$3,179,019</i>

**Crime Program**

Pooled Layer Funding:	\$50,000
Administrative Costs:	\$50,000
Excess Insurance Premium:	\$237,000

**C7. Review of FY 14/15 AORMA Liability and Workers' Compensation Program Actuarial Studies**

The complete reports for the AORMA Liability Program and Workers' Compensation Program are included separately with the agenda packet. Staff highlighted key findings within the exhibits. The information provided by the actuary is used to establish fiscal year-end financial reports and as the starting point in consideration of rates and funding for FY 14/15 as well as potential for dividends or assessments.

Staff notes regarding the liability program:

1. The Estimated Outstanding Losses increased from \$2,389,287 as of June 30, 2012 to \$2,878,554 as of June 30, 2013, an increase of \$489,267. This increase can be attributed to (a) about \$1.3 million paid between June 30, 2012 and June 30, 2013, (2) an increase in projected ultimate losses for years through 2011/12 of about \$600,000, and (3) the addition of the projected ultimate losses for 2012/13 of about \$1.25 million.
2. For FY 08/09, a new claim was reported within FY 12/13 and has an incurred value of \$263,693
3. For FY 11/12, seven large claims contributed \$1,745,805 to the total limited reported losses as of 6/30/13. See Graph 111-4 and Exhibit LI-20.

Staff notes regarding the workers' compensation program:

1. The Estimated Outstanding Losses increased from \$7,332,366 as of June 30, 2012 to \$7,646,069 as of June 30, 2013, an increase of \$313,703.
2. The loss rate per \$100 in payroll increased slightly from .87 to .90 due to rising medical costs.
3. Since June, 2005, AORMA has only had one large claim (\$2,038,366) that pierced the excess insurance layer.

**C8. Review of the Target Surplus Funding Report and Dividend Calculation**

Mimi explained that at its meeting in September 2013, the AORMA Committee reviewed the Target Surplus Funding and Dividend Calculation report and approved the Liability and Workers’ Compensation dividend which will be paid in July 2014. The Programs Committee will approve the member dividend allocation at its meeting in December, 2013.

The AORMA Committee approved a dividend of 33% of the maximum dividend available for both Liability (\$978,346) and Workers’ Compensation (\$845,387)

**C9. Policy and Procedure L-7 - Employment Practices Liability Deductible (EPL) Options**

Mimi explained that in order to assist members in budget forecasting, the AORMA Committee suggested revising Policy and Procedure L-7, to limit the annual EPL deductible increase to one level per year. The revised EPL deductible provision will apply retroactively to the FY 13/14 deductible increases as well. The major change to the policy and procedure is note below.

- Level 1 Paid losses of \$75,000 or less .....\$25,000 deductible
- Level 2 Paid losses of \$75,001 to \$175,000 .....\$50,000 deductible
- Level 3 Paid losses of \$175,001 to \$275,000 .....\$75,000 deductible
- Level 4 Paid losses in excess of \$275,001 .....\$100,000 deductible

Annually, based on the formula above, the JPA Program Administrator will determine the minimum ~~suggested~~ EPL deductible for each Member. **To assist Members in budget forecasting, the minimum EPL deductible will be limited to one EPL deductible level increase per year, regardless of the minimum EPL deductible calculated based on the schedule above.**

A motion was made to recommend to the AORMA Committee approval of the revisions to Policy & Procedure L-7.

- First:** Kurt Borsting
- Second:** Gigi Kiama

**MOTION CARRIED**

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting	X			

Guy Dalpe	<b>X</b>			
Gigi Kiama	<b>X</b>			
Haleh Minakary	<b>X</b>			
Mark Day				<b>X</b>

**C10. FY 14/15 Employment Practices Liability (EPL) Deductibles Determination Formula**

Mimi stated that as noted within Policy and Procedure L-7 – Employment Practices Liability Deductible (EPL) Options, the Programs Committee is responsible for approving each member’s minimum EPL deductible for FY 14/15. The AORMA Committee directed staff to revise Policy and Procedure L-7 to include a provision that a member’s EPL deductible can only increase one level annually.

Based on this formula, the following members will be mandated an EPL deductible in excess of the standard \$25,000 deductible:

Campus	Auxiliary	Paid Claims	FY 14/15 Deductible	FY 13/14 Deductible
East Bay	California State University, East Bay Foundation, Inc.	\$104,313	\$50,000	\$50,000
Fresno	California State University, Fresno Foundation	\$240,304	\$50,000	\$25,000
Long Beach	California State University, Long Beach Research Foundation	\$201,104	\$75,000	\$50,000
Los Angeles	Cal State L.A. University Auxiliary Services, Inc.	\$111,685	\$50,000	\$50,000
Pomona	Cal Poly Pomona Foundation, Inc.	\$262,603	\$75,000	\$100,000
Sacramento	University Enterprises, Inc.	\$161,251	\$50,000	\$25,000
San Diego	San Diego State University Research Foundation	\$1,274,601	\$75,000	\$50,000
San Jose	San Jose Research Foundation	\$132,590	\$50,000	\$25,000
San Luis Obispo	Cal Poly Corporation	\$149,099	\$50,000	\$25,000

A motion was made to approve the member’s minimum EPL deductibles for FY 14/15 contingent upon approval by the AORMA Committee of the revisions to Policy and Procedure L-7.

**First:** Kurt Borsting  
**Second:** Gigi Kiama

**MOTION CARRIED**

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting	X			
Guy Dalpe	X			
Gigi Kiama	X			
Haleh Minakary	X			
Mark Day				X

**C11. Policy and Procedure P-1 – Property Program Member Allocation Formula**

Mimi stated that at its September 12, 2013 meeting, the AORMA Committee approved the revised property program member allocation formula. Policy & Procedure P-1 document in detail the property program rating plan and member allocation formula. The committee reviewed the draft version of Policy and Procedure P-1. The committee asked staff to add examples to Policy and Procedure so that it would be easier to follow the explanation.

A motion was made to recommend approval of Policy and Procedure P-1 to the AORMA Committee, with the revision noted above.

**First:** Haleh Minakary  
**Second:** Kurt Borsting

**MOTION CARRIED**

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting	X			
Guy Dalpe	X			
Gigi Kiama	X			
Haleh Minakary	X			
Mark Day				X

**C12. Policy and Procedure C-1 – Crime Program Member Allocation Formula**

Mimi stated that at its September 12, 2013 meeting, the AORMA Committee approved the revised property program member allocation formula. Policy & Procedure C-1 document in detail the property program rating plan and member allocation formula. The committee reviewed the draft version of Policy and Procedure C-1. The committee asked staff to add examples to Policy and Procedure so that it would be easier to follow the explanation.

A motion was made to recommend approval of Policy and Procedure C-1 to the AORMA Committee, with the revision noted above.

**First:** Gigi Kiama  
**Second:** Haleh Minakary

**MOTION CARRIED**

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting				<b>X</b>
Guy Dalpe	<b>X</b>			
Gigi Kiama	<b>X</b>			
Haleh Minakary	<b>X</b>			
Mark Day				<b>X</b>

**C13. Auxiliaries Multiple Employer VEBA Trust**

The Programs Committee and AORMA Committee have been discussing the possibility of extending AORMA’s liability coverage to the Auxiliaries Multiple Employer VEBA Trust (Trust) as allowed under Policy and Procedure L-5. The Programs Committee reviewed Policy and Procedure L-5. The policy and procedure requires that the member exercise substantial control over all events, activities and operations and that it holds substantial financial control over the entity. The trust coordination is currently provided by Keenan and the trust investment is provided by Benefit Trust. The Programs Committee asked to review the agreements with Keenan and Benefit Trust to confirm that the trust does fit within the criteria of Policy and Procedure L-5. The Programs Committee decided that the Trust doesn’t completely fit within the criteria of Policy and Procedure L-5; however, Staff suggested add the Trust to the liability program as a separate named insured.

The committee discussed possible claims against the Trust and what effect they would have on AORMA’s self-insured layer. The Trust currently purchases a stand-alone fiduciary liability policy with a \$1,000,000 limit and a \$1,000 deductible. If AORMA’s liability program (including fiduciary liability) is extended to cover the Trust, AORMA’s self-insured layer would respond first to any claim against the Trust. As the Trust is an investment vehicle for retiree health and welfare benefits, it is conceivable that a claim could be made against the Trust for not adhering to the Trust’s investment policy. Depending on the circumstances of the claim, AORMA would at a minimum owe a defense to the trust. The committee also discussed the fact that the Trust is essentially a pass-through; and therefore, the fiduciary responsibility of the employer (the AORMA member) still may reside with the AORMA member rather than the Trust.

A motion was made to approve coverage for the Auxiliaries Multiple Employer VEBA Trust and to add the Trust as a named insured on AORMA’s liability memorandum of coverage.

**First:** Haleh Minakary  
**Second:** Gigi Kiama

**MOTION CARRIED**

NAME	AYE	ABSTAIN	NAY	ABSENT
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Kurt Borsting				<b>X</b>
Guy Dalpe	<b>X</b>			
Gigi Kiama	<b>X</b>			
Haleh Minakary		<b>X</b>		
Mark Day				<b>X</b>

**D. INFORMATIONAL ITEMS**

- D1. FY 12/13 Long Range Action Plan**
- D2. CSURMA AORMA 2013 Meeting Calendar**
- D3. CSURMA AORMA Program Administrator’s Contact Lists**
- D4. AORMA Committee Members - Effective 7/1/13**
- D5. AORMA Service Calendar**

**E. ADJOURNMENT**

The meeting was adjourned at 4:15 PM.