



**APPROVED**

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

**SEPTEMBER 9, 2015**

**ALLIANT INSURANCE SERVICES**

**2180 HARVARD STREET, SUITE 460 • SACRAMENTO, CA**

**10:00 AM**

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**MEMBERS PRESENT**

Cheree Aguilar, San Jose State University Research Foundation  
Guy Dalpe, Associated Students, Inc., San Francisco State University  
Leslie Davis, University Union Operation of CSUS, Inc. (*left the meeting at 2:26pm*)  
Robert de Wit, Forty-Niner Shops, Inc., CSU Long Beach (*via Teleconference*)  
Keith Kompasi, Fresno Association, Inc., CSU Fresno  
Frank Mumford, CSU Fullerton Auxiliary Services Corporation  
Dave Nakamura, Humboldt State University Center  
Brian Nowlin, CSU, Long Beach Research Foundation (*via Teleconference*)  
Jim Reinhart, University Enterprises, Inc., CSU Sacramento

**MEMBERS ABSENT**

Dwayne Brummett, Associated Students, Inc., Cal Poly San Luis Obispo  
Melinda Coil, San Diego State University Research Foundation  
Gigi Kiama, The University Corporation at Monterey Bay

**STAFF, GUESTS AND CONSULTANTS**

Kevin Bibler, Alliant Insurance Services, Inc.  
Katie Brandt, Sedgwick CMS  
Patricia Daniels, Sedgwick CMS  
Zachary Gifford, CSU Office of the Chancellor, Systemwide Risk Management  
Tevea Him, Alliant Insurance Services, Inc.  
Daniel Howell, Alliant Insurance Services, Inc.  
Mimi Long, Alliant Insurance Services, Inc.

**A. CALL TO ORDER**

The meeting was called to order by the Chair, Frank Mumford at 10:13 AM.

**B. PUBLIC COMMENTS**

There were no comments from members of the public.

## **C. GENERAL ADMINISTRATION**

### **C1. Introduction of New Committee Members**

Frank Mumford introduced Cheree Aguilar, Senior Director Human Resources, San Jose State University Research Foundation, Jim Reinhart, Executive Director, University Enterprises, Inc., CSU Sacramento, and Dave Nakamura, Executive Director, Humboldt State University Center as the newest AORMA Committee members for the two-year term beginning on July 1, 2015. Mumford also informed the Committee that Melinda Coil had left SDSU Research Foundation and that he would appoint her replacement.

### **C2. Review of FY 14/15 AORMA Long Range Action Plan**

There was no discussion.

### **C3. AORMA Officers' Retreat Recap**

Frank Mumford summarized the AORMA Officers Retreat discussions. The Officers discussed the following proposed FY 15/16 Long Range Action Items:

1. Promotion of the Risk Management Grants Program
2. Monthly AORMA Newsletter
3. Workers' compensation claims closure initiative
4. Updates to member's presentation
5. CSURMA website - Include an intro about AORMA vs. CSURMA vs. Campus; revise the nomenclature to be consistent through the website and resolve password issues
6. Cyber risk control services
7. Benchmarking initiative
8. Integration of auxiliary organizations into Campus threat assessment.
9. Research the formation of a watercraft program, or watercraft insurance tracking system

### **C4. 2016 AOA Conference Risk Management Sessions**

The Committee reviewed the AOA Session Topics proposed by the AORMA Officers:

1. Drones
2. Insurance Requirements in Contracts
3. AORMA Big Picture
4. What Drives AORMA's Claims Costs
5. Major Property Losses Pre and Post
6. Foreign Travel Good Practices as well as Rental Car Coverage
7. Cyber Losses



**APPROVED**

Mimi Long let the Committee know that there are only two slots available for AORMA’s Risk Management sessions.

Besides the two Risk Management Sessions, AORMA has been asked to design and present a session for the Research Administration Committee which describes the types of sponsored programs that may require additional insurance due to activities that may not fit within the AORMA liability coverage program.

The Committee decided on the following Risk Management Sessions for the 2016 AOA Conference:

1. AORMA Big Picture – Daniel Howell
2. What Drives AORMA’s Claims Costs – Liability Defense Attorney and Workers’ Compensation Claims Administrator

A motion was made to approve the two sessions noted above.

MOTION: Keith Kompsi  
 SECOND: Leslie Davis

NAME	AYE	ABSTAIN	NAY	ABSENT
Cheree Aguilar	X			
Melinda Coil				X
Guy Dalpe	X			
Leslie Davis	X			
Gigi Kiama				X
Keith Kompsi	X			
Frank Mumford	X			
Dave Nakamura	X			
Brian Nowlin		X		
Jim Reinhart	X			
<b>AORMA Committee Alternates Vote Only When Committee Members are Absent</b>				
Dwayne Brummett				X
Robert de Wit		X		

MOTION CARRIED

The next item was discussed out of order as Trish Daniels and Katie Brandt from Sedgwick arrived to provide the Workers’ Compensation Scorecard overview.

**C12. Workers’ Compensation AORMA Combined Quarterly Scorecard**

Trish Daniels and Katie Brandt from Sedgwick Claims Management provided an informational presentation on the AORMA Workers' Compensation Combined Quarterly Scorecard.

The AORMA Workers' Compensation Program Scorecard provides summary information on a quarterly basis for the following information:

- Timeliness of Claim Reporting
- New Claims by Type
- Open Claims by Type
- Settlements
- Paid in Period
- Closing Ratio

As explained by Daniels, on-time reporting is vitally important because it's the law, but also because Sedgwick only has 90 days to investigate and injury. After 90 days, the injury is presumed to be compensable. Sedgwick's protocol is to contact the employee, doctor and claims coordinator within the first 24 hours of receiving notification of the claim. A strong Return to Work program can significantly reduce indemnity totals by encouraging modified duty.

Staff will include Executive Directors in the scorecard distribution list. Mimi Long will look into the electronic Workers Compensation application or a call center.

#### **C5. CSU Auxiliary Organization – Revised Campus Visit Presentation**

The Committee viewed the Campus Visit Presentation and made suggestions for change. Mimi Long and Tevea Him will incorporate those changes.

#### **C6. Review of FY 16/17 AORMA Liability and Workers' Compensation Program Actuarial Reports**

Daniel Howell and Mimi Long discussed the actuarial reports. Within the liability program, the Projected Ultimate Limited Losses for FY 16/17 decreased slightly by 4.17% and the Estimated Outstanding Losses decreased by 27%. The Committee viewed the Projected Ultimate Limited Losses exhibit which shows the breakdown of the case reserves and IBNR. Long explained that IBNR represents costs for claims that have occurred but have not yet been reported as well as the cost for claims that have been under reserved. The Committee also reviewed the Comparison of Projected Ultimate Limited Losses which shows how the actuary's projection for each fiscal year has decreased as claims have been paid.

Within the workers' compensation, the Projected Ultimate Limited Losses have increased by 14% and the Estimated Outstanding Losses have increased by 2%. The Committee reviewed the Comparison of Projected Ultimate Limited Losses exhibit which shows how the actuary has increased his projections for the older years. The Comparison of Limited Reported Incurred

Losses shows that the reserves on open claims have increased every year from 2005 to the present. The loss frequency and severity increased between FY 13/14 and FY 14/15.

Action will be taken at tomorrow's meeting.

#### **C7. Estimated Pool Layer Funding Exhibit**

Daniel Howell provided an overview of the Estimated Pool Layer Funding Exhibits. Howell pointed out that the liability pool assets and unencumbered funds decreased significantly between June 30, 2014 and 2015. This is partly due to a dividend being released from the liability program in July, 2015 as well as the \$2.8MM claim that was paid by AORMA. The portion of the claim in excess of \$350,000 will be reimbursed by the reinsurer, but it is not presently showing on the CSURMA financial statement as an accounts receivable. Howell also noted that the historical Estimated Fund Balance charts are all shown at an 80% confidence level for consistency. The liability program has been funded at a 70% confidence level beginning FY 14/15.

#### **C8. Target Surplus Funding and Dividend Calculation**

Kevin Bibler from Alliant Insurance Services, Inc. presented to the Committee his Target Surplus Funding Report presentation. The purpose of the report is to provide guidance for decisions regarding the annual funding, dividends and assessments, as well as reviewing financial stability of the Liability and Workers' Compensation Programs. The report also assists the Committee in maintaining prudent funding levels in order to expose deteriorating experience before it can have an adverse impact on the pool.

Bibler explained that CAJPA, an informational and educational network for California JPA's, has established several surplus ratio standards which have been adopted by CSURMA AORMA in order to establish the target surplus amount for the Liability and Workers' Compensation Programs. Should there be any inaccuracies in the pricing, a Gross Premium to Surplus Ratio of 1.5 to 1 is desirable to have adequate surplus to borrow against. Should AORMA have multiple significant losses in the same year, the Surplus to Pool Retention Ratio, requires that AORMA has between five and ten times the self-insured retention. The liability program currently has a self-insured retention of \$350,000; however, because this will likely be increased to \$500,000, Bibler noted that the Target Surplus Funding calculation included a retention of \$500,000 for the Surplus to Pool Retention Ratio. Should there be any inaccuracies in the reserve amount for open claims, the Outstanding Reserves to Surplus Ratio requires that the surplus in the program be at least 67% of the outstanding reserves. This would allow AORMA to have adequate surplus to borrow against.

Bibler explained that the "confidence level" is a statistical term used to express the degree to which an actuarial projection will be an accurate prediction of the dollar losses ultimately paid for a given program year or combination of years. The higher a confidence level the greater certainty the actuary has that losses will not exceed the dollar value used to attain the confidence

level. The surplus is the amount of funds remaining, after deducting all administrative and excess insurance costs, available to pay claims in excess of losses (undiscounted for investment income) at the actuarially determined expected confidence level. Gross Premium includes the total contributions from members less the excess insurance costs. Retention is the maximum amount of exposure for a single loss retained by AORMA.

Based on the results of the Target Surplus Funding Analysis, staff is recommending that no dividend be declared for the Liability Program and \$296,664 on the Workers' Compensation Program. This is 25% of the maximum dividend available. Bibler noted that the Target Surplus Funding Analysis is a rear-view of the pooled programs. The funding for FY 16/17 can be viewed separately from this report.

Daniel Howell explained that the Liability Program has had a handful of significant shock losses in excess of the \$350,000 pooled layer which will likely result in higher premiums and an increase to the pool's retention. The AORMA Liability Program reinsurance underwriter retired recently; this adds a bit of unpredictability to the Reinsurance renewal for FY 16/17. He also adds that AORMA's Liability Program is an unusual basket of risks which is fuzzier than most underwriters are used to evaluating. This limits the number of markets willing to consider reinsuring AORMA's Liability Program. Rising rates compounded with the pool's shrinking safety net of unencumbered surplus could result in significant rate increases for, or assessments to, the members. Because of this, Howell recommended a conservative approach when considering a dividend and funding for future years.

The Committee discussed the large claim payment by AORMA - \$2.8MM. The portion of the claim in excess of \$350,000 will be reimbursed by the reinsurer, but it is not presently showing on the CSURMA financial statement as an accounts receivable. Once the reinsurer reimburses AORMA, the financials will improve. The Committee discussed reviewing the financial state at September 30<sup>th</sup> and making a decision at that time.

Howell noted that the unencumbered funds within the Workers' Compensation Program decreased in line with the dividend that was declared last year.

The Committee will take action at tomorrow's meeting.

### **C9. AORMA Historical Premium Payments, Dividends and Loss Ratios Report**

The Committee reviewed the AORMA Historical Premium Payments, Dividends and Loss Ratio report. The Committee direct staff to work with Mauri McGuire on removing an incident only claims from the loss run.

### **C10. Employment Practices Liability Member Deductibles for FY 16/17**

The Committee reviewed the minimum EPL deductible calculation for FY 16/17. Mimi Long noted that seven auxiliary organizations are subject to a higher EPL deductibles. According to

Policy & Procedure L-7, the Programs Committee is responsible for approving the EPL deductible calculation; therefore, the calculation is being presented for the Committee’s review only.

The Committee reviewed the deductible exhibit shown below.

<b>Auxiliary Organization</b>	<b>FY 16/17</b>	<b>FY 15/16</b>	<b>FY 14/15</b>	<b>FY 13/14</b>
<b>CSU, East Bay Foundation, Inc.</b>	<b>\$25,000</b>	\$50,000	\$50,000	\$50,000
California State University, Fresno Foundation	\$75,000	\$75,000	\$50,000	\$25,000
Associated Students, CSU, Long Beach	<b>\$50,000</b>	\$25,000	\$25,000	\$25,000
CSU, Long Beach Research Foundation	\$75,000	\$75,000	\$75,000	\$50,000
<b>Cal State L.A. University Auxiliary Services, Inc.</b>	<b>\$25,000</b>	\$50,000	\$50,000	\$50,000
The Cal Poly Pomona Foundation, Inc.	\$100,000	\$100,000	\$75,000	\$100,000
University Enterprises, Inc., CSU Sacramento	\$50,000	\$50,000	\$50,000	\$25,000
San Diego State University Research Foundation	\$100,000	\$100,000	\$75,000	\$50,000
San Jose State University Research Foundation	<b>\$100,000</b>	\$75,000	\$50,000	\$25,000
<b>Cal Poly Corporation</b>	<b>\$25,000</b>	\$50,000	\$50,000	\$50,000

The Committee noted that Associated Students, CSU Long Beach had one “incident only” claim in excess of the large EPL claim and therefore should not be included within the calculation. The Committee directed the Programs Committee to review the calculation.

**C11. Discussion of AORMA’s Continuity Plan**

Mimi Long stated that the AORMA Chair will appoint a nominations committee to discuss possible candidates for the upcoming AORMA Vice-Chair position. Frank Mumford will review the prospect list and appoint a new AORMA Committee member to fill Melinda Coil’s seat.

**C13. Development of the Long Range Action Plan Items for FY 15/16**

During today’s meeting, the AORMA Committee Members will discuss the long range goals for AORMA. Based on today’s decisions, Staff will prepare the FY 15/16 long range action plan document which will be presented for approval at the October AORMA Committee meeting.

1. Risk Reduction Innovation Matching Grant Incentive Program
2. Monthly AORMA Update Newsletter
3. Workers’ Compensation Claims Closure Initiative



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4. Campus Visit Member Presentation
5. CSURMA Website
6. Cyber Risk Control Services
7. Benchmarking Initiative
8. Evaluation of Campus Threat Assessment
9. Watercraft Program / Insurance Tracking Program
10. Creation of Executive Overview CSURMA AORMA Presentation
11. Smart Phone Application for Contact Information

A motion was made to approve the FY 15/16 Long Range Action Plan items.

**MOTION:** Guy Dalpe  
**SECOND:** Dave Nakamura

NAME	AYE	ABSTAIN	NAY	ABSENT
Cheree Aguilar	X			
Melinda Coil				X
Guy Dalpe	X			
Leslie Davis	X			
Gigi Kiama				X
Keith Kompsi	X			
Frank Mumford	X			
Dave Nakamura	X			
Brian Nowlin		X		
Jim Reinhart	X			
<b>AORMA Committee Alternates</b>				
<b>Vote Only When Committee Members are Absent</b>				
Dwayne Brummett				X
Robert de Wit		X		

**D. ADJOURNMENT**

The meeting was adjourned at 3:42 PM.