

**MINUTES OF THE  
CSURMA EXECUTIVE COMMITTEE MEETING**

**JANUARY 8, 2017**

**PARADISE POINT RESORT AND SPA  
1404 Vacation Road, San Diego, CA**

**3:00 PM**

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**MEMBERS PRESENT**

Scott Apel, California State University Long Beach  
 Lisa Chavez, California State University Los Angeles  
 Thom Davis, California State University Bakersfield  
 Robert Eaton (Treasurer), California State University, Office of the Chancellor  
 Ming Tung (Mike) Lee, California State University, Sacramento  
 Frank Mumford (AORMA Chair), CSU Fullerton Auxiliary Services Corporation  
 Kevin Saunders, California State University, Monterey Bay  
 Jody Van Leuven, California State University, San Bernardino

**MEMBERS ABSENT**

None

**STAFF, GUESTS & CONSULTANTS**

Zachary Gifford (CSURMA Secretary/Auditor), CSU Office of the Chancellor  
 Tevea Him, Alliant Insurance Services, Inc.  
 Daniel Howell, Alliant Insurance Services, Inc. *(via Teleconference)*  
 Amy Lightner, Alliant Insurance Services, Inc.  
 Mimi Long, Alliant Insurance Services, Inc.

**A. CALL TO ORDER**

The meeting was called to order by the Chair, Mike Lee at 3:00 PM.

**A1. Approval of the Agenda**

A motion was made to approve the agenda as presented.

**MOTION:** Lisa Chavez  
**SECOND:** Kevin Saunders

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Thom Davis	X			
Robert Eaton	X			

Mike Lee	X			
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

**MOTION CARRIED**

**B. PUBLIC COMMENTS**

There were no comments from the public.

**C. CONSENT CALENDAR**

**C1. Approval of Minutes – November 2, 2016**

**C2a. Financial Report – Treasurer’s Report**

**C2b. Financial Report – CSURMA Quarterly Investment Report @ 9/30/16**

A motion was made to approve the items within the consent calendar.

**MOTION:** Frank Mumford

**SECOND:** Thom Davis

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Thom Davis	X			
Robert Eaton	X			
Mike Lee	X			
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

**MOTION CARRIED**

**D. GENERAL ADMINISTRATION**

**D1. Executive Committee Appointments / Nominations**

Mike Lee confirmed that Steve Relyea appointed himself (Lee) as interim Chair and Lisa Chavez as interim Vice Chair. As the interim Chair, Lee appointed Thom Davis, Vice President of Business and Administrative Services at CSU, Bakersfield to fill the vacancy created by the elevation of Chavez to Vice Chair.

Lee appointed Kevin Saunders, Scott Apel and Robert Eaton to the Nominating Committee to seek nominations for the two seats which have terms expiring on June 30, 2017:

- CSU Seat #1 (Currently held by Thom Davis)
- CSU Seat #2 (Currently held by Jody Van Leuven)

An election will be held at the May 5, 2017 Board meeting. The following seats are up for election:

- Interim Chair: Mike Lee
- Interim Vice-Chair: Lisa Chavez
- CSU Seat #1 (Thom Davis)
- CSU Seat #2 (Jody Van Leuven)

**D2. 2017 Long Range Planning Meeting Date, Location, and Agenda**

The CSURMA Executive Committee has scheduled a Long Range Planning meeting on March 9 and 10, 2017 at the Alliant Office in San Diego.

- The Executive Committee regular business meeting from 2:00 p.m. to 5:00 p.m. on Thursday, March 9, 2017 and
- The Long Range Planning meeting from 8:30 a.m. to 2:00 p.m. on Friday, March 10, 2017.

The Committee reviewed the draft agenda. Zachary Gifford asked that a presentation by Witt O’Brien’s be added to the agenda to hear an update on recent activities and scheduled activities for the future.

A motion was made to accept the draft agenda and location of the meeting.

**MOTION:** Lisa Chavez  
**SECOND:** Frank Mumford

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Thom Davis	X			
Robert Eaton	X			
Mike Lee	X			
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

**MOTION CARRIED**

**D3. Underwriter Meetings Report**

Robert Eaton and Daniel Howell provided a summary of the meetings with underwriters in London on November 21-22, 2016. CSURMA was represented by Steve Relyea, Robert Eaton, and Daniel

Howell. The main goal of the meetings was to demonstrate CSU leadership’s commitment to risk management, CSU’s financial and operational outlook, evaluation of the state of the insurance market and how changes may impact CSURMA’s placements as well as a discussion of pending claims matters and the insurance placements and renewal expectations.

Over the two day period there were 14 meetings with 29 market participants. The meetings addressed CSURMA’s SAFECLIP, SPLIP, Fidelity, FTIP, Fine Arts, Property, Liability and Cyber coverage programs. Lexington Insurance Company (AIG) announced that it will not provide coverage for claims arising from athletic activities that result in concussive injuries. Discussions also included the potential for the London market to replace AIG’s capacity on the CSURMA excess liability placement at renewal as well as the implementation of the Fine Arts Program and two recent claims.

**D4. Evaluation of Parametric Triggered Earthquake Insurance**

Daniel Howell discussed a new earthquake insurance product that utilizes a “parametric trigger”. Currently, CSU does not purchased earthquake insurance due to the cost of coverage. Following major earthquake events, such as the Northridge Earthquake in 1994, the Federal Emergency Management Agency (FEMA) funded the majority of repair and rebuilding efforts. FEMA reimbursement requires that the recipient purchase earthquake insurance following a recovery. CSU has received a waiver based on CSU’s report that the coverage is unaffordable.

Some new earthquake products trigger coverage based on the severity of shaking at a particular zip code and there is no deductible. The University would need to issue a Systemwide certification of damage, but unlike traditional property coverage, a line item description of damage is not required. CSU would simply receive a lump sum of money to be distributed as appropriate. The University of California purchased a \$50 Million limit to provide cash flow as well as to address the FEMA requirement.

The Committee felt it was important to talk about several items in the aggregate include earthquake coverage. The Committee directed staff to include on the agenda for the Executive Committee long range planning meeting an item to discuss in the aggregate, earthquake coverage/exposures, captive insurance vehicle, member loan policy and allocation of investable assets.

A motion was made to delegate authority to Robert Eaton and Zachary Gifford to review the earthquake insurance product using the parametric trigger in conjunction with the captive insurance vehicle, member loan policy and allocation of investable assets and to develop a presentation for the March 2017 Long Range Planning meeting.

**MOTION:** Frank Mumford

**SECOND:** Kevin Saunders

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			

Thom Davis	X			
Robert Eaton	X			
Mike Lee	X			
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

**MOTION CARRIED**

**D5. Evaluation of Captive Insurance Vehicle**

Robert Eaton reiterated that the utilization of a captive insurance vehicle may allow CSURMA to achieve a higher rate of return on investments; however, captives also have higher administrative costs. CSURMA currently has \$38 Million in aged workers’ compensation and liability claims. Utilizing a captive insurance vehicle to fund these old claims may be a way to assess the captive option. Peter Taylor, the Chair of the California State University Finance Committee is very eager to see CSURMA participate in a captive insurance option.

A motion was made to delegate authority to Robert Eaton and Zachary Gifford to engage legal, actuarial and other consultants to perform work necessary to begin the process of forming a captive insurance vehicle to fund the aged workers’ compensation and liability claims and to present a plan at the March Executive Committee long range planning meeting.

**MOTION:** Scott Apel  
**SECOND:** Jody Van Leuven

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Thom Davis	X			
Robert Eaton	X			
Mike Lee	X			
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

**MOTION CARRIED**

**D6. CSURMA Member Loan Policy and Allocation of Investable Assets**

Robert Eaton noted that new legislation has expanded CSURMA’s investment options.

A motion was made to direct staff to complete a comprehensive proposal for discussion and action, as appropriate, at the Executive Committee long range planning meeting, of expanded investment

options, earthquake coverage/exposures, captive insurance vehicle, member loan policy, allocation of investable assets.

**MOTION:** Frank Mumford

**SECOND:** Lisa Chavez

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Thom Davis	X			
Robert Eaton	X			
Mike Lee	X			
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

**MOTION CARRIED**

**D7. Member Loan Requests**

Mike Lee recused himself from the meeting.

The Committee discussed the member loan request from CSU, Sacramento for the replacement of five elevators. It was generally felt that elevator maintenance and replacement is an expected cost of business and should be retained by the campus.

A motion was made to approve the loan for CSU Sacramento for replacement of five elevators.

**MOTION:** Kevin Saunders

**SECOND:** Frank Mumford

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel			X	
Lisa Chavez		X		
Thom Davis			X	
Robert Eaton			X	
Mike Lee				X
Frank Mumford			X	
Kevin Saunders			X	
Jody Van Leuven			X	

**MOTION DID NOT CARRY**

**D8. Updated Liability Program Memoranda of Coverage**

Mimi Long noted that the AORMA Liability Program Memorandum of Coverage (MOC) had been approved by the two new reinsurers and has been ratified by the AORMA Committee. The \$5MM xs of \$5MM Excess Liability Coverage Program MOC has been approved by the lead underwriters (Ironshore and AWAC). At today’s meeting the Committee was asked to ratify the Campus Liability Risk Pool MOC. Long reviewed the major changes.

A motion was made to ratify the changes to the Campus Liability Risk Pool MOC effective July 1, 2016.

**MOTION:** Jody Van Leuven

**SECOND:** Robert Eaton

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Thom Davis	X			
Robert Eaton	X			
Mike Lee	X			
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

**MOTION CARRIED**

**D9. Policies and Procedure (Odd Numbered)**

Mimi Long stated that all odd numbered Policies and Procedures (P&P) had been reviewed by Staff. All P&P’s appear to reflect the current administrative practices of the CSURMA, and therefore Staff did not make any recommendations or suggestions for amendments.

A motion was made to accept Staff’s recommendation to make no changes to the odd-numbered Policies and Procedures.

**MOTION:** Robert Eaton

**SECOND:** Frank Mumford

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Thom Davis	X			
Robert Eaton	X			
Mike Lee	X			
Frank Mumford	X			

Kevin Saunders	X			
Jody Van Leuven	X			

**MOTION CARRIED**

**D10. CSU International Programs Funding**

Daniel Howell and Zachary Gifford discussed this item. The CSU Office of International Programs at the Chancellor’s Office (CSU IP) joined the CSURMA Foreign Travel Insurance Program (FTIP) in 2012 to obtain broader coverage for the students and facilitate the IP services. In addition, the new program includes liability protection for the University. At the time, coverage was more expensive than the expiring offering and the CSURMA Executive Committee adopted a plan to have the rate charged students increased over time to meet the premium requirements. However, largely due to unexpected claims increases, premium costs escalated faster than the rate increase could catch up. As a result, the rate charged participants has not kept up to the actual cost. The table below summarizes the financial status.

**CSU INTERNATIONAL PROGRAMS**  
**CSURMA Foreign Travel Insurance Program (FTIP)**

Coverage Period	Premium Expense	IP Contribution	Deficit	# Ptcpt	IP Paid per Ptcpt	Actual Cost per Ptcpt
01/15/12 - 06/30/13	\$132,400	\$95,710	(\$36,690)	563	\$170	\$235
07/01/13 - 06/30/14	\$125,000	\$89,250	(\$35,750)	525	\$170	\$238
07/01/14 - 06/30/15	\$209,250	\$119,050	(\$90,200)	530	\$225	\$395
07/01/15 - 06/30/16	\$277,983	\$137,225	(\$140,758)	500	\$275	\$524
07/01/16 - 06/30/17	\$289,135	\$187,500	(\$101,635)	500	\$375	\$578

**17/18 Renewal Premium**

07/01/17 - 06/30/18*	\$289,135	\$200,000	(\$89,135)	500	<b>\$400</b>	\$578
07/01/17 - 06/30/18 **	\$276,980	\$187,500	(\$89,480)	500	<b>\$375</b>	\$554

\*17/18 Premium is estimated. Actual quote is expected by meeting

\*\*17/18 Premium with a \$100 deductible

*# Ptcpt: Total Number of Participants including Staff (Resident Directors) and Students*

CSU IP has students leaving in January 2017 (approximately 20) and approximately 500 in July. The insurer is quoting the July renewal now so that the cost can be known. IP asked for an alternative quote that includes a \$100 per accident/sickness deductible, which may reduce the cost. Adding a \$100 deductible offers savings of \$12,155. Staff believes the savings warrant taking the deductible option.

A motion was to (1) delegate authority to the CSURMA Secretary-Auditor to bind the renewal program, (2) allow the projected deficit for the 17/18 policy year to be absorbed by the FTIP program fund reserve in the Liability Program Fund, and (3) agree that the difference of \$89,135 is a cost of the FTIP program for the coverage protections provided to the university beyond the student travel coverage.

**MOTION:** Kevin Saunders

**SECOND:** Thom Davis

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez	X			
Thom Davis	X			
Robert Eaton	X			
Mike Lee	X			
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

**MOTION CARRIED**

**D11. Risk Management Innovation Grant Program**

The Committee reviewed three grant proposals.

CSU Los Angeles submitted a grant proposal for two motorized stair climber evacuation chairs to assist injured or disabled people in the basement of University Library. The Committee members felt that the purchase of the motorized stair climbers should be borne by the Campus it is an expected cost of business and is not above and beyond what a Campus is expected to provide for disabled people.

A motion was made to approve the grant proposal by CSU Los Angeles for the motorized stair climber chairs.

**MOTION:** Robert Eaton

**SECOND:** Frank Mumford

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel			X	
Lisa Chavez		X		
Thom Davis			X	
Robert Eaton			X	
Mike Lee			X	
Frank Mumford			X	

Kevin Saunders			X	
Jody Van Leuven			X	

**MOTION DID NOT CARRY**

The Committee reviewed the grant proposal received by San Jose State University for data encryption software. Zachary Gifford is in discussions with Ed Hudson, Systemwide IT, regarding a Systemwide application of this software.

A third grant proposal was submitted by CSU Fullerton for cloud-based web and mobile environmental health and safety data management framework. The Committee felt it was imperative to include Ed Hudson, from Systemwide IT to evaluate this product before making a final decision.

A motion was made to table discussion of the grant proposals received by both San Jose State University and CSU Fullerton to the March meeting so that Ed Hudson, Systemwide IT, would be able to evaluate both products.

**MOTION:** Robert Eaton  
**SECOND:** Frank Mumford

NAME	AYE	ABSTAIN	NAY	ABSENT
Scott Apel	X			
Lisa Chavez		X		
Thom Davis	X			
Robert Eaton	X			
Mike Lee	X			
Frank Mumford	X			
Kevin Saunders	X			
Jody Van Leuven	X			

**MOTION CARRIED**

**D12. CSURMA Policy and Procedure No. 26 – Allocation of Property Program Loss Limits (draft)**

Daniel Howell explained that the Master Property Program insures all twenty-three campuses and the Chancellor’s Office, as well as the auxiliary members under one program. The program provides a single coverage limit of \$1 billion per loss event. The program also has an annual aggregate flood limit of \$50 million. These limits are shared by all members.

Because the coverage limits are finite, Policy & Procedure No. 26 addresses the method of members’ sharing of the available coverage should the limits of coverage be exhausted by a single loss event which exceeds the “per loss” limit and/or any applicable “aggregate” limit of the reinsurance or excess insurance policies.

The Executive Committee reviewed the draft version of Policy and Procedure No. 26 and in particular the Loss Limit Sharing Formula (LLSF). The Committee felt the LLSF needed some additional work to ensure it represents an equitable method of sharing available limits.

This item was tabled until the March meeting and Staff was directed to amend the LLSF section of the Policy and Procedure.

### **D13. Campus Liability Coverage Deductible Selection**

The Committee reviewed the Campus Liability Coverage Deductible Selection exhibit. This item was for information only.

## **E. OTHER PROGRAMS**

### **E1. AORMA Programs Update**

Frank Mumford reported on the recent activities of the AORMA Committee.

### **E2. AIME Programs Update**

Jody Van Leuven reported that the AIME Committee had not met since the last report given to the Executive Committee on November 2, 2016. Their next meeting is scheduled for Wednesday, January 11<sup>th</sup>.

## **F. CLOSED SESSION**

There were no claims discussed in closed session.

## **G. INFORMATION ITEMS**

The Committee reviewed the information items, but there was no discussion.

- G1. Review of FY 2016/2017 Long Range Planning Goals**
- G2. CSURMA Administrative Service Calendar**
- G3. 2017 CSURMA Meeting Calendar**
- G4. CSURMA Executive Committee & Staff Contact List**

## **H. ADJOURNMENT**

The meeting was adjourned at 4:54 PM.