



APPROVED

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

APRIL 18, 2013

**TELECONFERENCE MEETING
2:00 PM**

MEMBERS PRESENT

Guy Dalpe, Cesar Chaves Student Center (San Francisco State University)
Haleh Minakary, The Cal Poly Pomona Foundation, Inc. (Cal Poly Pomona)
Mark Day, Santos Manual Student Union (CSU San Bernardino)

ABSENT MEMBERS

Kurt Borsting, Associated Students, Inc. (CSU Fullerton)
Gigi Kiama, University Corporation (CSU Monterey Bay)

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 2:04PM.

B. PUBLIC COMMENTS

There were no public comments.

C. GENERAL ADMINISTRATION

C1. Approval of the Agenda Order

A motion was made to approve the agenda as presented.

First: Haleh Minakary

Second: Mark Day

MOTION CARRIED

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting				x
Guy Dalpe	x			

Gigi Kiama				x
Haleh Minakary	x			
Mark Day	x			

C2. Approval of Minutes – January 3, 2013

A motion was made to approve the minutes as presented.

First: Haleh Minakary

Second: Mark Day

MOTION CARRIED

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

C3. 2013 Workers’ Compensation Payroll Desk Audits

Mimi Long explained that annually, staff will perform “desk” payroll audits of twelve (12) Workers’ Compensation program members. 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.

Mimi explained that the following information was reviewed for each of the 12 Workers’ Compensation members being audited:

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

If a member had a loss within a class code but no payroll was allocated to that class code, then Staff reviewed the claims description, reviewed the auxiliary operation information as shown on the liability application and, as necessary, requested additional information from the member. Explanations of the claims highlighted in yellow are noted below. The name of the Auxiliary is not included in the audit. The Programs Committee members only see an Auxiliary number:

Auxiliary 4 - One member had losses within class codes 1005 and 1007 but did not have payroll allocated to either class code. This member explained that most of their research project payroll is allocated to class code 1002; occasionally, an employee will engage in a physical or manual activity such as collecting plant samples (this activity would be a class code 1007 activity);

however, the employees time participating in this more hazardous activity is less than 20% of the employee's total time, so the member allocated the payroll to class code 1002. The same is true with class code 1005. The member offers a sports camp for one or two weeks in the summer. Their clerical employees will act as the camp counselors; however, this activity accounts for less than 20% of the employee's time. **Conclusion:** If an employee engages in both hazardous and non-hazardous activities, all of the employee's payroll can be allocated to the non-hazardous class code if less than 20% of the employee's time is spent on the hazardous activity.

Auxiliary 6 – Two claims were coded to class code 1005 (Sports / Day Care). This auxiliary does not have a day care operation nor does it operate any sports camps. **Conclusion:** The payroll was classified correctly; based on the loss description, the losses were allocated to the wrong class code.

Auxiliary 7 – Four claims were coded to class code 1005 (Sports / Day Care). This auxiliary does not have a day care operation nor does it operate any sports camps and therefore no payroll was reported for class code 1005. These claims resulted from an employee being hit by a skateboarder while walking on campus, two employees were injured while playing a "ball game" during a break and an employee was injured while attending a team building ski / snowboard outing. **Conclusion:** All of these injuries did occur while the employees were working, or participating in a work related activity. Although these injuries appear to be out of the normal scope of the employees' job duties, they are considered covered workers' compensation claims.

Auxiliary 8 – Four claims were coded to class code 1004 (Retail Ops). **Conclusion:** This auxiliary only provides the clerical and/or administrative support functions and therefore the payroll can be allocated to class code 1001.

Auxiliary 9 – Four claims were coded to class code 1004 (Retail Ops). This auxiliary does not have any retail operations. **Conclusion:** The payroll was classified correctly. These losses should have been coded to class code 1007 (Manual Labor).

Auxiliary 10 – Two claims were coded to class code 1006 (Food Service). Both of these claims should have been coded to class code 1007 (Manual Labor). **Conclusion:** The payroll was classified correctly. Both losses occurred in a food service area; however, both employees were part of the custodial staff and therefore the losses should have been coded to class code 1007.

Based on the results of the desk audit, Staff recommends working closely with the Workers' Compensation third party claims administration staff to make sure that the claims are coded correctly. Mimi concluded that many of the claims were coded to the wrong class code. It appears that several of the claims are old and therefore, were incorrectly coded by Alliant Staff rather than Sedgwick Staff. Mimi will review the losses prior to June 30, 2013, so that the losses submitted to the actuary are accurately coded.

The Committee Members asked that the Desk Audit Spreadsheet be revised to add a Total Number of Claims Being Audited and a Total Number of AORMA Claims as a comparison.

C4. Review of the Draft FY 14/15 Property Program Rating and Allocation Method

The Programs Committee members reviewed the Excel format spreadsheet for the new proposed FY 14/15 Property Program Allocation. Mimi Long explained that two allocation options are being proposed - Option A includes a single rate for real property, personal property and business interruption / rents. Option B includes a separate rate for real property and business interruption / rents and a separate rate for personal property. The allocation factors included are total insurable values, losses and deductible amount. A minimum premium is applied.

Option A:

1. All members start with the same base rate of .1985 (*this rate will change every year based on the projected program costs.*) This rate is applied to the Member's total insurable values (real property, personal property and business interruption / rents) to calculate the base premium.
2. A loss rating surcharge is assigned to each member based on the following criteria:
 - a. Loss ratio under 20% - no surcharge
 - b. Loss ratio between 20% and 40% - 5% surcharge
 - c. Loss ratio between 40% and 60% - 10% surcharge
 - d. Loss ratio between 60% and 80% -15% surcharge
 - e. Loss ratio between 80% and 100% - 20% surcharge
 - f. Loss ratio in excess of 100% - 25% surcharge
3. Deductible credits are included as follows:
 - a. \$10,000 deductible - .98
 - b. \$25,000 deductible - .97
 - c. \$50,000 deductible - .96
 - d. \$100,000 deductible - .94
4. Rate collars are included as follows:
 - a. Minimum rate collar – 80% of the previous year's rate
 - b. Maximum rate collar – 130% of the previous year's rate
5. The minimum premium for each member is \$500

Option B:

1. All members start with two base rates - .19 for real property and business interruption / rents and .23 for personal property (*these rates will change every year based on the projected program costs.*) These rates are applied to the Member's total insurable values to calculate the base premium.
2. The loss rating surcharge, deductible credits, rate collars and the minimum premium are the same as Option A above.

After reviewing the first draft of the allocation formula, the Committee members asked that the following be reviewed and/or revised:

1. *Review deductible credits.* Mimi agreed that the deductible credits as presented in the allocations appear to be too low.
2. *Review rate split within Option B between real property and business interruption / rents and personal property.* Currently, the rate difference is \$.04. Mimi will review AORMA's property loss information to see if it makes sense to modify the rate difference.
3. *Review maximum rate and dollar increase from prior year.* For University Corporation at Monterey Bay, a 30% rate increase represents a \$119,757 dollar increase. The Committee would like to look at a possible dollar amount maximum increase as well as a percentage increase.

C5. Review of the Draft FY 14/15 Crime Program Rating and Allocation Method

The Programs Committee members reviewed the Excel format spreadsheet for the new proposed FY 14/15 Crime Program Allocation. Mimi Long explained that a new proposed Crime Insurance Program – Member Allocation formula was designed. The allocation factors included are payroll, expenditures and losses. Minimum premiums are applied.

1. All members are assigned a basic premium based solely on total payroll
2. A loss rating surcharge is assigned to each member based on the following criteria:
 - a. Loss ratio of less than 50% - no surcharge
 - b. Loss ratio between 50% and 100% - 10% surcharge
 - c. Loss ratio in excess of 100% - 20% surcharge
3. Premium collars are included as follows:
 - a. Minimum premium collar – 80% of the previous year's premium
 - b. Maximum premium collar – 150% of the previous year's premium
4. Minimum premiums for each member are established based on total expenditures as follows:
 - a. Expenditures less than \$1,000,000 - \$100 minimum premium
 - b. Expenditures between \$1,000,000 and \$3,000,000 - \$500 minimum premium
 - c. Expenditures in excess of \$3,000,000 - \$750 minimum premium
5. Deductibles are assigned based on premium size as follows:
 - a. FY 14/15 premium less than \$5,000 - \$2,500 deductible
 - b. FY 14/15 premium in excess of \$5,000 - \$5,000 deductible

After reviewing the first draft of the allocation formula, the Committee members asked that the following be reviewed and/or revised:

1. Look into increasing the minimum premiums of \$100, \$500 or \$750.

2. Review the option of increase the minimum deductible for all members to \$5,000 and adding an option for a \$10,000 deductible with a rate decrease.

Mimi Long explained that the proposed FY 14/15 Property and Crime allocation formulas will be reviewed by the AORMA Officers at its retreat in July. An additional Programs Committee meeting was scheduled for June 6, 2013 @ 2:00 PM so that the revisions to the Property and Crime allocation formulas could be reviewed one more time before the AORMA Officers retreat.

C6. Earthquake Insurance Program Discussion

Mimi Long stated that in early February, 2013 estimated pricing for the AORMA Earthquake Insurance Program was sent out to those members who had initially expressed an interest in participating. After receiving the estimated pricing, only one member expressed an interest in pursuing coverage; this member already purchases a stand-alone EQ policy. The Committee Members felt that the program was not viable at this point due to the lack of interest. They asked that Staff run this by Willy Hsu to review the ramifications of terminating this program proposal.

A motion was made to table this item until such time that interested in the program increased or a new EQ product was developed.

- First:** Mark
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			

C7. New California Ventures, LLC

Mimi Long explained that at this time, Genesis, the AORMA Liability Program reinsurer is unable to include “for-profit” entities in the reinsurance agreement. Therefore, New California Ventures, LLC will seek separate coverage.

C8. Review of the CSURMA Approved Budget for FY 12/13

The Committee Members reviewed the FY 12/13 CSURMA Budget (mid-term changes) and the proposed FY 13/14 CSURMA Budget. No changes were suggested.

D. INFORMATION ITEMS

The following information items were reviewed by the Committee:



APPROVED

- D1. FY 12/13 Long Range Action Plan**
- D2. CSURMA AORMA 2013 Meeting Calendar**

The CSURMA AORMA 2013 Meeting Calendar was revised to add the Programs Committee meeting date on Thursday, June 6, 2013 at 2:00 PM via teleconference.

- D3. CSURMA AORMA Program Administrator's Contact Lists**
- D4. AORMA Committee Members - Effective 7/1/12**

E. ADJOURNMENT

The meeting was adjourned at 3:53 PM.