

**MINUTES OF THE
CSURMA EXECUTIVE COMMITTEE MEETING
OCTOBER 24, 2014
CSU CHANCELLOR'S OFFICE, MUNITZ ROOM
401 Golden Shore • Long Beach, CA
9:00 AM**

MEMBERS PRESENT

George V. Ashkar (Treasurer) - CSU Office of the Chancellor
Lisa Chavez - CSU Los Angeles
Robert de Wit (AORMA Chair) - Forty-Niner Shops, Inc., CSULB
Linda Hawk (Vice-Chair) - CSU San Marcos
Mike Lee - CSU Sacramento
Frank Mumford (AORMA Vice-Chair) - CSU Fullerton
Cynthia Teniente-Matson (Chair) - CSU Fresno – *(arrived at 9:10am)*
Michael Thorpe - CSU Chico

MEMBERS ABSENT

Lori Gentles - CSU Fullerton

STAFF, GUESTS & CONSULTANTS

Kelly Cox - CSU Office of the Chancellor
Robert Eaton (Secretary/Auditor) - CSU Office of the Chancellor
William Hsu - CSU Office of General Counsel
Alice Kim - CSU Office of the Chancellor
Steve Relyea - CSU Office of the Chancellor
Rebecca Skidmore - CSU Office of the Chancellor
Zachary Gifford - CSU Office of the Chancellor
Mike Fleming - CSAC EIA
Chris Ray - KPMG
Kirtland Stout - CSU Sacramento
Gordon DesCombes - Alliant Insurance Services, Inc.
Melissa Diaz - Alliant Insurance Services, Inc.
Jacki Graf - Alliant Insurance Services, Inc.
Daniel Howell - Alliant Insurance Services, Inc.
Robert Leong - Alliant Insurance Services, Inc.
Mimi Long - Alliant Insurance Services, Inc.
Lilian Vanvieldt - Alliant Insurance Services, Inc.

A. CALL TO ORDER

The meeting was called to order at 9:02 AM by Linda Hawk.

A1. Approval of the Agenda

Because items D7. Approval of Policy and Procedure No. 22, Claims Handling Guidelines, D8. CSURMA Support of Systemwide Efforts Related to Mitigation of Concussive Injuries, D10. Prevention of Sexual Misconduct and Abuse of Minors, and E1. AORMA Programs Update will be discussed at the Board meeting today, Linda Hawk requested that these items be removed from the Executive Committee’s agenda.

A motion was made to approve the agenda with the removal of Items D7, D8, D10 and E1.

MOTION: George Ashkar

SECOND: Mike Lee

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles				X
Linda Hawk	X			
Mike Lee	X			
Frank Mumford	X			
Cynthia Teniente-Matson	X			
Michael Thorpe	X			

MOTION CARRIED

A. PUBLIC COMMENTS

There were no comments from members of the public.

B. CONSENT CALENDAR

George Ashkar requested that the Treasurer’s Report at September 30, 2014, be pulled from the consent calendar.

C1. Approval of Minutes – September 12, 2014

C2a. Receipt and Review of the Draft Financial Statements at September 30, 2014

C3. CSURMA Conflict of Interest Code

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

MOTION: Frank Mumford
SECOND: George Ashkar

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles				X
Linda Hawk	X			
Mike Lee	X			
Frank Mumford	X			
Cynthia Teniente-Matson	X			
Michael Thorpe	X			

MOTION CARRIED

C2b. Treasurer’s Report @ September 30, 2014.

George Ashkar let the committee know that the Treasurer’s Report at September 30, 2014 is not available. The earnings report is current in process and will come to the executive committee members at the next meeting. Occasionally, the timing of the executive committee doesn’t work and the document will be off cycle. George did report that CSURMA does have enough operating cash for six months.

A motion was made to accept the Treasurer’s Report as presented by George Ashkar.

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles				X
Linda Hawk	X			
Mike Lee	X			
Frank Mumford	X			
Cynthia Teniente-Matson	X			
Michael Thorpe	X			

MOTION CARRIED

D. GENERAL ADMINISTRATION

D1. Report on Independent Auditor’s Financial Audit as of June 30, 2014

George Ashkar let the committee know that the contract with KPMG for the systemwide audit was renewed including the CSURMA standalone audit. George introduced Chris Ray from KPMG who presented the audit findings. There were no financial findings. KPMG gave CSURMA a clean opinion. Chris discussed the required communications, including the significant accounting policies to which CSURMA is in compliance. With regard to the qualitative aspects of accounting practices, CSURMA has no unusual transactions or those for which there is no authoritative literature. The audited financial statement is in a net position. The statement of revenue which shows what happened during the year has a clean opinion. The revenues did change significantly from prior years. Judgements and IBNR's are included in the financials. The audit included one reclassification of an insurance premium to reinsurance.

Chris noted that Footnote 5 indicates that CSURMA establishes liability for both reported and unreported events, which includes estimates of both future payments of loss and loss adjustment expenses. This is specifically required due to the nature of CSURMA. The actuary's data has now been audited by the financial auditor. The committee reviewed schedules 1 – 10 which breakdown the costs for each program. Daniel Howell noted that the workers' compensation claims liability and loss adjustment expenses did increase in 2014 due to fewer years being reinsured.

A motion was made to accept the financial statement for the period ending June 30, 2014.

MOTION: Mike Lee
SECOND: Lisa Chavez

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles				X
Linda Hawk	X			
Mike Lee	X			
Frank Mumford	X			
Cynthia Teniente-Matson	X			
Michael Thorpe	X			

MOTION CARRIED

D2. Delegation of Authority to Extend Owner Controlled Insurance Program (OCIP)

Daniel Howell explained that the OCIP was launched three years ago. The program covers capital projects for an initial three year term expiring December 31, 2014. CSU's OCIP has performed extremely well with very low claims experience to date. James Hoffman from the Chancellor's Office Capital Planning Design and Construction (CPDC) group has worked with the OCIP administrators at Alliant to negotiate extensions to the insurance programs in place.

Due to CSU’s excellent performance, underwriters have agreed to maintain the existing pricing despite increases in California workers’ compensation rates over the past three years.

As an improvement to the program services, the OCIP administrator will now track bid deductions from contractors so that the cost of the CSU OCIP can be compared to the cost of insurance bid by the contractors.

Cindy Teniente-Matson asked Daniel to put together a matrix that substantiates the actual savings to CSU. This should be available to be discussed at the next CABO meeting. Daniel will also review the Bakersfield project and provide backup information to confirm the savings on the project.

A motion was made to delegate authority to the CSU Chancellor’s Office to extend the CSU OCIP for three more years and authorize the CSURMA Chair and Secretary-Auditor to execute agreements necessary to continue the program.

MOTION: Frank Mumford

SECOND: Linda Hawk

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles				X
Linda Hawk	X			
Mike Lee	X			
Frank Mumford	X			
Cynthia Teniente-Matson	X			
Michael Thorpe	X			

MOTION CARRIED

D3. Workers’ Compensation Program Claims Closure Initiative Update

Zachary Gifford let the committee know that as of October 10, 2014, settlement authority has been approved on three files. A second “double play” meeting occurred on October 16, 2015. Sedgwick is reviewing the open SELF inventory to select the second set of files to be reviewed by Corey Ingber. The discussions and recommendations have been well received by defense counsel and settlement negotiations have been initiated on the files with settlement authority. Progress toward resolution continues. Zach confirmed that he and Jacki Graf will continue to give the committee updates as the project continues.

D4. Student Travel Accident Policy Renewal

Daniel Howell let the committee know that current federal law requires that CSU purchase insurance to cover accidental injuries to students while travelling away from campus on school sponsored activities. The current CSU policy has a limit of \$25,000 and expires December 31, 2014. The renewal has been quoted at \$23,330 with the same terms and conditions as the expiring policy. An optional quote with a limit \$35,000 and a premium of \$24,077 was also presented. Both quotes include an annual aggregate of \$500,000.

The committee also discussed the option of modifying the travel accident policy to cover injuries to students within service learning placements. Daniel asked Willy Hsu to design contract language to be included in the service learning contracts that would stipulate that any injuries to the student would be covered under CSU’s medical expense and accident policy rather than under workers’ compensation. This language will be presented at the March meeting.

A motion was made to approve the renewal of the Student Travel Accident Policy with an increased limit of \$35,000 with an annual premium of \$24,077.

MOTION: George Ashkar

SECOND: Mike Thorpe

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles				X
Linda Hawk	X			
Mike Lee	X			
Frank Mumford	X			
Cynthia Teniente-Matson	X			
Michael Thorpe	X			

MOTION CARRIED

D5. Evaluation of Primary Coverage Program for Workers’ Compensation

Daniel Howell mentioned that CSURMA has generally taken the approach of retaining risk when it could do so at a lower cost than risk transfer. From July 1, 2008 to June 30, 2011, the CSURMA Executive Committee authorized the purchase of a primary reinsurance program for the Campus Workers’ Compensation Risk Pool since the risk transfer was less expensive than the cost projected by CSURMA’s actuary. After June 30, 2011, the cost of risk transfer exceeded the CSURMA actuary’s projection of the cost to retain the risk, so the reinsurance program was discontinued.

In March 2014, staff received interest from the CSAC Excess Insurance Authority (EIA) to offer a primary coverage program to both the Campus WC Risk Pool and the AORMA WC Program. Several meetings have taken place to determine the viability of CSURMA participation in the

CSAC EIA program, and operational hurdles have been addressed so that participation would be transparent to the campuses and auxiliary organizations.

Daniel introduced Mike Fleming from CSAC EIA, Gordon DesCombes from Alliant Insurance Services, Inc. and Lilian Vanvioldt from Alliant Insurance Services, Inc. who provided an overview of the workers' compensation proposal. CSAC EIA was formed in 1979 and is one of the oldest JPAs in California. The excess workers' compensation program was the first CSAC EIA program. Originally CSAC EIA was only available to counties; now all JPAs within California can join. CSAC EIA has been accredited with excellence by CAJPA since 1989. It has also been accredited by AGRIP since 2010. CSAC EIA currently has 55 county members and 254 public entity members (some of these members are JPAs.) There are 15 active committees offering member participation. The proposed premium is for an 18 month term beginning January 1, 2015. The financial terms of CSAC EIA's proposal are summarized below. Mike Flemming mentioned that CSAC EIA has not approved the administration charge for FY 14/15, so it's possible that the premium could go up by \$3,000 to \$4,000. Also, the CSAC EIA underwriting committee would need to make the final approval; however, they have reviewed the original CSURMA submission and Mike does not anticipate any issues.

EIA Proposed Coverage Program Compared to CSURMA Actuarial Cost*

18 months	Campus	AORMA	Total
CSURMA Agreed			
Actuarial Funding:	\$ 42,336,525	\$ 4,781,875	\$ 47,118,400
CSAC EIA Primary:	\$ 22,237,435	\$ 2,287,055	\$ 24,524,490
CSAC EIA EWC:	\$ 13,981,931	\$ 1,438,001	\$ 15,419,932
CSAC EIA Total:	\$ 36,219,366	\$ 3,725,056	\$ 39,944,422

*actuarial cost from Aon studies valued at June 30, 2014.

Daniel noted that due to financial considerations, the AORMA WC program can only participate in this risk transfer if the Campus WC Risk Pool also participates. Daniel let the committee know that the AORMA Committee, at its meeting yesterday, delegated authority to the executive committee to make the final decision and execute the participation documents, if appropriate.

The committee asked how CSAC EIA would be different from SELF. Daniel noted that CSAC EIA may assess each member as well; however, the problems with SELF resulted from a number of issues. The excess workers' compensation pool had an extremely low self-insured retention, and the rating did not include member experience modifications factors. Because of this, the members with the low loss ratios left the program and the members with the high loss ratios stayed. This created adverse selection. Also, SELF did not audit the members' claims administrators and had only one claims consultant on staff to oversee the claims administration

of all of the members. CSAC EIA does include an experience modification factor in each member’s premium calculation. CSAC EIA audits each member’s claims administrator to verify that the claims are being reserved appropriately and that claims are being administered effectively every other year. Also, SELF required a six month notice of cancellation which made leaving the program difficult. CSAC EIA requires only 60 days notice of cancellation and the notice of cancellation is rescindable. CSAC EIA also has seven staff members who are devoted to loss control.

The Executive Committee did not feel that they had sufficient time to make a final recommendation at this meeting. Instead, they asked that this same information be presented to CSURMA Board. They will ask the Board to delegate authority to the Executive Committee to make the final decision and to execute the participation documents if appropriate.

D6. Risk Management Innovative Grant Program

Items D6b. Revised Risk Management Innovation Grant Program and D6c. Approval to Unencumber Non-Used Risk Innovation Grant Funds for Systemwide Endeavors were tabled until the December meeting.

D6a. Approval of Risk Management Innovation Grant Program Applications Received from Members.

The committee members reviewed the 18 grant requests received from 12 different campuses.

A motion was made to approve a total grant amount of \$26,566.68 for all 18 grant requests received.

MOTION: Linda Hawk
SECOND: Mike Thorpe

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Lisa Chavez	X			
Robert de Wit	X			
Lori Gentles				X
Linda Hawk	X			
Mike Lee	X			
Frank Mumford	X			
Cynthia Teniente-Matson	X			
Michael Thorpe	X			

MOTION CARRIED

D7. Approval of the Policy and Procedure No. 22 – Claims Handling Guidelines

This item was removed from the agenda.

D8. CSURMA Support of Systemwide Efforts Related to Mitigation of Concussive Injuries

This item was removed from the agenda.

D9. Adoption of Meeting Dates for Calendar Year 2015

The committee agreed to keep the December 5th meeting on the calendar and will meet in Alliant’s Newport Beach office.

D10. Prevention of Sexual Misconduct and Abuse of Minors

This item was removed from the agenda.

D11. Delegation of Authority to Engage Consultant to Perform CSURMA Operational Review

Daniel Howell noted that at the last meeting the executive committee determined that it would have a consultant perform an operational review along the lines of a California Association of Joint Powers Authorities (CAJPA) accreditation review. It has been three years since the last review and the Executive Committee’s practice has been to perform the review every three years, as if CSURMA were seeking CAJPA accreditation. The Executive Committee determined that the scope of this year’s review will be limited to an operational review of the Program Administration and not include CSURMA accounting services since those services are already audited on an annual basis.

Staff identified Robin Johnson as a qualified consultant who can perform the review a deliver the report at the Executive Committee’s Long Range Planning Meeting in March 2015. Robin Johnson proposed a fee of \$7,500 for the review including delivery of the audit report. Travel expenses to perform the review are included in the review, but the cost to attend the Long Range Planning meeting (from the Sacramento area to the likely meeting location in Southern California) would be in addition to the fee.

A motion was made to delegate authority to the Secretary-Auditor to retain Robin Johnson to perform the operational review of the CSURMA.

MOTION: Frank Mumford

SECOND: George Ashkar

NAME	AYE	ABSTAIN	NAY	ABSENT
George Ashkar	X			
Lisa Chavez	X			
Robert de Wit	X			

Lori Gentles				X
Linda Hawk	X			
Mike Lee	X			
Frank Mumford	X			
Cynthia Teniente-Matson	X			
Michael Thorpe	X			

MOTION CARRIED

E. AUXILIARY ORGANIZATIONS INSURANCE PROGRAMS

E1. AORMA Programs Update

This item was removed from the agenda.

F. CLOSED SESSION Pursuant to Cal. Gov. Code Sec. 11126(e)(1) & 11126(f)(1)

There were no items to be discussed in closed session.

G. INFORMATION ITEMS

G1. Review of FY 2014/2015 Long Range Planning Goals

The committee reviewed the 2014/2015 Long Range Planning plan.

G2. Listing of CSURMA Policies and Procedures

The committee reviewed the CSURMA policies and procedures review schedule.

G3. CSURMA Administrative Service Calendar

The committee reviewed the CSURMA Administrative Service Calendar.

G4. CSURMA Executive Committee & Staff Contact List

Cindy asked the committee members to review the committee listing for accuracy and to contact Tevea Him or Mimi Long with any changes.

H. ADJOURNMENT

A motion was made to adjourn the meeting at 10:25 AM.

MOTION: Linda Hawk

SECOND: Mike Lee