



PROGRAMS COMMITTEE MEETING “This is an Open Public Meeting”

In accordance with the requirements of the Bagley-Keene Open Meeting Act, notice of this meeting must be posted in publicly accessible places, including the Internet, at least ten (10) days in advance of the meeting.

Meeting Date: June 27, 2013
Time: 2:00 p.m. (Teleconference)

Location: Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111

Legend: A – Action may be taken
I – Information Only

1. Kurt Borsting: ASI., CSU Fullerton, 800 N. State College Blvd., Fullerton
2. Guy Dalpe: Cesar Chavez Student Center, SFSU, 1650 Holloway Avenue Room C-134, San Francisco
3. Gigi Kiama: University Corporation at CSUMB, 100 Campus Center, Bldg. 201, Seaside
4. Haleh Minakary: Cal Poly Pomona Foundation, CSU Pomona, 3801 W. Temple Ave., Bldg. 55, Pomona
5. Mark Day: Santos Manuel Student Union, CSU San Bernardino, 5500 University Parkway, San Bernardino

A. CALL TO ORDER

B. PUBLIC COMMENTS

C. GENERAL ADMINISTRATION

1. **Approval of the Minutes – June 6, 2013** A p. 2
The Committee will be asked to review and approve the minutes from the last Programs Committee meeting on June 6, 2013
2. **Review of the Draft FY 14/15 Property Program Rating and Allocation Method** A p. 8
The Committee will be asked to discuss the revisions to the third draft of the FY 14/15 property rating allocation
3. **Review of the Draft FY 14/15 Crime Program Rating and Allocation Method** A p. 10
The Committee will be asked to discuss the revisions to the third draft of the FY 14/15 crime rating allocation

E. ADJOURNMENT

The next meeting is scheduled for August 1, 2013 at 2:00 p.m. as a teleconference meeting.

APPROVAL OF MEETING MINUTES – JUNE 6, 2013

ISSUE: The Committee will be asked to review and approve the draft minutes from the June 6, 2013, Programs Committee meeting.

RECOMMENDATION: Staff recommends approving the minute, with revisions as necessary.

FISCAL IMPACT: None

BACKGROUND: None

PUBLICATION: None

ATTACHMENT(S):

- a. Meeting Minutes – June 6, 2013

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

JUNE 06, 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)
Kurt Borsting, Associated Students, Inc. (CSU Fullerton) *joined at 2:15pm; left at 3:00pm*
Gigi Kiama, University Corporation (CSU Monterey Bay)

MEMBERS ABSENT

None

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 2:03 PM.

B. PUBLIC COMMENTS

There were no public comments.

C. GENERAL ADMINISTRATION

C1. Approval of Minutes – April 18, 2018

A motion was made to approve the minutes as 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		

C2. Review of the Draft FY 14/15 Property Program Rating and Allocation Method

Mimi Long explained the proposed FY 14/15 property rating allocation method to the committee members.

Basic Rates - The revised property allocation still uses two rates – one for real property and business interruption / rents and the other for personal property. Rather than using the rates of .19 and .23 (a .04 point difference between the two) the personal property rate has been changed to a formula which is 20% higher than the real property rate. The basic rates in the property allocation are .2215 for real property and business interruption / rents and .2657 for personal property. These rates will change every year depending on the total program premium.

Size Credits – Staff added a size credit to the property allocation which allows the largest members to receive rate relief. In the standard insurance marketplace, rates are commensurate with TIV size. The larger your TIV, the lower your rate. Overall, AORMA receives a lower rate due its size; therefore, the smaller members are still benefiting from an AORMA pool size credit.

The maximum size credit is 30%. Each member is assigned a size credit percentage which is based on their basic premium compared to the maximum premium of \$600,000. Only one member receives the total 30% credit.

Loss Rating - A loss rating surcharge is assigned to each member based on the following criteria:

- Loss ratio under 20% - no surcharge
- Loss ratio between 20% and 40% - 5% surcharge
- Loss ratio between 40% and 60% - 10% surcharge
- Loss ratio between 60% and 80% -15% surcharge
- Loss ratio between 80% and 100% - 20% surcharge
- Loss ratio in excess of 100% - 25% surcharge

The loss rating surcharges did not change from the previous draft FY 14/15 property rating allocation method.

Deductible Credits - Staff reviewed the deductibles and revised the credits to provide a more meaningful deduction as shown below.

\$10,000 deductible - .95
\$25,000 deductible - .90
\$50,000 deductible - .85
\$100,000 deductible - .80

The committee members reviewed the deductible credits and noted that the deductible credits for the different sized members didn't always make sense. Mimi Long agreed and noted that a "one size fits all" deductible credit didn't work. Deductible options are also problematic because a change to one member's premium impacts the premium of the remaining members. The idea was suggested that minimum deductibles be assigned to each member based on TIV size. Mimi Long will provide two options – one with a minimum deductible based on total TIV and one with a split deductible. The second option will have a higher deductible for real property and a lower deductible for personal property.

Collared Rates - The collars will change every year, until no collars are necessary. The current property allocation uses collars of .90 and 1.25. These collars result in six members at the minimum collar and nine members at the maximum collar.

Minimum rate collar – 90% of the previous year's rate
Maximum rate collar – 125% of the previous year's rate

Minimum Premium – The minimum premium for FY 14/15 was increased to \$600 rather than \$500, because the FY 13/14 premium is \$623.

The committee members directed staff to revise the draft FY 14/15 property rating allocation method to include minimum deductibles. Because a change to one member's premium impacts the premium of the remaining members, the idea was suggested that minimum deductibles be assigned to each member based on TIV size. Mimi Long will provide two options – one with a minimum deductible based on total TIV and one with a split deductible. The split option will have a higher deductible for real property and a lower deductible for personal property.

C3. Review of the Draft FY 14/15 Crime Program Rating and Allocation Method

Mimi Long explained the changes to the draft FY 14/15 crime program rating allocation.

Basic Rates - All members are assigned a basic rate of .0650.

Size Credit - Staff added a size credit to the crime allocation which allows the largest members to receive rate relief. Overall, AORMA receives a lower rate due its size; therefore, the smaller members are still benefiting from an AORMA pool size credit. The maximum size credit is 30%. Each member is assigned a size credit percentage which is based on their basic premium compared to the maximum premium of \$10,000.

Collared Rates - Rate collars are included as follows and will change every year, until no collars are necessary:

Minimum premium collar – 85% of the previous year’s premium
Maximum premium collar – 145% of the previous year’s premium

Loss Rating – the loss rating surcharges are as follows and have not changed from the previous crime allocation version:

Loss ratio of less than 50% - no surcharge
Loss ratio between 50% and 100% - 10% surcharge
Loss ratio in excess of 100% - 20% surcharge

Minimum Premiums – As a way to gauge the appropriate minimum premium size for a member without payroll, the members were grouped together based on expenditure size. A median premium was established for each expenditure range as noted below:

Expenditures under \$2,000,000 – MP \$500 (Median \$383)
Expenditures between \$2,000,001 and \$6,000,000 – MP \$1,500 (Median Premium \$1,876)
Expenditures between \$6,000,001 and \$10,000,000 – MP \$2,500 (Median Premium \$2,608)
Expenditures between \$10,000,001 and \$20,000,000 – MP \$3,000 (Median Premium \$4,108)
Expenditures over \$20,000,000 – MP \$3,500 (Median Premium \$11,739)

The committee members expressed concern over the minimum premiums. In prior years, the premium for some members was less than \$10. Last year the minimum premium was increased to \$100. For FY 14/15 the lowest minimum premium would be \$500. Because the admin costs for the crime program are only \$50,668, it was suggested that the admin costs be spread evenly between the members rather than based on a percentage of premium. The committee members’ rationale for this request was that, unlike the other AORMA insurance programs, the larger members within the crime program do not create a higher administrative burden and therefore should not be charged more than the smaller members.

Deductible – A 5% deductible credit has been added should a member decide to increase its deductible to \$10,000 from \$5,000.

The committee members directed staff to delete the \$10,000 deductible option. Because crime losses are infrequent, having a \$10,000 deductible option isn’t reducing the overall program losses. Therefore, it was felt that a premium reduction for a higher deductible did not benefit the pool.

An additional Programs Committee meeting was set for Thursday, June 27, 2013 at 2:00 PM to review the revisions to the draft FY 14/15 property and crime rating allocation methods prior to the AORMA officers retreat in July.



DRAFT

D. ADJOURNMENT

The meeting was adjourned at 3:27 PM.

HANDOUT
**REVIEW OF THE DRAFT FY 14/15 PROPERTY PROGRAM RATING
AND ALLOCATION METHOD**

ISSUE: Based on the discussions at the June 6, 2013 Programs Committee meeting, Staff was directed to change the property allocation formula to include assigned deductibles for each program member based on that program member's TIV. Staff has prepared two options:

- Option F – One deductible based on total TIV
- Option G – Split deductible – one for real property and business interruption / rents based on TIV and a separate deductible of \$5,000 for personal property

Basic Rates - The property allocation uses two rates – one for real property and business interruption / rents and the other for personal property. The personal property rate is 20% than the real property rate. These rates will change each year depending on the total program premium. The rates for each option are noted below:

- Option F – Real Property .2340 / Personal Property .2808
- Option G – Real Property .2220 / Personal Property .2664

Size Credits – **No change was made to the size credit.** The property allocation currently includes a maximum size credit of 30%. Each member is assigned a size credit percentage which is based on their basic premium compared to the maximum premium of \$600,000. Only one member receives the total 30% credit. Staff added a size credit to the property allocation which allows the largest members to receive rate relief. In the standard insurance marketplace, rates are commensurate with TIV size. The larger your TIV, the lower your rate. Overall, AORMA receives a lower rate due its size; therefore, the smaller members are still benefiting from an AORMA pool size credit.

Loss Rating – **No change was made to the loss rating surcharges.** A loss rating surcharge is assigned to each member based on the following criteria:

Loss ratio under 20% - no surcharge
Loss ratio between 20% and 40% - 5% surcharge
Loss ratio between 40% and 60% - 10% surcharge
Loss ratio between 60% and 80% -15% surcharge
Loss ratio between 80% and 100% - 20% surcharge
Loss ratio in excess of 100% - 25% surcharge

Deductible Credits - Staff reviewed the deductibles. Now that the property allocation assigns a deductible based on TIV size, more members are receiving the deductible credit. This in turn reduces the total premium collected. Therefore, Staff was forced to reduce the deductible credits.

The deductible credits for both options are noted below:

Deductible	Rate Credit
5,000	-
10,000	0.9900
25,000	0.9800
50,000	0.9700
100,000	0.9500

Collared Rates - **No change was made to the minimum or maximum rate collar.** The collars will change every year, until no collars are necessary. The current property allocation uses collars of .90 and 1.25. These collars result in six members at the minimum collar and nine members at the maximum collar.

Minimum rate collar – 90% of the previous year’s rate

Maximum rate collar – 125% of the previous year’s rate

Minimum Premium – **No change was made to the minimum premium.** The minimum premium for FY 14/15 was increased to \$600 rather than \$500, because the FY 13/14 premium is \$623.

RECOMMENDATION: Staff recommends that the committee members review and discuss the third draft of the FY 14/15 property rating allocation suggest revisions as appropriate.

FISCAL IMPACT: To be determined. Each member’s FY 14/15 property premium will change depending on the factors included within the property program member allocation.

BACKGROUND: At the June 6th meeting, the committee members reviewed the deductible credits and noted that the deductible credits for the different sized members didn’t always make sense. It was agreed and noted that a “one size fits all” deductible credit didn’t work. Deductible options are also problematic because a change to one member’s premium impacts the premium of the remaining members. The idea was suggested that minimum deductibles be assigned to each member based on TIV size.

PUBLICATION: Your recommendations will be discussed in July, 2013, at the officers' retreat.

ATTACHMENT(S):

- a. FY 14/15 AORMA Property Insurance Program – Member Allocation – Version F
- b. FY 14/15 AORMA Property Insurance Program – Member Allocation – Version G

HANDOUT
**REVIEW OF THE DRAFT FY 14/15 CRIME PROGRAM RATING
AND ALLOCATION METHOD**

ISSUE: Based on discussions at the June 6, 2013 Programs Committee meeting, Staff was directed to explore the following revisions to the draft FY 14/15 crime rating allocation.

Basic Rates - All members are assigned a basic rate of .0650. **With the admin cost change below, the basic rate was reduced from .0650 to .04.**

Size Credit - Staff added a size credit to the crime allocation which allows the largest members to receive rate relief. Overall, AORMA receives a lower rate due its size; therefore, the smaller members are still benefiting from an AORMA pool size credit. The maximum size credit is 30%. Each member is assigned a size credit percentage which is based on their basic premium compared to the maximum premium of \$10,000. **No change was made to the size credit.**

Collared Rates - Rate collars are included as follows and will change every year, until no collars are necessary:

Minimum premium collar – 85% of the previous year’s premium
Maximum premium collar – 145% of the previous year’s premium

No change was made to the collared rate percentages.

Loss Rating – the loss rating surcharges are as follows and have not changed from the previous crime allocation version:

Loss ratio of less than 50% - no surcharge
Loss ratio between 50% and 100% - 10% surcharge
Loss ratio in excess of 100% - 20% surcharge

No change was made to the loss rating surcharges.

Minimum Premiums – The minimum premium for each member have been established based on the member’s total expenditures. Because the minimum premiums now include a flat admin fee, the minimum premiums were reduced as follows:

- Expenditures under \$2,000,000 – MP ~~\$500~~ \$250 (Median \$383)
- Expenditures between \$2,000,001 and \$6,000,000 – MP ~~\$1,500~~ \$1,250 (Median Premium \$1,876)

- Expenditures between \$6,000,001 and \$10,000,000 – MP ~~\$2,500~~ \$2,250 (Median Premium \$2,608)
- Expenditures between \$10,000,001 and \$20,000,000 – MP ~~\$3,000~~ \$2,750 (Median Premium \$4,108)
- Expenditures over \$20,000,000 – MP ~~\$3,500~~ \$3,250 (Median Premium \$11,739)

Admin Costs – The JPA program administration cost for the crime program is \$23,256. This cost is now being divided evenly to each member. $\$23,256 / 88 = \264 . The insurance brokerage fee of \$27,412 will remain a part of the excess insurance cost and therefore will be spread to the members as a part of the standard crime program allocation.

Deductible – The optional \$10,000 deductible was removed. All members will have a \$5,000 deductible.

RECOMMENDATION: Staff recommends that the committee members review the second draft of the member allocations spreadsheet and suggest revisions as appropriate. The final member allocations will be reviewed by this committee on August 1, 2013.

FISCAL IMPACT: To be determined. Each member's FY 14/15 crime premium will change depending on the factors included within the crime program member allocation.

BACKGROUND: The committee members directed staff to delete the \$10,000 deductible option. Because crime losses are infrequent, having a \$10,000 deductible option isn't reducing the overall program losses. Therefore, it was felt that a premium reduction for a higher deductible did not benefit the pool.

The committee members expressed concern over the minimum premiums. In prior years, the premium for some members was less than \$10. Last year the minimum premium was increased to \$100. For FY 14/15 the lowest minimum premium would be \$500. Because the admin costs for the crime program are only \$50,668, it was suggested that the admin costs be spread evenly between the members rather than based on a percentage of premium. The committee members' rationale for this request was that, unlike the other AORMA insurance programs, the larger members within the crime program do not create a higher administrative burden and therefore should not be charged more than the smaller members.

The ISO standard rating classification for crime coverage is number of employees. Staff felt that payroll rather than employee count was a better rating factor due to the number of part-time employees. Some part-time employees may work 20 hours per week; some may work two hours. Therefore, acquiring an accurate FTE can be a challenge. Many members do not have payroll, as all employees are state employees; therefore, a minimum premium based on expenditures was included.

PUBLICATION: Your recommendations will be discussed in July, 2013, at the officers' retreat.

ATTACHMENT(S):

- a. The FY 14/15 AORMA Crime Insurance Program – Member Allocation – VERSION C