



APPROVED

**MINUTES OF THE
CSURMA BOARD OF DIRECTORS MEETING**

October 27, 2017

**CSU CHANCELLOR'S OFFICE, DUMKE ROOM
401 Golden Shore • Long Beach, CA**

10:30 AM

A. CALL TO ORDER

The meeting was called to order at 10:31 a.m. by Mike Lee

All Board of Directors and guests introduced themselves.

A1. Approval of the Agenda

A motion was made to approve the order of the agenda as presented.

MOTION: Jody Van Leuven **SECOND:** Frank Mumford

MOTION CARRIED

B. PUBLIC COMMENTS

There were no public comments.

C. CONSENT CALENDAR

C1. Approval of Minutes – May 5, 2017

C2. Treasurer's Report ending June 30, 2017

C3. Adoption of Meeting Dates for Calendar Year 2018

A motion was made to approve or accept each action item on the Consent Calendar as presented.

MOTION: Lisa Chavez **SECOND:** Robert Eaton

MOTION CARRIED

D. GENERAL ADMINISTRATION

D1. Independent Auditor's Financial Audit Report as of June 30, 2017

Liezl Sangalang KPMG's Engagement Senior Manager stated that the Independent's Auditors Report includes an unmodified opinion on the financial statements as well as the supplementary information. Sangalang noted that the areas of the audit emphasis were the member contribution revenues, investments, insurance premiums, dividend distributions, and claims liability for losses & loss adjustments expenses, as well as claims losses and loss adjustment expenses, which are reviewed by KPMG's actuary.

A motion was made to accept the audited financial report ending June 30, 2017 as presented.

MOTION: Dwayne Brummett **SECOND:** Mike Thorpe

MOTION CARRIED

D2. FY 18/19 Pooled Program Funding Status

D2a. Campus Risk Pools - Actuarial Reports for Campus Liability, Campus Workers' Compensation and Athletic Injury Medical Expense (AIME) Programs

Rob Leong summarized the actuarial report which evaluates the liabilities of CSURMA's major self-insured risk pools. The information provided by the actuary is used to establish fiscal year-end financial reports, and serves as the starting point to develop rates and funding for FY 2018/19, as well as evaluating potential dividends or assessments.

This item is for information only as the Executive Committee reviewed and accepted the actuarial reports at its meeting on September 8, 2017. The actuarial reports include a discussion on the methodology used by the actuary to establish the financial projections for the self-insured risk pools.

D2b. Campus Risk Pool Funding Status at June 30, 2017

The Board reviewed the funding status reports of CSURMA's major risk pool programs. Rob Leong reports that Staff used the most recent actuarial reports and June 30 financial statements to prepare these reports. He also notes that Staff uses the most recent actuarial reports and the financial statements prepared by the CSURMA Accountant. Staff has completed its evaluation of the funding status for the Campus Liability, Campus Workers' Compensation and Athletic Injury Medical Expense risk pools for the fiscal year ending on June 30, 2017.

D2c. Campus Risk Pools – Dividends and Assessments

Rob Leong explained that CSURMA adopted three ratios which are used as guidance to determine the maximum dividend available to be released. The Premium to Surplus ratio is a measure of how surplus is leveraged against possible pricing inaccuracies. The Surplus to Retention ratio is a measure of the maximum amount that surplus could decline due to a single loss. The Outstanding Reserves to Surplus ratio is a measure of how surplus is leveraged against possible reserve inaccuracies. Based on these ratios, IDL/NDL/UI programs do not have enough surplus to recommend a dividend. Within the liability and workers' compensation program, there is an opportunity to release a dividend.

Leong noted that historically the practice has been to declare a dividend of up to fifty percent (50%) of unencumbered program funds where available and an assessment to cover existing and anticipated funding shortfalls for funds that have a negative fund balance. The Executive Committee reviewed the funding position of the campus risk pools in light of the actuarial reports and the unaudited financial statements at June 30, 2017. Leong states that the Executive Committee is recommending that the Board approve a dividend from the liability program of \$3,304,943 and a dividend from the workers' compensation program of \$3,722,665. The dividend allocation is based on the percentage of total contributions by each campus for the past five years.

Dividends			
Program	FY 15/16	FY 16/17	FY 17/18
Workers' Compensation	\$5,038,862	\$8,111,485	\$3,722,665
Liability	\$3,461,497	\$5,576,910	\$3,304,943
Total	\$8,500,359	\$13,688,395	\$7,027,608

A motion was made to approve a dividend from the liability program of \$3,304,943 and a dividend from the workers' compensation program of \$3,722,665. The dividend will be paid to the campuses by the end of November via a cash posting order. Additionally, the Executive Committee took action to internally transfer \$500,000 from the Liability Risk Pool to the AIME fund to strengthen AIME's reserves.

D3. FY 2018/2019 Rates and Gross Funding Campus Coverage Programs

Rob Leong explained that the Executive Committee is recommending adoption of the rates and funding for the upcoming fiscal year as shown in the table below.

Campus Coverage Programs
FY 2018/19 Proposed Gross Funding

	FY 2017/18	FY 18/19		
	Actual	Proposed	\$ Chg	% Chg
Liability	\$ 15,707,457	\$ 16,173,148	\$ 465,691	3.0%
Workers Compensation	36,337,621	38,837,384	2,499,763	6.9%
IDL, NDI, UI	15,000,000	15,500,000	500,000	3.3%
Property	8,250,000	8,450,000	200,000	2.4%
AIME	4,506,330	4,660,547	154,217	3.4%
Auto Liability	829,510	772,833	(56,677)	-6.8%
Total	\$ 80,630,918	\$ 84,393,912	\$ 3,762,994	4.7%

Liability: Undiscounted basis for FY 17/18 and FY 18/19.

Workers' Compensation: Discounted basis for FY 17/18 and FY 18/19.

The Campus Liability Program costs include premium deposits for the Student Professional Liability Insurance Program (SPLIP) and the Student Academic Field Experience for Credit Liability Insurance Program (SAFECLIP). Campus Property Program costs include Blanket Employee Fidelity coverage, Cyber Risk insurance and Fine Arts Artifacts & Archives insurance (FAAAP). Auto Liability is covered by the State Vehicle Liability Self-Insurance Program (VELSIP), whose cost is determined by the Office of Risk and Insurance Management (ORIM). The costs for the purchased insurance programs (SPLIP, SAFECLIP, Property, Fidelity, and Cyber) are estimates at this time since actual rates will not be known until negotiations are finalized in June 2018.

A motion was made to adopt the Campus coverage programs funding for FY 2018/19 as proposed. It has been CSURMA's practice to have the Executive Committee re-review the proposed funding and to finalize rates on an undiscounted or discounted basis when it meets in Spring 2018.

MOTION: Mike Thorpe **SECOND:** Jody Van Leuven

MOTION CARRIED

D4. FY 2017/2018 Long Range Planning Goals

Daniel Howell updated the Board on the long range planning goals adopted by the Executive Committee.

- LRP-1: Create a Special Events Resource Guide. Implement risk management training for special events.
- LRP-2: Implement a Risk Management Information System and Provide Regular Reporting
- LRP-3: Complete cost / benefits analysis for a captive insurance company to operate within CSURMA.
- LRP-4: Visit Campus VPs to provide updates on CSURMA
- LRP-5: Provide information to the membership regarding the risk management and loss control services available through CSAC-EIA
- LRP-6: Revise member loan policy to apply to risk management projects
- LRP-7: Explore and evaluate alternate investment strategies.
- LRP-8: Review and consider the purchase of Systemwide earthquake coverage with a parametric trigger
- LRP-9: Revise the Risk Management Innovation Grant Program to apply only to projects proposed by the affinity groups
- LRP-10: Create risk management / loss control workers' compensation projects based on the CWCI data
- LRP-11: Create a marine program to cover watercraft owned by campus and auxiliary organization members
- LRP-12: Provide assistance and oversight to the AOA
- LRP-13: Formation of a student health program
- LRP-14: Review and modification if appropriate the Workers' Compensation Experience Modification calculation

D5. Owner Controlled Insurance Program (OCIP) Renewal

Daniel Howell noted that at its meeting in September, the Executive Committee delegated authority to the Assistance Vice Chancellor of CPDC and the CSURMA Treasurer to renew the current Owner Controlled Insurance Program (OCIP) for an additional five years (October 1, 2017 to October 1, 2022).

The cost of the OCIP is paid from project funds for enrolled projects.

Working with CSU Chancellor's Office Capital Planning Design and Construction (CPDC), CSURMA launched in 2012 an Owner Controlled Insurance Program (OCIP). As shown in the attached presentation, the initial five-year term has been successful, with coverage enhancements and savings projected to exceed \$10 million for the initial five-year term.

As part of the renewal discussions, campus feedback generated suggestions for improvements that CSURMA would develop working with CPDC and Systemwide Risk Management. One request involves arranging for CSURMA to fund insurer premiums and recoup those premiums from the projects as the project funding becomes available. This would solve a timing issue that burdens the projects. This proposed funding alignment needs further development for the potential financial impact to CSURMA. The other issues being addressed are shown below:

- Administrative burden on campus project teams
- CPDC not fully equipped to administer the OCIP program
- Initial project costs for premiums create a cash flow problem for projects
- Concerns around whether financial benefits exceeds administrative burden
- OCIP loss rate is hovering near rate charged to campuses
- Difficulty in coordinating between OCIP, Builders Risk and Property policy claims
- Confusion over drug testing program
- Negative overall impression of OCIP program at the campus level

D6. CSURMA Support of CSU Campus Implementation of UC Risk and Safety Solutions Software Modules

Zachary Gifford discussed the UC Risk and Safety Solutions (RSS) is a software and service provider to the UC that has developed products tailored to higher education and healthcare providers and is now selling products and services outside of the UC. The Systemwide Office of Risk Management and campus EH&S leadership identifying the value of RSS's offerings developed a master services agreement by which campuses can obtain discounted access to the UC's various safety training and monitoring modules. Key elements of the new service are:

- Campuses can elect to participate in this non-mandatory Software.
- CSURMA would support implementation at up to seven campuses per year at a one-time cost to CSURMA of \$20,000 per campus for implementation.
- Campuses will have a free one-year trial of one module, additional modules and renewals will be available at 60% of UC RSS's list price.

- CSURMA would serve as the single point of billing contact for RSS and then bill the campuses.

A few CSU campuses are already in the process of implementing UC RSS products and services and RSS has agreed to honor the discounted pricing offered to CSU retroactive to current year implementations and licensing.

CSURMA has a budget item for the campus grant program and staff proposes that this budget item be increased to allow for the RSS master enabling agreement at a cost not to exceed \$140,000 for FY 17/18. This item will be included in the mid-year budget adjustment item presented to the CSURMA EC in March, 2018.

D7. Development of CSURMA Earthquake Coverage Program

Scott Carpinteri from Swiss Re was present to discussed Earthquake coverages.

The CSURMA's long range plan included directing staff to evaluate potential for CSURMA to launch an earthquake insurance program using non-traditional approaches. At the September CSURMA Executive Committee meeting the EC took action to delegate authority to the CSURMA Treasurer and Secretary-Auditor to bind coverage with SwissRe provided the CSU Senior Executive Vice Chancellor of Business and Finance concurred with the action. Coverage has been bound effective October 1, 2017 at a premium of \$1,550,000, which is a reduction from the indicated pricing of \$1,625,000 to \$1,700,000. The insurer has paid Alliant a commission of 7.5% on the placement, which is the same amount Alliant has been paid for similar placements.

Alliant's Brokerage Services Agreement effective January 1, 2016 provides that CSURMA and Alliant will agree on equitable compensation for new coverages and programs. Alliant requests that the Executive Committee approve the insurer's payment of the commission on this new placement.

The cost of earthquake coverage will be allocated to the campus and AORMA property funds and premiums for the upcoming FY 18/19 will include a charge for coverage. The carrier has paid Alliant a commission of 7.5% from within the premium of \$1,550,000.

D8. Auxiliary Organizations Employee Benefits Program

Daniel Howell stated that the Auxiliary Organizations Association (AOA) has a joint marketing employee benefits program, administered by the selected insurance broker under the supervision of the "AOA Benefits User Group" (AOA BUG) consisting of representatives from participating organizations. The AOA BUG conducted an insurance brokerage services RFP in Spring 2017 and selected Alliant Insurance Services as the program's insurance broker. One of the strategies the program may take is to join the CSAC Excess Insurance Authority's benefits program via CSURMA. The AOA BUG has indicated it may seek to become a standing committee of the AORMA program.

A motion was made to authorize the formation of a new AORMA Employee Benefits Program.

MOTION: Dwayne Brummett **SECOND:** Todd Summer

MOTION CARRIED

D9. Development of Student Health Insurance Program and UC SHIP

As explained by Daniel Howell, the CSU has a history of offering student health insurance directed to incoming international students. Because the CSU does not have a “hard waiver” directing domestic students to buy coverage, there have only been a handful of domestic students buying coverage. With this year’s renewals, the insurance markets refused to offer coverage to domestic students due to adverse selection resulting in high claims levels. The resulting cancellation created concerns about how CSU can best serve the student population’s need for student health insurance. For FY 17/18, the majority of campuses are referring domestic students to Covered California.

In the past, CSU’s Systemwide Risk Management office has had discussions with the University of California about the potential for CSU to participate in the UC’s Student Health Insurance Program (SHIP). UC’s administrators of the SHIP expressed interest, provided CSU’s campuses came in as a group. Participation would require delivery to UC SHIP of census and claim information maintained by the current insurers via the current retail brokers, which has been problematic to obtain.

This item is for interest only as the Executive Committee felt it was imperative that this item be elevated to the CABO members as well as CSU’s Senior Executive Vice Chancellor for further action.

D10. Campus Workers’ Compensation Experience Modification Task Group Report

Zachary Gifford explained that the Executive Committee established the Campus WC X-Mod Task Group on March 9, 2017 to review the Experience Rating methodology currently in use for the Campus Workers’ Compensation program, and to recommend refinements to the formula as it deems appropriate and fair for all campus members. Staff developed several alternative methods to address the concern of some members that large settlements adversely impact their X-Mods. The WC X-Mod Task Group met on July 19, 2017 to review and discuss staff’s analyses. Following that meeting, Staff drafted and the task group approved the written report which recommends no change to the current X-Mod calculation factors.

The X-Mod rating plan serves to distribute budgeted costs to members using the calculation formula approved by the Board of Directors.

D11. Insurance Renewals Report

The Committee reviewed the insurance renewal summary report prepared by Rob Leong. Daniel Howell provided a summary of the FY 17/18 insurance renewals.

E. AUXILIARY ORGANIZATIONS INSURANCE PROGRAMS

E1. AORMA Programs Update

Dwayne Brummett provided a brief report of the activities of the AORMA Committee.

E2. AIME Programs Update

Jody Van Leuven provided a brief report of the activities of the AIME Committee.

F. CLOSED SESSION

There were no items scheduled for closed session.

G. INFORMATION ITEMS

G1. Program Administrator's Stewardship Report

Daniel Howell let the Board know that each year the Program Administrators prepare a Stewardship Report for the Board. The Stewardship Report describes the activities and accomplishments of CSURMA and its Program Administrators.

G2. Workers' Compensation Stewardship Report

Jacki Graf noted that Sedgwick, CSU's workers' compensation claims administrator, has completed their Stewardship Report which reviews CSURMA's key performance indicators for the program over the last five fiscal years.

Sedgwick CMS has provided workers' compensation third party claims administration for the CSU Campuses since July 1, 2003. The current agreement with Sedgwick has been extended to June 30, 2018 and includes five one-year optional extensions.

Staff will be on hand at the meeting the answer questions and provide a summary of the key findings within the Stewardship Report.

G3. Insurance Grows for Cyberattacks

The attached article entitled Insurance Grows for Cyberattacks, provides some useful information regarding cyber liability insurance and statistical information regarding attacks.

G4. Liability Claims Administration Audit Results

The Executive Committee engaged Dennis Mitchell of Bickmore Risk Servicers (BRS) to conduct a performance review of its claims administrators for Campus Liability Program (Chancellor's Office) and AORMA Liability Program (Carl Warren and Company). The review was performed in June and the Auditor has submitted draft reports of its findings and recommendations for review at today's meeting.

BRS performed the last claim audits for Campus Liability and AORMA Liability in 2015. To ensure consistency of review, the Executive Committee authorized the Secretary-Auditor to engage BRS as claims auditor for 2017. The claims audit for AIME has been deferred to 2018, due to the change of its TPA agreement.

G5. Workers' Compensation Claims Administration Service Performance Audit

CSURMA engages Sedgwick Claims Management Services (Sedgwick CMS) to serve as third-party administrator (TPA) for Campus and AORMA Workers' Compensation Risk Pool claims. Pursuant to CSURMA Policy and Procedure No. 5, a regular performance audit is performed to review services delivered by Sedgwick, particularly in regards to the standards of performance for the industry and the specific requirements outlined in the Service Agreement between CSURMA and Sedgwick CMS. A service performance audit for 2017 was completed by Jacki Graf, CSURMA's Senior Workers' Compensation Claims Consultant in June and July of 2017 for the Campus Workers' Compensation Risk Pool. The summary report is attached for the Board's review and discussion.

CSU is permissibly uninsured for Workers' Compensation. An agreement between CSURMA and Sedgwick CMS for Workers' Compensation claims administration contains performance standards required by CSURMA and associated compliance measurement for each party. This report represents the sixth biennial audit conducted of Sedgwick CMS since the inception of the agreement.

G6. State of California Restricted Travel

Daniel Howell reminded the Committee that CSURMA adopted a travel policy that says that CSURMA travelers follow the travel requirements of their organization. The State of California has eliminated travel to certain states and CSURMA follows this restriction.

G7. CSURMA Administrative Service Calendar

The Board reviewed the CSURMA Administrative Services Calendar.

G8. CSURMA Board of Directors and Staff Contact List

The Board was asked to review the attached Board of Directors contact information and provide Staff with revisions.

H. ADJOURNMENT

The meeting was adjourned at 12:09 P.M.



APPROVED

**CSURMA BOARD OF DIRECTORS MEETING
ATTENDANCE**

October 27, 2017

**CSU CHANCELLOR'S OFFICE, DUMKE ROOM
401 Golden Shore • Long Beach, CA**

10:30 AM

Board of Directors:

Campus Name	Representative	Present ✓	Alternate	Present ✓
CSU Bakersfield	Thom Davis	<i>✓In Person</i>	Tim Ridley	<i>✓In Person (non-voting)</i>
CSU Office of the Chancellor	Robert Eaton	<i>✓In Person</i>	Vacant	
CSU Channel Islands	Katharine Hullinger		Diane Mandrafina	
CSU Chico	Michael Thorpe	<i>✓In Person</i>	Robbi Stivers	<i>Teleconference (non-voting)</i>
CSU Dominguez Hills	Naomi Goodwin	<i>Teleconference</i>	Stephen J. Mastro	<i>✓In Person</i>
CSU East Bay	Nyassa Love	<i>✓In Person</i>	Debbie Chaw	
CSU Fresno	Debbie Adishian-Astone		Lisa Kao	<i>Teleconference</i>
CSU Fullerton	Michael Coughlin		John Beisner	
Humboldt State University	Kimberly Comet	<i>✓In Person</i>	Doug Dawes	
CSU Long Beach	Scott Apel	<i>✓In Person</i>	Felissa Waynick	<i>✓In Person (non-voting)</i>
CSU Los Angeles	Lisa Chavez	<i>✓In Person</i>	Kevin Brady	<i>✓In Person (non-voting)</i>
California Maritime Academy	Marianne Spotorno	<i>Teleconference</i>	Franz Lozano	
CSU Monterey Bay	Kevin Saunders		Lenore Reed	<i>Teleconference</i>
CSU Northridge	Edith Winterhalter		Lisa Telles	<i>Teleconference</i>
Cal Poly Pomona	Whitney Fields		Valerie Eberle	<i>✓In Person</i>
CSU Sacramento	Mike Lee	<i>✓In Person</i>	Gary Rosenblum	
CSU San Bernardino	Jody Van Leuven	<i>✓In Person</i>	Douglas R. Freer	
San Diego State University	Thomas McCarron		Jessica Rentto	



Campus Name	Representative	Present ✓	Alternate	Present ✓
San Francisco State University	Ann Sherman	✓ <i>In Person</i>	Michael Beatty	✓ <i>In Person (non-voting)</i>
San Jose State University	Marla Perez-Guerra	<i>Teleconference</i>	Charlie Faas	<i>Teleconference (non-voting)</i>
Cal Poly (San Luis Obispo)	Dru Zachmeyer	<i>Teleconference</i>	Cindy Vizcaino Villa	
CSU San Marcos	Neal Hoss	<i>Teleconference</i>	Erin Fullerton	
Sonoma State University	Tyson Hill	<i>Teleconference</i>	Joyce Lopes	
CSU Stanislaus	Amy Thomas	<i>Teleconference</i>	Darrell Haydon	<i>Teleconference (non-voting)</i>

Campus Name	Representative	Present ✓
CSU Fullerton Auxiliary Services Corporation	Frank Mumford	✓ <i>In Person</i>
Associated Students, Inc., Cal Poly San Luis Obispo	Dwayne Brummett	✓ <i>In Person</i>
Humboldt State University Center	Dave Nakamura	✓ <i>In Person</i>
University Corporation, CSU Monterey Bay	Starr Lee	<i>Teleconference</i>
Aztec Shops, Ltd., SDSU	Todd Summer	✓ <i>In Person</i>
California State University San Marcos Corporation	Bella Newberg	
University Enterprises, Inc., CSU Sacramento	Trina Knight	✓ <i>In Person</i>
University Union Operation of CSUS, Inc.	Bill Olmsted	✓ <i>In Person</i>

Staff, Guests and/or Consultants Present:

Scott Carpinteri, Swiss Re
 Zachary Gifford (CSURMA Secretary/Auditor), CSU Office of the Chancellor
 Jacki Graf, Alliant Insurance Services, Inc.
 Tevea Him, Alliant Insurance Services, Inc.
 Daniel Howell, Alliant Insurance Services, Inc.
 William Hsu, CSURMA General Counsel, CSU Office of the Chancellor
 Sedong John, CSU Office of the Chancellor, CSURMA Accounting
 Alice Kim, CSU Office of the Chancellor, CSURMA Accounting
 Rob Leong, Alliant Insurance Services, Inc.
 Amy Lightner, Alliant Insurance Services, Inc.
 Mimi Long, Alliant Insurance Services, Inc.
 Liezl Sangalang, KPMG