



CSURMA AORMA COMMITTEE MEETING AGENDA

“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: September 12, 2013 **Location:** CSU Chancellor’s Office, Munitz Room
 401 Golden Shore
Time: 9:00 a.m. Long Beach, CA 90802

Legend: A = Action
 I = Information
 V = Verbal

- A. CALL TO ORDER**
- B. PUBLIC COMMENTS**
- C. CONSENT CALENDAR**
 - 1. Approval of the Agenda** A p. 5
 - 2. Approval of Minutes – May 9, 2013** A p.6
The Committee will be asked to approve the minutes from its last meeting.
- D. CLOSED SESSION Pursuant to California Government Code Section 11126(e)(1) & 11126(f)(1)** A
Action may be taken per Government Code Section 11126(e)(1) & 11126(f)(1). Please refer to the below list of claims that may be discussed. The Committee may assess and evaluate pending claims and related issues and take action or provide direction to Staff regarding the litigation described below.
John Trapper v. Associated Students, CSULB
LeClair v. CSULB Research Foundation
Enrique Ruelas v. Cal Poly Pomona Foundation
Danielle Amos v. ASI CSU Sacramento
- E. STANDING COMMITTEE REPORTS**
 - 1. Programs Committee Report** I p.14
 - 2. Member Services, Loss Control and Training Committee Report** I p.17
 - 3. AOA Executive Committee Report** I p.20
- F. GENERAL ADMINISTRATION**

1. **FY 14/15 AORMA Liability and Workers' Compensation Program Actuarial Studies** A p.21
The Committee will be asked to review and accept the FY 14/15 AORMA Liability Program and Workers' Compensation actuarial studies
2. **Target Surplus Funding Report and Dividend Calculation** A p.46
The Committee will be asked to review the AORMA Target Surplus Funding Report and to approve a dividend for the Liability and Workers' Compensation programs to be released in July, 2014
3. **Review and Approval of the FY 14/15 Liability Program – Total Funding** A p.53
The Committee will be asked to approve the total FY 14/15 funding amount for the Liability Program
4. **Review and Approval of the FY 14/15 Workers' Compensation Program – Total Funding** A p.56
The Committee will be asked to approve the total FY 14/15 funding amount for the Workers' Compensation Program
5. **Review and Approval of the FY 14/15 Property Program – Total Funding** A p.59
The Committee will be asked to approve the total FY 14/15 funding amount for the Property Program
6. **Approval of the FY 14/15 Crime Program Funding** A p.61
The Committee will be asked to approve the total FY 14/15 funding amount for the Crime Program
7. **Approved Legal Counsel and Maximum Allowable Hourly Rate for Legal Counsel** A p.63
The Committee will be asked to review the AORMA Approved Legal Counsel List and approve the maximum allowable hourly rate for legal counsel
8. **AORMA Liability Program Claims Administration Audit Report** A p.79
The Committee will be asked to accept the Liability Claims Audit
9. **Approval of Amended Legal Counsel Engagement Letter and Legal Bill Suspension Letter** A p.122
The Committee will be asked to review and approve the Carl Warren revised retention letter and the new legal bill suspension letter
10. **Addendum to Carl Warren Third Party Claims Administration Contract** A p.128
The Committee will be asked to approve the addendum to the current Carl Warren third party claims administration contract

11.	Approval of Policy and Procedure Review Schedule <i>The Committee will be asked to approve the AORMA Policy and Procedure Review Schedule</i>	A	<i>p.130</i>
12.	Approval of Revision to Policy & Procedure A-6 – Risk Reduction Matching Grant Program <i>The Committee will be asked to approve the revisions to Policy & Procedure A-6</i>	A	<i>p.132</i>
13.	Approval of Revisions to Policy & Procedure A-5 – Annual Calendar of Reports, Audits and Filings <i>The Committee will be asked to approve the revisions to Policy & Procedure A-5</i>	A	<i>p.135</i>
14.	CSU Board of Trustees Audit of CSURMA and Management’s Response <i>The Committee will review the final version of the CSU Board of Trustees Audit of CSURMA and Management’s Response</i>	I	<i>p.138</i>
15.	Adoption of CSURMA AORMA 2014 Meeting Calendar <i>The Committee will be asked to review and approve the 2013 CSURMA AORMA meeting calendar</i>	A	<i>p.177</i>
16.	Completion of the AORMA Service Calendar <i>The Committee will be asked to review and approve the new CSURMA AORMA service calendar</i>	A	<i>p.178</i>
17.	Approval of 2014 AOA Conference Sponsorship <i>The Committee will be asked to discuss and approve the 2013 AOA Sponsorship.</i>	A	<i>p.190</i>
18.	Review of Property Program Rating Allocation for FY 14/15 <i>The Committee will be asked to review and approve the revised property program rating allocation formula</i>	A	<i>p.191</i>
19.	Review of Crime Program Rating Allocation for FY 14/15 <i>The Committee will be asked to review and approve the revised crime program rating allocation formula</i>	A	<i>p.198</i>
G.	INFORMATION ITEMS		
1.	CSURMA AORMA 2013 Meeting Calendar	I	<i>p.205</i>
2.	CSURMA AORMA Program Administrator’s Contact Lists	I	<i>p.208</i>
3.	AORMA’s Travel Reimbursement Policy	I	<i>p.216</i>
4.	AORMA Committee Members - Effective 7/01/13	I	<i>p.219</i>



H. ADJOURNMENT

The next meeting is scheduled for October 24th at 10:00 am in Newport Beach

APPROVAL OF THE AGENDA

ISSUE: The Committee will be asked to approve the agenda for today's meeting.

RECOMMENDATION: Staff recommends that the Committee approve the agenda as presented.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S): None

APPROVAL OF MINUTES – MAY 9, 2013

ISSUE: The Committee will be asked to review and approve the draft minutes from its May 9, 2013 meeting.

RECOMMENDATION: It is recommended that the Committee approve the minutes from its May 9, 2013 meeting, including corrections as necessary.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S):

- a. CSURMA AORMA Committee Meeting Minutes – May 9, 2013

**MINUTES OF THE CSURMA AORMA
COMMITTEE MEETING**

MAY 09, 2013

**CSU OFFICE OF THE CANCELLOR
Munitz Room • 401 Golden Shore • Long Beach, CA**

10:00 AM

MEMBERS PRESENT

Kurt Borsting, Associated Students, Inc., CSU Fullerton
Dwayne Brummett, Associated Students, Cal Poly San Luis Obispo
Patricia Worley, Associated Students Inc., Sacramento State University
David Prenovost, Cal Poly Pomona Foundation, Cal Poly Pomona Foundation, Inc.
Frank Mumford, CSU Fullerton Auxiliary Services Corporation, CSU Fullerton
Gigi Kiama, University Corporation, CSU Monterey Bay
Guy Dalpe, Cesar Chaves Student Center, San Francisco State University
Leslie Davis, University Union Operation of CSUS, Inc., Sacramento State University
Keith Kompasi, Fresno Association, Inc., CSU Fresno
Peter Neville, Sonoma Student Union Corporation, Sonoma State University
Robert de Wit, Forty-Niner Shops, Inc., CSU Long Beach
Brian Nowlin, CSULB Foundation, CSU Long Beach

STAFF, GUESTS AND CONSULTANTS

Daniel Howell, Alliant Insurance Services, Inc.
Mimi Long, Alliant Insurance Services, Inc.
Tevea Him, Alliant Insurance Services, Inc.
Brent Escoubas, Alliant Insurance Services, Inc.
Charlene Minnick, CSU Office of the Chancellor
Zachary Gifford, CSU Office of the Chancellor
William Hsu, CSU Office of General Counsel
Brandon Schlenker, Carl Warren & Company
Melinda Coil, San Diego State University Research Foundation

A. CALL TO ORDER

The meeting was called to order by the AORMA Committee Chair, Kurt Borsting at 10:05 AM.

B. PUBLIC COMMENTS

There were no public comments.

C. CONSENT CALENDAR

- C1. Approval of the Agenda**
- C2. Approval of Minutes – March 21, 2013**

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

MOTION: Robert de Wit
SECOND: Leslie Davis

MOTION CARRIED

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting	X			
Brian Nowlin	X			
Dwayne Brummett	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe	X			
Keith Kompsi	X			
Leslie Davis	X			
Peter Neville	X			
Robert de Wit	X			
AORMA Committee Alternates				
Vote Only When Committee Members are Absent				
Pat Worley - Alternate				
David Prenovost - Alternate				

D. CLOSED SESSION

A motion was made to enter closed session.

MOTION: Frank Mumford
SECOND: Robert de Wit

MOTION CARRIED

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting	X			
Brian Nowlin	X			
Dwayne Brummett	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe	X			
Keith Kompsi	X			

Leslie Davis	X			
Peter Neville	X			
Robert de Wit	X			
AORMA Committee Alternates				
Vote Only When Committee Members are Absent				
Pat Worley - Alternate				
David Prenovost – Alternate				

A motion was made to end closed session.

MOTION: Frank Mumford

SECOND: Leslie Davis

MOTION CARRIED

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting	X			
Brian Nowlin	X			
Dwayne Brummett	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe	X			
Keith Kompsi	X			
Leslie Davis	X			
Peter Neville	X			
Robert de Wit	X			
AORMA Committee Alternates				
Vote Only When Committee Members are Absent				
Pat Worley - Alternate				
David Prenovost - Alternate				

The AORMA Chair reported that no action was taken in the closed session.

E. STANDING COMMITTEE REPORTS

E1. Programs Committee Report

Guy Dalpe provided a brief review of the last Programs Committee meeting.

E2. Member Services, Loss Control and Training Committee Report

No MSLCTC report was given as the committee had not met since the last AORMA Committee meeting on March 21, 2013.

F. GENERAL ADMINISTRATION

F1. Approval of Alliant Loss Control Services Renewal Contract for FY 13-14.

Mimi Long and Brent Escoubas explained that the current contract with Alliant Loss Control Services (ALCS) is due to expire on June 30, 2013. At its last meeting on March 21, 2013, the AORMA Committee approved a mid-term increase to this contract. The demand for the services provided by ALCS had greatly exceeded the contract amount of 50 safety days, and therefore, the FY 12/13 contract was amended to include 62.5 safety days with an annual fee of \$90,625, up from \$72,500. For FY 13/14, ALCS has proposed 60 safety days at \$1,450 per safety day for a total annual fee of \$87,000. The annual contract fee is actually decreasing because Brent is moving to Northern California and anticipates that his travel time will decrease in FY 13/14.

Brent demonstrated the ASI van safety video and the free inspection application that he downloaded onto his iPhone. The inspection application is a basic compliance template that can be modified and customized for an auxiliary’s operations. Brent is working on a one minute video involving chemical storage. Charlene Minnick suggested that members take pictures or videos of their chemical storage to be sent to Brent for review. Brent can suggest modifications if applicable. Brent can also send the member pictures of good storage example.

A motion was made to approve the renewal contract for FY 13/14.

MOTION: Keith Kompsi

SECOND: Brian Nowlin

MOTION CARRIED

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting	X			
Brian Nowlin	X			
Dwayne Brummett	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe	X			
Keith Kompsi	X			
Leslie Davis	X			
Peter Neville	X			
Robert de Wit	X			
AORMA Committee Alternates				
Vote Only When Committee Members are Absent				
Pat Worley - Alternate				
David Prenovost - Alternate				

F2. Approval of Policy and Procedure A-6 - Risk Reduction Matching Grant Program

Mimi Long explained that the AORMA Committee reviewed Policy & Procedure A-6 – Risk Reduction Matching Grant Program at its last meeting on March 21, 2013. The Committee asked that the Policy & Procedure be revised to include project timeline wording. The following wording was added to the Policy & Procedure:

1. To access funds under the **Program**, a **Member** must complete the grant application which will include;
 - a. A description of the proposed risk reduction project
 - b. The anticipated timeline for completion of the risk reduction project.
 - c. An estimate of the total costs for the proposed risk reduction project.

2. The **Member** will be expected to complete the proposed risk reduction project within the timeline provided within the grant application. The MSLCTC may rescind the grant if the **Member** has not started, or completed, the risk reduction project within the timeframe proposed.

A motion was made to adopt the amended Policy & Procedure A-6.

A MOTION: Peter Neville

SECOND: Guy Dalpe

MOTION CARRIED

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting	X			
Brian Nowlin	X			
Dwayne Brummett	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe	X			
Keith Kompsi	X			
Leslie Davis	X			
Peter Neville	X			
Robert de Wit	X			
AORMA Committee Alternates Vote Only When Committee Members are Absent				
Pat Worley - Alternate				
David Prenovost - Alternate				

F3. AORMA Committee Election Result

Mimi Long reported that 23 ballots were received on the day of the agenda mailing. 30 ballots were received in total as of the date of the meeting. Kurt Borsting announced the results of the election. Brian Nowlin, Gigi Kiama and Guy Dalpe were reelection to serve another term on the Committee. Haleh Minakary and Melinda Coil were elected to serve their first two-year term on the AORMA Committee effective July 1, 2013.

F4. Update of Excess Insurance Renewals and Approval of Binding Authority

Daniel Howell reports that he, Charlene Minnick and Tim White met with the excess liability underwriters. Worldwide jurisdiction is being negotiated and may increase the premium costs. Dan expects the first \$5M xs \$5M layer premium to increase 2% to 2.5%. This increase will have an effect on the higher layers as well. The AORMA reinsurance agreement with Genesis will renew flat.

The foreign travel premium will be increasing due to claims activity.

The crime premium will increase approximately 10% due to claims activity. Dan is working with underwriters to revise the policy wording to cover fraudulent salary payments and disallowed expenses fraudulently incurred.

The excess workers’ compensation insurance rate was increased by 5%. The AORMA Officers just settled a \$1.9M claim. Charlene Minnick talked about a new crisis response service that she is currently negotiating.

The property premium continues to rise due to the claims activity within the program. The lower program deductibles keep the rate very high.

Because this Committee will not meet again until after the July 1, 2013, program renewal date a motion was made to give authority to the CSURMA Secretary to negotiate, finalize and bind the renewal insurance policies.

MOTION: Guy Dalpe
SECOND: Frank Mumford

MOTION CARRIED

NAME	AYE	ABSTAIN	NAY	ABSENT
Kurt Borsting	X			
Brian Nowlin	X			
Dwayne Brummett	X			
Frank Mumford	X			
Gigi Kiama	X			
Guy Dalpe	X			
Keith Kompsi	X			

Leslie Davis	X			
Peter Neville	X			
Robert de Wit	X			
AORMA Committee Alternates Vote Only When Committee Members are Absent				
Pat Worley - Alternate				
David Prenovost - Alternate				

F5. Review of New CSURMA Website

Tevea Him showed a demonstration of the new CSURMA Website to the members. The new website will be up and running effective July 1, 2013.

G. INFORMATION ITEMS

The Committee Members reviewed the following information items:

- G1. CSURMA AORMA 2013 Meeting Calendar**
- G2. CSURMA AORMA Program Administrator’s Contact Lists**
- G3. AORMA Committee Member – Effective 7/01/12 & Effective 07/01/13**
- G4. AORMA’s Travel Reimbursement Policy**

F. ADJOURNMENT

The meeting was adjourned at 12:20 PM.

PROGRAMS COMMITTEE REPORT

ISSUE: The Committee Members will hear a verbal report on recent activities.

RECOMMENDATION: This is an information item only; no action is required.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S):

- a. Agenda table of contents from Programs Committee meeting on August 8, 2013.

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:	August 8, 2013	Location:	Alliant Insurance Services, Inc. 100 Pine Street, 11 th Floor San Francisco, CA 94111
Time:	2:00 p.m. (Teleconference)	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 27, 2013
<i>The Committee will be asked to review and approve the minutes from the last Programs Committee meeting on June 27, 2013</i> | A Pg. 3 |
| 2. | Review of the Draft FY 14/15 Property Program Rating and Allocation Method
<i>The Committee will be asked to discuss the revisions to the third draft of the FY 14/15 property rating allocation</i> | A Pg. 10 |
| 3. | Review of the Draft FY 14/15 Crime Program Rating and Allocation Method
<i>The Committee will be asked to discuss the revisions to the third draft of the FY 14/15 crime rating allocation</i> | A Pg. 16 |
| 4. | Auxiliaries Multiple Employer VEBA Trust
<i>The Committee will be asked to discuss whether coverage should be extended to cover the Auxiliaries Multiple Employer VEBA Trust</i> | A Pg. 21 |

D. INFORMATION ITEMS

- | | | |
|--------------------------------------------------------------|----------|---------------|
| 1. FY 12/13 Long Range Action Plan | I | <i>Pg. 37</i> |
| 2. CSURMA AORMA 2013 Meeting Calendar | I | <i>Pg. 44</i> |
| 3. CSURMA AORMA Program Administrator's Contact Lists | I | <i>Pg. 47</i> |
| 4. AORMA Committee Members - Effective 7/1/13 | I | <i>Pg. 55</i> |

E. ADJOURNMENT

The next meeting is scheduled for October 03, 2013 at 2:00 p.m. as a teleconference meeting.

**MEMBER SERVICES, LOSS CONTROL AND TRAINING
COMMITTEE REPORT**

ISSUE: The Committee Members will hear a verbal report on recent activities.

RECOMMENDATION: This item is for information only; no action is required.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATIONS: None.

ATTACHMENT(S):

- a. Agenda table of contents from Member Services, Loss Control and Training Committee meeting on August 26, 2013.

6.	AORMA Short-Term Disability Program <i>The Committee will hear an update from Dennis Miller regarding the Members' interest in creating a Short-Term Disability program</i>	I	p. 16
7.	Approval of the FY 13/14 Risk Reduction Matching Grant Program Awards <i>The Committee will be asked to review the grant applications and approve the grant recipients</i>	A	p. 17
D. INFORMATION ITEMS			
1.	Alliant Loss Control – Utilization Report	I	p. 60
2.	TargetSolutions – Utilization Report	I	p. 62
3.	Employers Group – Utilization Report	I	p. 66
4.	FY 12/13 Long Range Action Plan	I	p. 68
5.	2013 CSURMA AORMA Meeting Calendar	I	p. 75
6.	AORMA Committee and Standing Committees - Roster	I	p. 78
E. ADJOURNMENT			
<i>The next meeting is scheduled for November 18, 2013 as a teleconference meeting.</i>			

AOA EXECUTIVE COMMITTEE REPORT

ISSUE: The AORMA Chair attends the AOA Executive Committee meetings and reports to the committee the recent AORMA activities. Going forward, the AORMA Chair will provide a brief overview to the AORMA Committee as to the recent activities of the AOA Executive Committee.

Dwayne Brummett will provide a verbal report at today's meeting.

RECOMMENDATION: This item is for information only; no action is requested.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S): None.

**FY 14/15 AORMA LIABILITY AND WORKERS' COMPENSATION
PROGRAM ACTUARIAL STUDIES**

ISSUE: CSURMA's retains the services of an independent actuary to evaluate the liabilities of its major self-insured programs. The complete reports for the AORMA Liability Program and Workers' Compensation Program are included separately with the agenda packet. Staff has highlighted here and in attachments to this item key findings and exhibits. The information provided by the actuary is used to establish fiscal year-end financial reports and as the starting point in consideration of rates and funding for FY 14/15 as well as potential for dividends or assessments.

Staff notes regarding the liability program:

1. The Estimated Outstanding Losses increased from \$2,389,287 as of June 30, 2012 to \$2,878,554 as of June 30, 2013, an increase of \$489,267. This increase can be attributed to (a) about \$1.3 million paid between June 30, 2012 and June 30, 2013, (2) an increase in projected ultimate losses for years through 2011/12 of about \$600,000, and (3) the addition of the projected ultimate losses for 2012/13 of about \$1.25 million.
2. For FY 08/09, a new claim was reported within FY 12/13 and has an incurred value of \$263,693
3. For FY 11/12, seven large claims contributed \$1,745,805 to the total limited reported losses as of 6/30/13. See Graph 111-4 and Exhibit LI-20.

Staff notes regarding the workers' compensation program:

1. The Estimated Outstanding Losses increased from \$7,332,366 as of June 30, 2012 to \$7,646,069 as of June 30, 2013, an increase of \$313,703.
2. The loss rate per \$100 in payroll increased slightly from .87 to .90 due to rising medical costs.
3. Since June, 2005, AORMA has only had one large claim (\$2,038,366) that pierced the excess insurance layer.

RECOMMENDATION: It is recommended that the AORMA Committee review the Liability and Workers' Compensation actuarial studies and accept the reports for use in CSURMA's financial reporting, total funding and premium allocations.

FISCAL IMPACT: The overall program costs will be reviewed and approved separately. The action recommended will have the direct effect of (1) establishing liabilities reported in CSURMA's financial statements and the overall funding requirements for the FY 14/15 Liability and Workers' Compensation programs.

BACKGROUND: Staff will be present at today's meeting to review and comment on the findings in the reports.

PUBLICATION: None.

ATTACHMENT(S):

- a. AORMA Liability Program Actuarial Study – Dated August 8, 2013
- b. AORMA Workers' Compensation Actuarial Study – Dated July 29, 2013



III. Conclusions

1. Estimate Net Outstanding Losses

We estimate net outstanding losses (including ALAE) as of June 30, 2013 and June 30, 2014 at various confidence levels as shown in Tables III-1A and III-1B.

Table III-1A
Estimated Net Outstanding Losses
at Various Confidence Levels
June 30, 2013

Confidence Level (1)	Estimated Net Outstanding Losses (2)	Present Value of Estimated Net Outstanding Losses (3)
(A) Expected	\$2,878,554	\$2,799,956
(B) 60%	2,993,696	2,911,954
(C) 70%	3,223,980	3,135,951
(D) 80%	3,454,265	3,359,947

Note: (A) is from Exhibit LI-15.
(B) to (D) are based on (A) and actuarial judgment.

We note the estimated outstanding losses increased from \$2,389,287 as of June 30, 2012 to \$2,878,554 as of June 30, 2013, an increase of \$489,267. This increase can be attributed to:

- About \$1.3 million paid between June 30, 2012 and June 30, 2013
- An increase in projected ultimate losses for years through 2011/12 of about \$600,000
- The addition of the projected ultimate losses for 2012/13 of about \$1.25 million.



**Table III-1B
Estimated Net Outstanding Losses
at Various Confidence Levels
June 30, 2014**

Confidence Level (1)	Estimated Net Outstanding Losses (2)	Present Value of Estimated Net Outstanding Losses (3)
(A) Expected	\$2,877,764	\$2,800,817
(B) 60%	2,992,875	2,912,850
(C) 70%	3,223,096	3,136,915
(D) 80%	3,453,317	3,360,980

Note: (A) is from Exhibit LI-16.
(B) to (D) are based on (A) and actuarial judgment.

We estimate outstanding ULAE on June 30, 2013 and June 30, 2014 as shown in Table III-1C.

**Table III-1C
Estimated Outstanding ULAE
June 30, 2013 and June 30, 2014**

As of Date (1)	Estimated Outstanding ULAE (2)	Present Value of Estimated Outstanding ULAE (3)
(A) June 30, 2013	\$215,892	\$209,997
(B) June 30, 2014	215,832	210,061

Note: (A) is 7.5% of the corresponding figures at the expected level in Table III-1A.
(B) is 7.5% of the corresponding figures at the expected level in Table III-1B.

The present value of the estimated net outstanding losses is the amount of money, discounted for anticipated investment income, required to meet unpaid claims. It is calculated based on a 2.0% yield on investments, as provided by Alliant Insurance Services.



Governmental Accounting Standards Board (GASB) Statement No. 10 details the financial disclosure requirements for self-insured public entities. It necessitates AORMA to disclose estimated outstanding losses (that are calculated based on actuarial methods) in its financial statements.

2. Project Ultimate Net Limited Losses

We project ultimate net limited losses (including ALAE) for 2013/14, 2014/15, and 2015/16 at a \$350,000 retention level for all claims to be as shown in Tables III-2A, III-2B, III-2C and III-2D. We assume the 2013/14 member deductibles apply for 2014/15 and 2015/16.

Table III-2A
Projected Ultimate Net Limited Losses
Expected
(at \$350,000 SIR)

Claim Period (1)	Projected Ultimate Net Limited Losses (2)	Loss Rate per \$100 of Payroll (3)	Present Value of Projected Ultimate Net Limited Losses (4)	Loss Rate per \$100 of Payroll (5)
(A) 2013/14	\$1,497,000	\$0.35	\$1,429,000	\$0.34
(B) 2014/15	1,527,000	0.36	1,457,000	0.34
(C) 2015/16	1,557,000	0.37	1,486,000	0.35

Note: (A), (B) and (C) are from Exhibit LI-14.



Table III-2B
Projected Ultimate Net Limited Losses
at a 60% Confidence Level
(at \$350,000 SIR)

Claim Period (1)	Projected Ultimate Net Limited Losses (2)	Loss Rate per \$100 of Payroll (3)	Present Value of Projected Ultimate Net Limited Losses (4)	Loss Rate per \$100 of Payroll (5)
(A) 2013/14	\$1,556,880	\$0.36	\$1,486,160	\$0.35
(B) 2014/15	1,588,080	0.37	1,515,280	0.35
(C) 2015/16	1,619,280	0.38	1,545,440	0.36

Note: (A), (B) and (C) are based on Table III-2A and actuarial judgment.

Table III-2C
Projected Ultimate Net Limited Losses
at a 70% Confidence Level
(at \$350,000 SIR)

Claim Period (1)	Projected Ultimate Net Limited Losses (2)	Loss Rate per \$100 of Payroll (3)	Present Value of Projected Ultimate Net Limited Losses (4)	Loss Rate per \$100 of Payroll (5)
(A) 2013/14	\$1,721,550	\$0.40	\$1,643,350	\$0.39
(B) 2014/15	1,756,050	0.41	1,675,550	0.39
(C) 2015/16	1,790,550	0.43	1,708,900	0.4

Note: (A), (B) and (C) are based on Table III-2A and actuarial judgment.



**Table III-2D
Projected Ultimate Net Limited Losses
at a 80% Confidence Level
(at \$350,000 SIR)**

Claim Period (1)	Projected Ultimate Net Limited Losses (2)	Loss Rate per \$100 of Payroll (3)	Present Value of Projected Ultimate Net Limited Losses (4)	Loss Rate per \$100 of Payroll (5)
(A) 2013/14	\$2,020,950	\$0.47	\$1,929,150	\$0.46
(B) 2014/15	2,061,450	0.49	1,966,950	0.46
(C) 2015/16	2,101,950	0.5	2,006,100	0.47

Note: (A), (B) and (C) are based on Table III-2A and actuarial judgment.

We estimate ULAE for 2013/14 through 2015/16 to be as shown in Table III-2E.

**Table III-2E
Estimated ULAE
2013/14 through 2015/16
(at \$350,000 SIR)**

Claim Period (1)	Estimated ULAE (2)	Present Value of Estimated ULAE (3)
(A) 2013/14	\$112,275	\$107,175
(B) 2014/15	114,525	109,275
(C) 2015/16	116,775	111,450

Note: (2) and (3) are 7.5% of the corresponding figures at the expected level in Table III-2A.



We project ultimate net limited losses (including ALAE) for 2013/14, 2014/15, and 2015/16 at various retention levels to be as shown in Tables III-2F, III-2G, III-2H, III-2I, III-2J and III-2K.

Table III-2F
Projected Ultimate Net Limited Losses
Full Value
2013/14

Retention Level (1)	Expected (2)	60% Confidence Level (3)	70% Confidence Level (4)	80% Confidence Level (5)
(A) \$350,000	\$1,497,000	\$1,556,880	\$1,721,550	\$2,020,950
(B) \$500,000	1,594,305	1,666,049	1,843,017	2,174,632

Note: See Exhibit LI-19.

Table III-2G
Projected Ultimate Net Limited Losses
Present Value
2013/14

Retention Level (1)	Expected (2)	60% Confidence Level (3)	70% Confidence Level (4)	80% Confidence Level (5)
(A) \$350,000	\$1,429,000	\$1,486,160	\$1,643,350	\$1,929,150
(B) \$500,000	1,521,885	1,590,370	1,759,299	2,075,851

Note: See Exhibit LI-19.



Table III-2H
Projected Ultimate Net Limited Losses
Full Value
2014/15

Retention Level (1)	Expected (2)	60% Confidence Level (3)	70% Confidence Level (4)	80% Confidence Level (5)
(A) \$350,000	\$1,527,000	\$1,588,080	\$1,756,050	\$2,061,450
(B) \$500,000	1,626,255	1,699,436	1,879,951	2,218,212

Note: See Exhibit LI-19.

Table III-2I
Projected Ultimate Net Limited Losses
Present Value
2014/15

Retention Level (1)	Expected (2)	60% Confidence Level (3)	70% Confidence Level (4)	80% Confidence Level (5)
(A) \$350,000	\$1,457,000	\$1,515,280	\$1,675,550	\$1,966,950
(B) \$500,000	1,551,705	1,621,532	1,793,771	2,116,526

Note: See Exhibit LI-19.



**Table III-2J
Projected Ultimate Net Limited Losses
Full Value
2015/16**

Retention Level (1)	Expected (2)	60% Confidence Level (3)	70% Confidence Level (4)	80% Confidence Level (5)
(A) \$350,000	\$1,557,000	\$1,619,280	\$1,790,550	\$2,101,950
(B) \$500,000	1,658,205	1,732,824	1,916,885	2,261,792

Note: See Exhibit LI-19.

**Table III-2K
Projected Ultimate Net Limited Losses
Present Value
2015/16**

Retention Level (1)	Expected (2)	60% Confidence Level (3)	70% Confidence Level (4)	80% Confidence Level (5)
(A) \$350,000	\$1,486,000	\$1,545,440	\$1,708,900	\$2,006,100
(B) \$500,000	1,582,590	1,653,807	1,829,474	2,158,653

Note: See Exhibit LI-19.

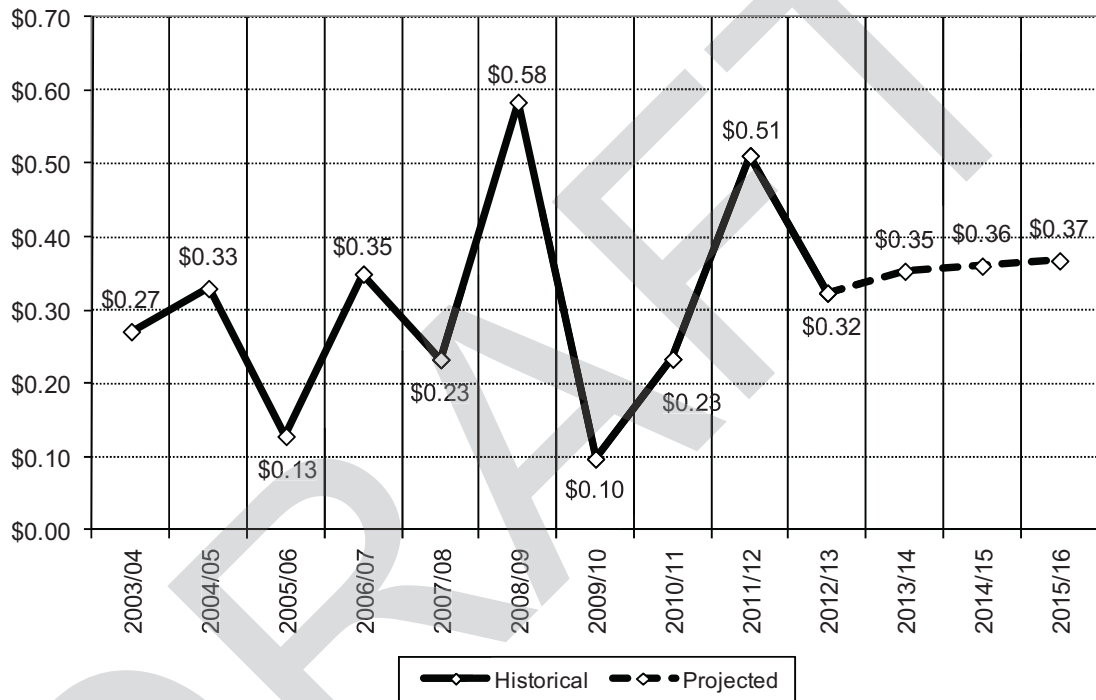
The projected ultimate net limited losses do not include unallocated loss adjustment expenses (ULAE). The present value of the projected ultimate limited losses is the amount of money, discounted for investment income, required to meet claims. It is calculated based on a 2.0% yield on investments, as provided by Alliant Insurance Services.



Loss Experience Trends

Graphs III-1 and III-2 show loss experience trends for liability as measured by loss rate per \$100 of payroll and frequency and severity, respectively.

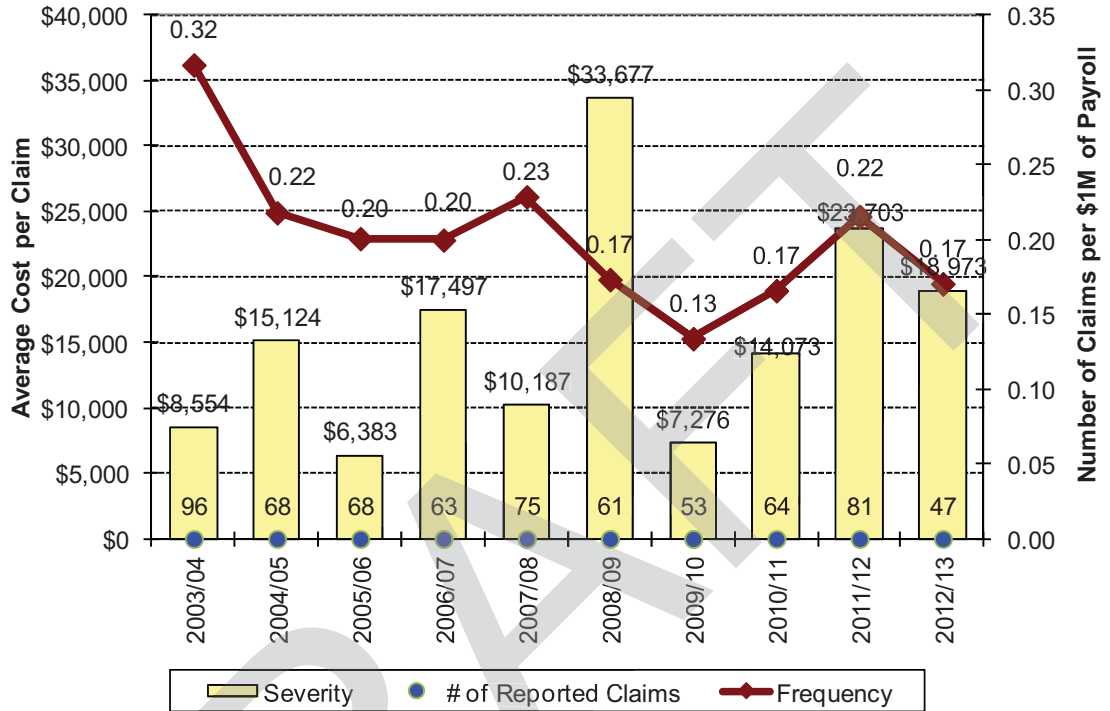
Graph III-1
Loss Rate per \$100 of Payroll
(Liability)



Note: Loss rates are from Exhibit LI-14, columns (4) and (7).



**Graph III-2
Frequency and Severity
(Liability)**

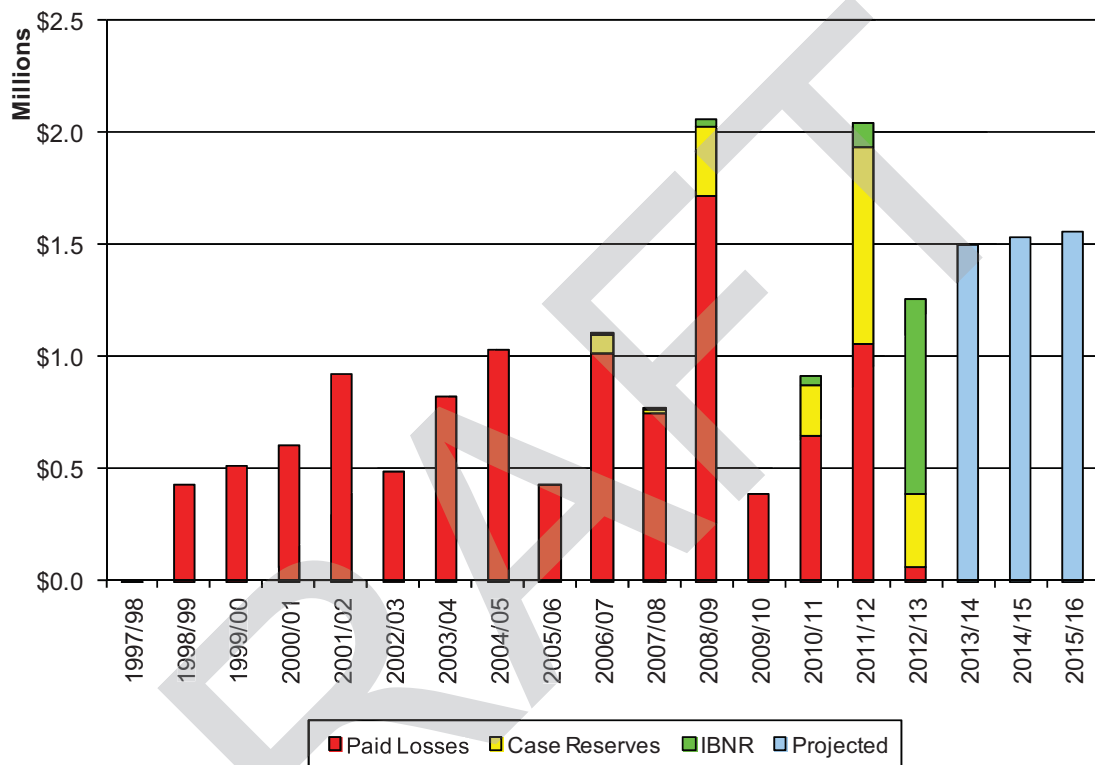


Note: Frequency amounts are from Exhibit LI-8, Section I, column (7).
Severity amounts are based on the projected claim counts in Exhibit LI-8 and the projected ultimate losses in Exhibit LI-13.



Graph III-3 shows the composition of the projected ultimate limited losses for liability.

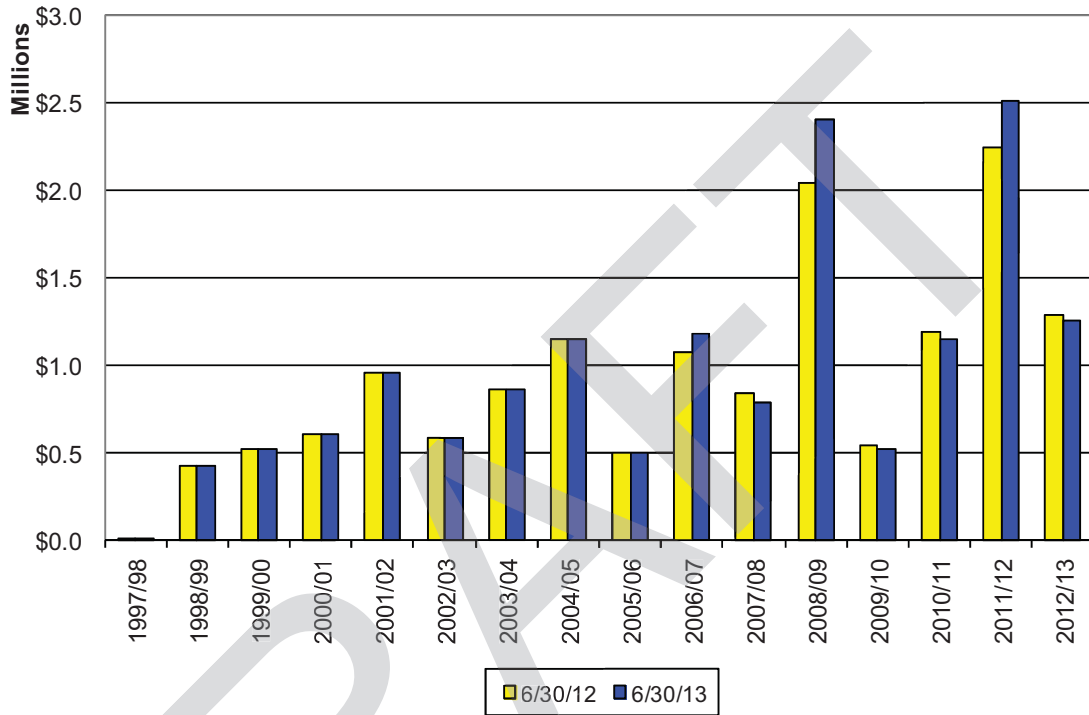
Graph III-3
Composition of Projected Ultimate Limited Losses
(Liability)



Note: Amounts through 2012/13 are from Exhibit LI-15.
 Amounts for 2013/14 through 2015/16 are from Exhibit LI-14.



**Graph III-5
Comparison of Projected Ultimate Limited Losses
as of June 30, 2012 and June 30, 2013
(Liability)**



Note: Amounts as of June 30, 2012 are from the previous actuarial study.
Amounts as of June 30, 2013 are from Exhibit LI-13.

For all claims through 2011/12, the change in the projected ultimate limited losses from June 30, 2012 to June 30, 2013 was +4.7%.



AUXILIARY ORGANIZATIONS RISK MANAGEMENT ALLIANCE
LIABILITY

Exhibit LI-20

List of Large Claims
Reported Incurred Losses Greater Than \$100,000

Claim Number (1)	Date of Loss (2)	Claim Period (3)	Specific Self-Insured Retention (4)	Unlimited Paid Losses 6/30/13 (5)	Unlimited Case Reserves 6/30/13 (6)	Unlimited Reported Incurred Losses 6/30/13 (7)
1448063	3/15/2002	2001/02	\$250,000	\$157,908	\$0	\$157,908
19376	7/1/2002	2002/03	250,000	121,958	0	121,958
19058	1/28/2003	2002/03	250,000	135,385	0	135,385
18721	7/17/2003	2003/04	250,000	121,895	0	121,895
19349	8/30/2003	2003/04	250,000	214,662	0	214,662
1407748	10/12/2004	2004/05	250,000	185,453	0	185,453
284078	12/5/2004	2004/05	250,000	250,483	0	250,483
293886	3/1/2005	2004/05	250,000	243,404	0	243,404
1445463	6/30/2005	2004/05	250,000	175,316	0	175,316
1430027	10/13/2005	2005/06	250,000	115,403	0	115,403
1419749	2/8/2006	2005/06	250,000	126,025	0	126,025
1439744	10/1/2006	2006/07	250,000	251,233 *	0	251,233
1476043	1/23/2007	2006/07	250,000	172,003	77,997	250,000
1457021	2/15/2007	2006/07	250,000	238,481	0	238,481
1477751	8/29/2007	2007/08	250,000	180,256	0	180,256
1472757	2/1/2008	2007/08	250,000	147,783	0	147,783
1476938	5/21/2008	2007/08	250,000	115,182	0	115,182
1492271	7/1/2008	2008/09	250,000	250,000 *	0	250,000 *
1483401	8/13/2008	2008/09	500,000	108,429	0	108,429
1482105	8/19/2008	2008/09	250,000	156,341	0	156,341
1484271	8/29/2008	2008/09	500,000	112,210	0	112,210
1492625	9/12/2008	2008/09	500,000	104,313	0	104,313
1519154	9/16/2008	2008/09	250,000	100,068	76,286	176,354
1814728	1/1/2009	2008/09	250,000	11,025	252,668 *	263,693 *
1524874	5/1/2009	2008/09	500,000	499,025 *	0	499,025 *
1549214	1/7/2011	2010/11	350,000	191,279	0	191,279
1581787	2/24/2011	2010/11	350,000	122,069	0	122,069
1597956	3/30/2011	2010/11	350,000	155,678	416	156,093
1614600	4/16/2011	2010/11	350,000	99,950	116,969	216,919
1600832	7/8/2011	2011/12	350,000	313,777 *	0	313,777 *
1733219	7/8/2011	2011/12	350,000	83,238	269,262 *	352,500 *
1600613	10/28/2011	2011/12	350,000	171,564 *	0	171,564
1632425	11/1/2011	2011/12	350,000	140,464	0	140,464
1758506	11/9/2011	2011/12	350,000	135,282	89,718	225,000
1603180	12/7/2011	2011/12	350,000	68,660	381,340 *	450,000 *
1735120	1/30/2012	2011/12	350,000	166,498 *	28,502	195,000

Amounts shown are gross of the self-insured retention, net of other recoveries, and gross of deductibles.

The claim(s) indicated by a "*" have been limited in development.

(1) through (7) were provided by Alliant Insurance Services, Inc.



III. Conclusions

1. Estimate Outstanding Losses

We estimate outstanding losses (including ALAE) as of June 30, 2013 and June 30, 2014 at various confidence levels to be as shown in Tables III-1A and III-1B.

Table III-1A
Estimated Outstanding Losses
at Various Confidence Levels
June 30, 2013

Confidence Level (1)	Estimated Outstanding Losses (2)	Present Value of Estimated Outstanding Losses (3)
(A) Expected	\$7,646,069	\$7,062,665
(B) 70%	8,563,597	7,910,185
(C) 80%	9,175,283	8,475,198
(D) 90%	10,322,193	9,534,598

Note: (A) is from Exhibit WC-11.
(B) to (D) are based on (A) and actuarial judgment.

Table III-1B
Estimated Outstanding Losses
at Various Confidence Levels
June 30, 2014

Confidence Level (1)	Estimated Outstanding Losses (2)	Present Value of Estimated Outstanding Losses (3)
(A) Expected	\$7,967,762	\$7,356,424
(B) 70%	8,923,893	8,239,195
(C) 80%	9,561,314	8,827,709
(D) 90%	10,756,479	9,931,172

Note: (A) is from Exhibit WC-12.
(B) to (D) are based on (A) and actuarial judgment.



The present value of the estimated outstanding losses is the amount of money, discounted for anticipated investment income, required to meet unpaid claims. It is calculated based on a 2.0% yield on investments, as provided by Alliant Insurance Services.

Governmental Accounting Standards Board (GASB) Statement No. 10 details the financial disclosure requirements for self-insured public entities. It necessitates CSURMA to disclose estimated outstanding losses (that are calculated based on actuarial methods) in its financial statements.

2. Estimate Outstanding Unallocated Loss Adjustment Expenses

We estimate outstanding ULAE on June 30, 2013 and June 30, 2014 to be as shown in Table III-2.

Table III-2
Estimated Outstanding ULAE
June 30, 2013 and June 30, 2014

As of Date (1)	Estimated Outstanding ULAE (2)	Present Value of Estimated Outstanding ULAE (3)
(A) June 30, 2013	\$573,455	\$529,700
(B) June 30, 2014	597,582	551,732

Note: (A) is 7.5% of the corresponding figures at the expected level in Table III-1A.
(B) is 7.5% of the corresponding figures at the expected level in Table III-1B.



3. Project Ultimate Limited Losses

We project ultimate limited losses (including ALAE) for 2013/14 and 2014/15 at various confidence levels to be as shown in Tables III-3A and III-3C.

**Table III-3A
Projected Ultimate Limited Losses
at Various Confidence Levels
2013/14
(\$500,000 Retention)**

Confidence Level (1)	Projected Ultimate Limited Losses (2)	Loss Rate per \$100 of Payroll (3)	Present Value of Projected Ultimate Limited Losses (4)	Loss Rate per \$100 of Payroll (5)
(A) Expected	\$2,595,000	\$0.87	\$2,401,000	\$0.80
(B) 70%	2,984,250	1.00	2,761,150	0.92
(C) 80%	3,243,750	1.09	3,001,250	1.00
(D) 90%	3,892,500	1.31	3,601,500	1.20

Note: (A) is from Exhibit WC-10.
(B) to (D) are based on (A) and actuarial judgment.

We estimate ULAE for 2013/14 to be as shown in Table III-3B.

**Table III-3B
Estimated ULAE
2013/14**

Period (1)	Estimated Outstanding ULAE (2)	Present Value of Estimated Outstanding ULAE (3)
2013/14	\$194,625	\$180,075

Note: (2) and (3) are 7.5% of the corresponding figures at the expected level in Table III-3A.



**Table III-3C
Projected Ultimate Limited Losses
at Various Confidence Levels
2014/15
(\$500,000 Retention)**

Confidence Level (1)	Projected Ultimate Limited Losses (2)	Loss Rate per \$100 of Payroll (3)	Present Value of Projected Ultimate Limited Losses (4)	Loss Rate per \$100 of Payroll (5)
(A) Expected	\$2,688,000	\$0.90	\$2,487,000	\$0.83
(B) 70%	3,091,200	1.04	2,860,050	0.95
(C) 80%	3,360,000	1.13	3,108,750	1.04
(D) 90%	4,032,000	1.35	3,730,500	1.25

Note: (A) is from Exhibit WC-10.
(B) to (D) are based on (A) and actuarial judgment.

We estimate ULAE for 2014/15 to be as shown in Table III-3D.

**Table III-3D
Estimated ULAE
2014/15**

Period (1)	Estimated Outstanding ULAE (2)	Present Value of Estimated Outstanding ULAE (3)
2014/15	\$201,600	\$186,525

Note: (2) and (3) are 7.5% of the corresponding figures at the expected level in Table III-3C.

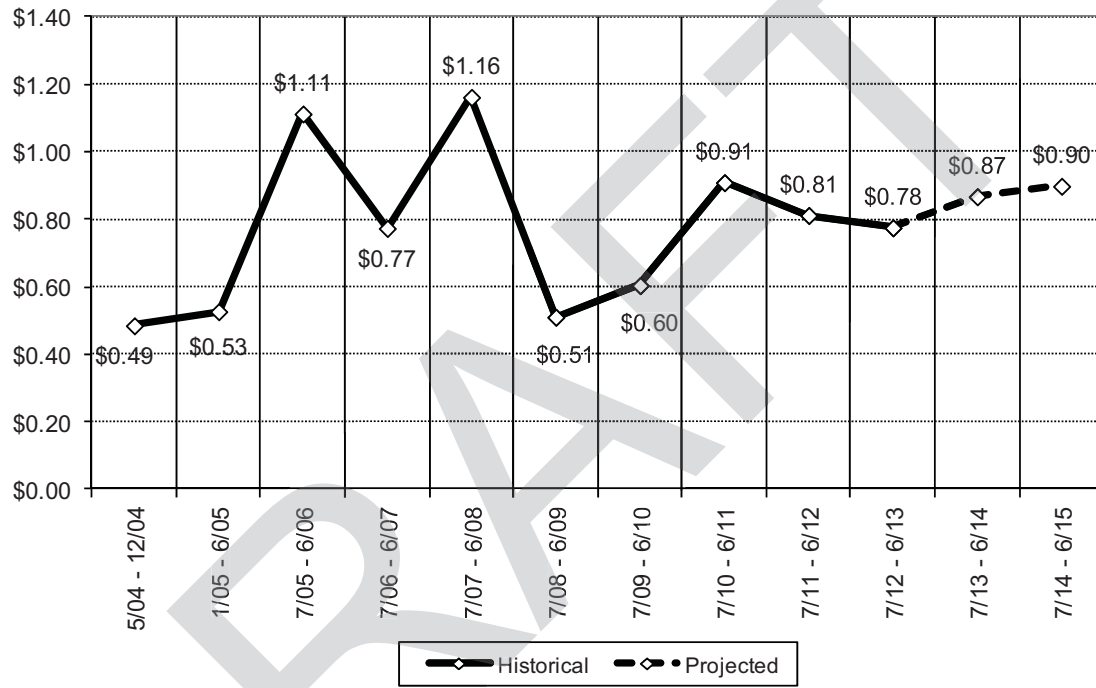
The present value of the projected ultimate limited losses is the amount of money, discounted for investment income, required to meet claims. It is calculated based on a 2.0% yield on investments, as provided by Alliant Insurance Services.



Loss Experience Trends

Graphs III-1 and III-2 show loss experience trends for workers compensation as measured by loss rate per \$100 of payroll and frequency and severity, respectively.

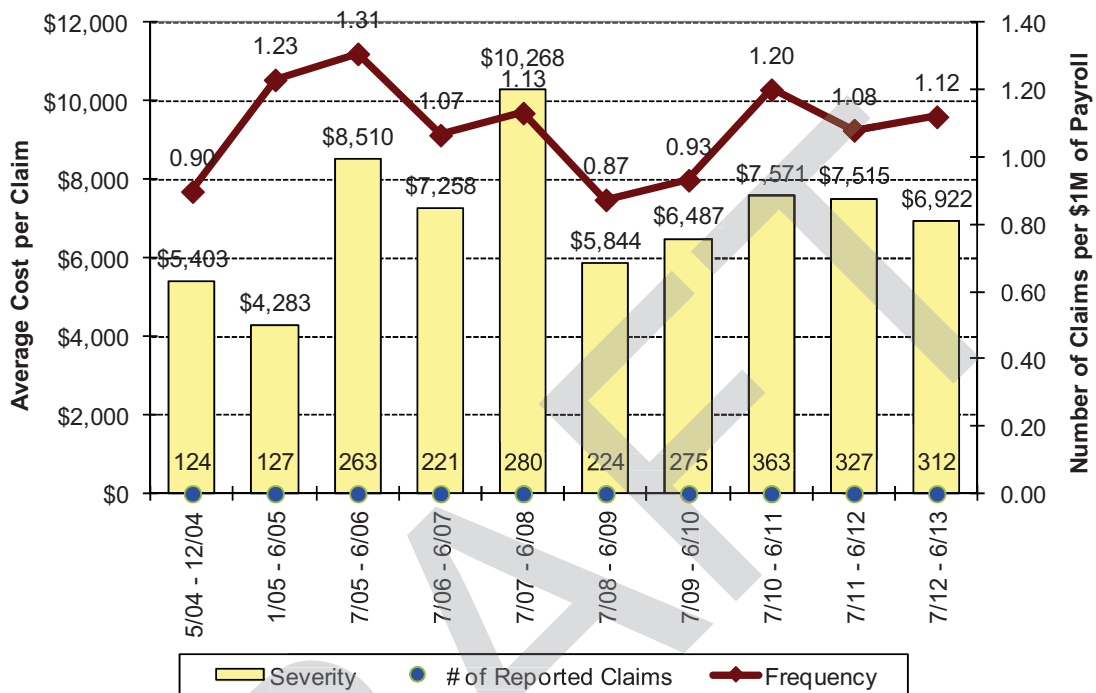
Graph III-1
Loss Rate per \$100 of Payroll
(Workers Compensation)



Note: Loss rates are from Exhibit WC-10, columns (4) and (7).



**Graph III-2
Frequency and Severity
(Workers Compensation)**

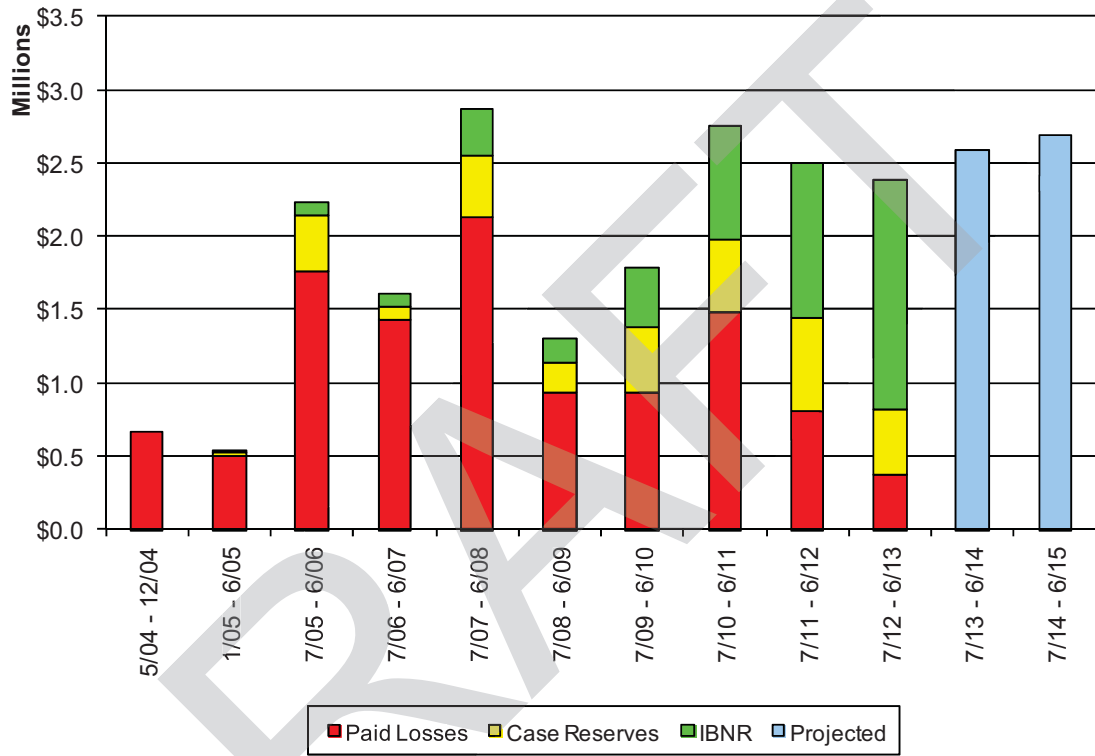


Note: Frequency amounts are from Exhibit WC-8, Section I, column (7).
Severity amounts are based on the projected claim counts in Exhibit WC-8 and the projected ultimate losses in Exhibit WC-9.



Graph III-3 shows the composition of the projected ultimate limited losses for workers compensation.

Graph III-3
Composition of Projected Ultimate Limited Losses
(Workers Compensation)



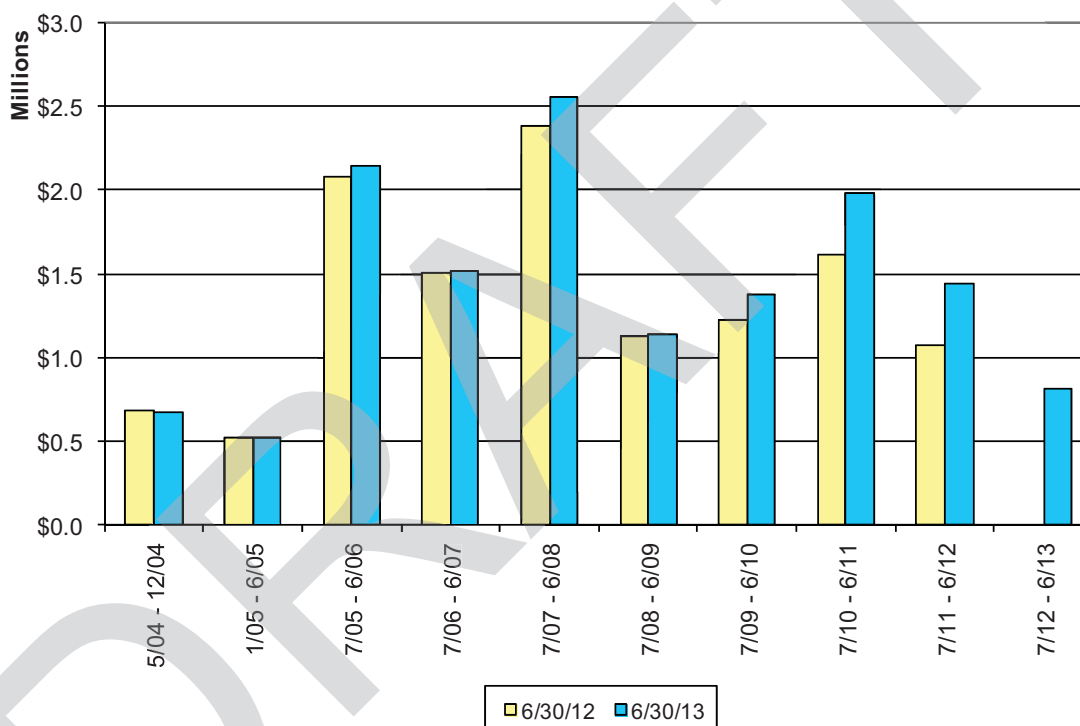
Note: Amounts through 7/12 - 6/13 are from Exhibit WC-11.
 Amounts for 7/13 - 6/14 and 7/14 - 6/15 are from Exhibit WC-10.



Comparison to Previous Actuarial Study

Graphs III-4 and III-5 are graphical comparisons of the limited reported incurred losses and projected ultimate limited losses, respectively, by fiscal year of occurrence of the workers compensation program from the previous study (report dated September 19, 2012) to the current study.

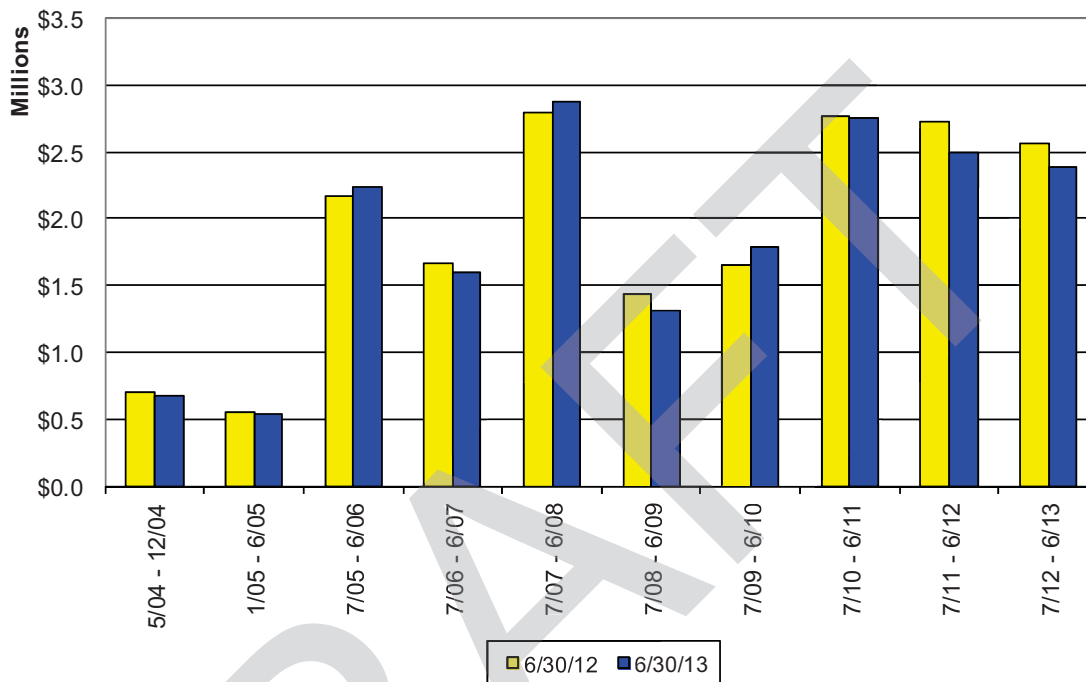
Graph III-4
Comparison of Limited Reported Incurred Losses
as of June 30, 2012 and June 30, 2013
(Workers Compensation)



Note: Amounts as of June 30, 2012 are from the previous actuarial study.
Amounts as of June 30, 2013 are from Exhibit WC-1.



Graph III-5
Comparison of Projected Ultimate Limited Losses
as of June 30, 2012 and June 30, 2013
(Workers Compensation)



Note: Amounts as of June 30, 2012 are from the previous actuarial study.
Amounts as of June 30, 2013 are from Exhibit WC-9.

For all claims through 7/11 – 6/12, the change in the projected ultimate limited losses from June 30, 2012 to June 30, 2013 was -1.1%.



CSURMA - AO-COMP
WORKERS' COMPENSATION

Exhibit WC-16

List of Large Claims
Reported Incurred Losses Greater Than \$100,000

Claim Number (1)	Date of Loss (2)	Claim Period (3)	Specific Self-Insured Retention (4)	Unlimited Paid Losses 6/30/13 (5)	Unlimited Case Reserves 6/30/13 (6)	Unlimited Reported Incurred Losses 6/30/13 (7)
2005120449	6/1/2005	1/05 - 6/05	\$500,000	\$132,096	\$26,156	\$158,252
2005122185	9/17/2005	7/05 - 6/06	500,000	232,478	2,038,366 *	2,270,843 *
2006136779	2/19/2006	7/05 - 6/06	500,000	165,483	0	165,483
2006155027	5/2/2006	7/05 - 6/06	500,000	148,182	0	148,182
2006142279	5/6/2006	7/05 - 6/06	500,000	189,986	78,947	268,933
2006142108	5/8/2006	7/05 - 6/06	500,000	109,913	0	109,913
2006155324	9/28/2006	7/06 - 6/07	500,000	96,943	5,343	102,287
2006156987	12/8/2006	7/06 - 6/07	500,000	184,579	0	184,579
2007158724	1/17/2007	7/06 - 6/07	500,000	132,299	0	132,299
2007167232	7/9/2007	7/07 - 6/08	500,000	155,315	0	155,315
2007168184	8/6/2007	7/07 - 6/08	500,000	154,723	20,519	175,242
2007169205	8/29/2007	7/07 - 6/08	500,000	219,747	116,745	336,491
2007176887	9/20/2007	7/07 - 6/08	500,000	137,822	32,715	170,538
2007180357	11/15/2007	7/07 - 6/08	500,000	101,079	0	101,079
2008184812	2/7/2008	7/07 - 6/08	500,000	199,324	35,588	234,912
2008186800	2/24/2008	7/07 - 6/08	500,000	82,987	22,038	105,025
2008189224	4/30/2008	7/07 - 6/08	500,000	82,860	18,920	101,780
2008190523	5/31/2008	7/07 - 6/08	500,000	133,313	23,673	156,986
2008201021	8/12/2008	7/08 - 6/09	500,000	113,104	0	113,104
2008204414	9/26/2008	7/08 - 6/09	500,000	95,761	29,836	125,597
2009211706	4/14/2009	7/08 - 6/09	500,000	69,160	102,477	171,637
2009216082	7/6/2009	7/09 - 6/10	500,000	84,082	196,863 *	280,945
2010231725	7/16/2010	7/10 - 6/11	500,000	116,045	13,534	129,579
2010232397	7/23/2010	7/10 - 6/11	500,000	80,145	37,894	118,039
2010235718	10/6/2010	7/10 - 6/11	500,000	68,537	76,933	145,469
2010235577	10/6/2010	7/10 - 6/11	500,000	99,306	12,073	111,379
2011240854	1/24/2011	7/10 - 6/11	500,000	99,819	61,542	161,361
2011243106	3/2/2011	7/10 - 6/11	500,000	78,537	25,403	103,939
2012309042	1/10/2012	7/11 - 6/12	500,000	160,276	89,215	249,491

Amounts are shown gross of the self-insured retention and net of other recoveries.

The claim(s) indicated by a "*" have been limited in development.

(1) through (7) were provided by Alliant Insurance Services, Inc..

TARGET SURPLUS FUNDING REPORT AND DIVIDEND CALCULATION

ISSUE: Staff will present an analysis of the financial position of the Liability and Workers' Compensation programs based on the surplus funding and dividend calculation formula set forth in Policy & Procedure A-3 Target Surplus Funding Policy. The analysis will show the current pool funding amounts (@ 6/30/13) as well as the estimated amounts available for distribution as dividends.

RECOMMENDATION: The Committee will be asked to review the Target Surplus Funding report and approve a dividend amount for each pooled program.

FISCAL IMPACT: The Committee will recommend the overall funding and dividend distribution amounts for each pooled program.

BACKGROUND: CAJPA, an informational and educational network for California JPA's, has established several surplus ratio standards that have been adopted by CSURMA AORMA in order to establish the target surplus amount for the Liability and Workers' Compensation Programs.

- Gross Premium to Surplus Ratio – at least 1.5 to 1: (Surplus should be at least 66% of the premium for the upcoming FY 13/14.) Should there be any inaccuracies in the pricing, it is desirable to have adequate surplus to borrow against.
- Surplus to Pool Retention Ratio > 5-10 to 1: Should AORMA have multiple significant losses in the same year, it is desirable to have between five and ten times the retention.
- Outstanding Reserves to Surplus Ratio - at least 1.5 to 1: (Surplus should be at least 66% of the reserve amounts for all open claims.) Should there be any inaccuracies in the reserve amounts for open claims, it is desirable to have adequate surplus to borrow against.

PUBLICATION: All AORMA members will receive an update in September, 2013 which summarizes the decisions made at this meeting and tomorrow's meeting regarding funding amounts for FY 14/15 and the dividends to be released in July, 2014.

ATTACHMENT(S):

- a. Surplus Funding and Dividend Calculation
- b. Policy & Procedure A-3 - Target Surplus Funding Policy

AORMA SIR Liability Fund Program Target Surplus Funding Analysis at \$350,000 SIR

Gross Premium 2014/15 (at 80% CL)	\$3,336,690
Maximum Retention per loss:	\$350,000
O/S Reserves at 6/30/13:	\$1,961,656
*Surplus at 6/30/13:	\$5,189,145
Funding above 70% Conf Level:	\$4,706,126
Funding above 80% Conf Level:	\$4,482,130

* Surplus at 6/30/13 reflects the Fund Balance from the 6/30/13 Balance sheet including the \$1,061,712 12/13 dividend

Ratio	Target	Indicated Minimum Surplus	Projected Ratio
Premium:Surplus	<1.5:1	\$2,224,460	0.64
Surplus:Retention	>5:1	\$1,750,000	14.83
O/S Reserve:Surplus	≤1.5:1	\$1,307,771	0.38

Maximum Dividend Available:	\$2,964,685
Dividend 50%	\$1,482,343
Recommended Dividend 33%:	\$978,346
Dividend 25%:	\$741,171

Note: 2012 Dividend of \$1,061,712 was based on 25% of the Maximum Dividend Available

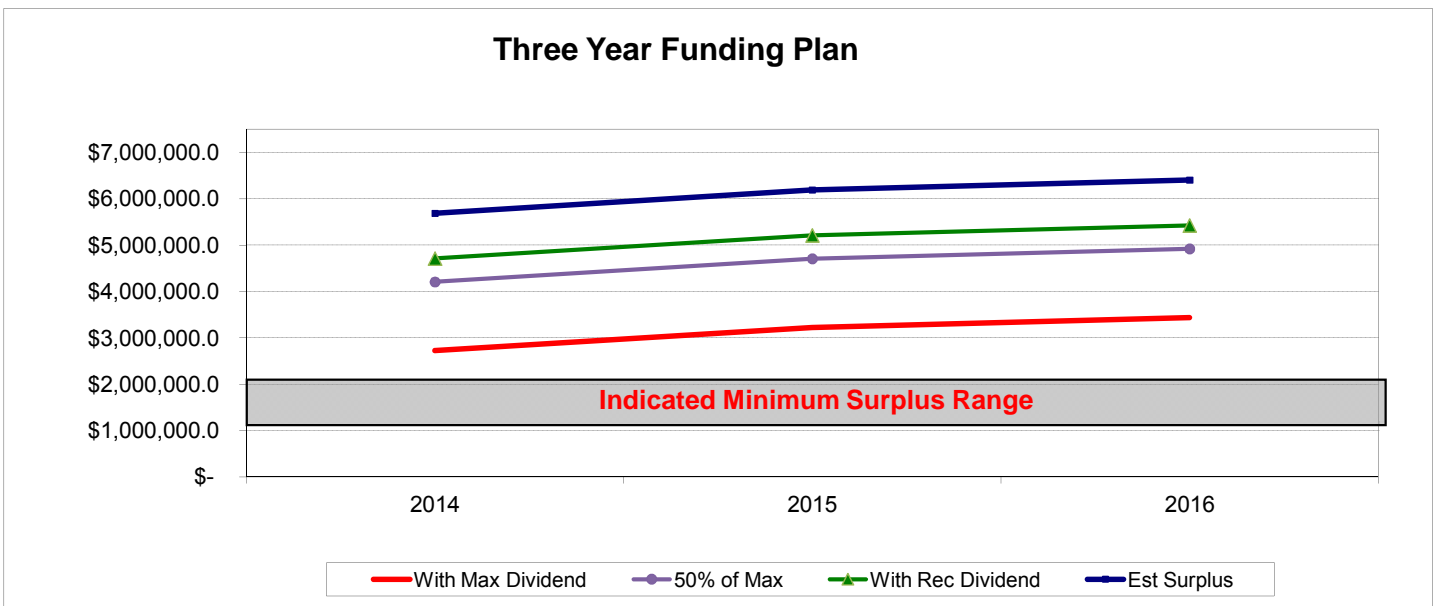
2014/15 Pool Funding Options - Does Not Include ULAE

Confidence levels	Factor	Pool Premium	Surplus
Expected	1.000	1,429,000	-
60%	1.040	1,486,160	57,160
70%	1.150	1,643,350	214,350
80%	1.350	1,929,150	500,150

Three Year Funding Plan

	Amount to Add To Surplus	Est. Surplus Balance	With Max Dividend	With Rec Dividend
Estimated Balance at 7/1/13	N/A	5,189,145	N/A	N/A
2014/15 - Collection @ 80% CL	500,150	5,689,295	2,724,610	4,710,949
2015/16 - Collection @ 80% CL	500,150	6,189,445	3,224,760	5,211,099
2015/16 - Collection @ 70% CL	214,350	6,403,795	3,439,110	5,425,449

Three Year Funding Plan



AORMA Workers' Compensation Program Target Surplus Funding Analysis at \$500,000 SIR

Gross Premium 2014/15 (at 80% CL)	\$3,836,753
Maximum Retention per loss:	\$500,000
O/S Reserves at 6/30/13:	\$3,152,250
*Surplus at 6/30/13:	\$5,119,614
Funding above 70% Conf Level:	\$4,899,253
Funding above 80% Conf Level:	\$4,334,240

* Surplus at 6/30/13 reflects the Fund Balance from the 6/30/13 Balance sheet including the \$640,445 12/13 dividend

Ratio	Target	Indicated Minimum Surplus	Projected Ratio
Premium:Surplus	<1.5:1	\$2,557,835	0.75
Surplus:Retention	>5:1	\$2,500,000	10.24
O/S Reserve:Surplus	≤1.5:1	\$2,101,500	0.62

Maximum Dividend Available:	\$2,561,779
Dividend 50%:	\$1,280,889
Recommended Dividend 33%:	\$845,387
Dividend 25%:	\$640,445

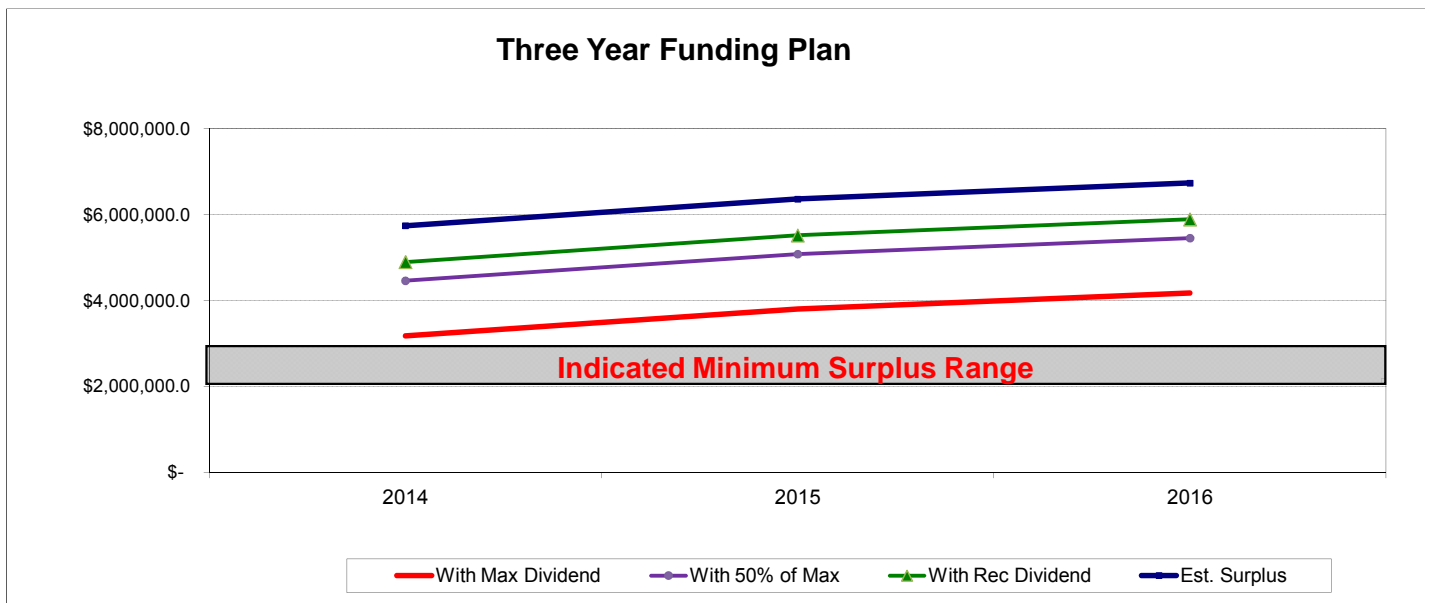
Note: 2012 Dividend of \$640,445 was based on 25% of the Maximum Dividend Available

2014/15 Pool Funding Options - Does Not Include ULAE

Confidence levels	Factor	Pool Premium	Surplus
Expected	1.000	2,487,000	-
70%	1.150	2,860,050	373,050
80%	1.250	3,108,750	621,750
90%	1.500	3,730,500	1,243,500

Three Year Funding Plan

	Amount to Add To Surplus	Est. Surplus Balance	With Max Dividend	With Rec Dividend
Estimated Balance at 7/1/13	N/A	5,119,614	N/A	N/A
2014/15 - Collection @ 80% CL	621,750	5,741,364	3,179,585	4,895,977
2015/16 - Collection @ 80% CL	621,750	6,363,114	3,801,335	5,517,727
2016/17 - Collection @ 70% CL	373,050	6,736,164	4,174,385	5,890,777





CSURMA AORMA

POLICY AND PROCEDURE NO. A-3

SUBJECT: TARGET SURPLUS FUNDING POLICY

ADOPTED: JANUARY 10, 2007

**AMENDED: OCTOBER 29, 2009
SEPTEMBER 16, 2010**

EFFECTIVE: JANUARY 1, 2007

POLICY & PROCEDURE NO.: (FORMERLY) 7-AORMA

In an effort to assure the long term financial strength of the Workers' Compensation, Liability, Property and Crime Programs (Programs), the AORMA Committee desires to fund the Programs in a responsible manner. Furthermore, in recognition that there is a high degree of uncertainty in actuarial estimates due to the possibility of occasional catastrophic claims and inconsistent or inaccurate case reserving, the AORMA Committee desires to establish a Target Surplus Goal that will guide them in making annual funding decisions for the Programs.

Should there be any discrepancy between this document and either the MEMORANDUMS OF COVERAGE or PARTICIPATION AGREEMENTS between the AORMA Committee and the MEMBER, the MEMORANDUMS OF COVERAGE and the PARTICIPATION AGREEMENTS will govern.

POLICY

The Target Surplus Goal is hereby established to be, at a minimum, the actuarially determined 70% confidence level, discounted for investment. In evaluating the Programs' funding position relative to the Target Surplus Goal as a part of each year's ratemaking process, the Committee shall take into consideration the following ratios: Gross Premium to Surplus Ratio, Surplus to Pool Retention Ratio and Outstanding Reserves to Surplus Ratio.

The AORMA Committee may take action to set higher or lower confidence levels based on AORMA goals to retain more or less risk.

PROCEDURE

- 1. Annual Actuarial Study** - Each year the Program Director will engage CSURMA's accredited independent actuary to perform an actuarial analysis of the Workers' Compensation and Liability Programs. This analysis shall include estimates of the outstanding losses (including IBNR) at various confidence levels as well as estimates of ultimate losses for the upcoming year(s). The analysis shall also compare the current program funding against the outstanding liabilities and determine the confidence level to which the program is currently funded. Because the Property and Crime Programs have an annual aggregate retention, an actuarial analysis is not performed.

- 2. Calculation of Industry Ratios** - The Program Administrator Director will also calculate certain insurance industry ratios to help determine the Program's current financial position as follows:

Gross Premium to Surplus Ratio: **Target <1.5:1**

This ratio is a measure of how surplus is leveraged against possible pricing inaccuracies. A low ratio is desirable.

Surplus to Pool Retention Ratio: **Target >5-10:1**

This ratio is a measure of the maximum amount that surplus could decline due to a single loss. A high ratio is desirable.

Outstanding Reserves to Surplus Ratio: **Target \leq 1.5:1**

This ratio is a measure of how surplus is leveraged against possible reserve inaccuracies. A low ratio is desirable.

- 3. Application of Target Surplus Criteria** – After an annual review of the Target Surplus Ratios, the PROGRAMS COMMITTEE will determine whether it is desirable to increase, decrease, or stabilize surplus. Their recommendations will be forwarded to the AORMA COMMITTEE. If the AORMA COMMITTEE desires to decrease surplus, it may approve a funding level below the 70% confidence level. Conversely, a funding decision above the 70% confidence level will indicate a bias toward increasing surplus. A determination to fund at the 70% confidence level will reflect the AORMA COMMITTEE'S desire to keep surplus at the current level.

Because the Property and Crime Programs have annual aggregate retentions, and therefore no actuarial study is performed, the Target Surplus Funding shall be the amount of funds that exceed the maximum liability retained by the program for all program years. The AORMA COMMITTEE will approve the annual funding for each program.

The Program Target Surplus Funding and Dividend Calculation Report will be prepared for each self-funded program and presented to the AORMA Committee after the end of each fiscal year.

- 4. Dividends** – Dividends may be available from the amount of surplus exceeding the Target Surplus amount established by the AORMA COMMITTEE. The allocation of any dividend shall be pursuant to the Dividends and Assessments Policy and Procedure detailed in Policy & Procedure AORMA # A-4.
- 5. Assessments** – Assessments may be required when the AORMA COMMITTEE determines that the amount of surplus is not sufficient and can best be remedied by an extraordinary assessment. The allocation of any assessment shall be pursuant to the Dividends and Assessments Policy and Procedure detailed in Policy & Procedure AORMA # A-4.

MEMBER APPEAL PROCESS

If a MEMBER wishes to appeal any decision regarding the application of the Target Surplus Policy, the MEMBER must present an appeal in writing to the CSURMA Secretary within 30 days of the disputed decision. The Secretary shall place the Member's appeal on the AORMA COMMITTEE's agenda at its next regularly scheduled meeting. The AORMA COMMITTEE will review the appeal and inform the Member of the final decision within 5 business days of the final decision.

If a Member wishes to appeal the AORMA COMMITTEE's decision, the Member will notify the CSURMA Secretary in writing within 5 business days of receipt of the AORMA COMMITTEE's decision. The CSURMA Executive Committee will then review the appeal at its next meeting or sooner. The CSURMA Executive Committee's decision will be the final determination.

DEFINITIONS:

AORMA COMMITTEE - Auxiliary Organizations Risk Management Alliance Committee, a committee of the CSURMA providing management and oversight to the Auxiliary Organizations Risk Management Alliance. The AORMA COMMITTEE is comprised of the Chair, the Vice Chair, eight “At Large” members, and two non-voting members.

PROGRAMS COMMITTEE - A standing committee appointed by the AORMA COMMITTEE Chair responsible for oversight of the AORMA Liability, Worker’s Compensation, Property, Crime, Unemployment Insurance, Participant Accident Insurance and other programs.

AORMA - AORMA - The Auxiliary Organizations Risk Management Alliance, a group of programs under the California State University Risk Management Authority.

CSURMA - The California State University Risk Management Authority, a California Joint Powers Authority, comprised of the California State University and its Auxiliary Organizations.

GROSS PREMIUM - Includes pool premium and reinsurance/excess insurance premium but does not include administrative costs.

IBNR – Incurred but Not Reported losses

OUTSTANDING RESERVES - The sum total of unpaid case reserves in the pool layer as determined by the various claims examiners.

POOL RETENTION - The maximum amount of exposure to a single loss retained by the pool over the most recent 5 years.

SURPLUS - The amount of cash equivalent available to pay claims in excess of actuarial expected losses discounted for investment income.

CONFIDENCE LEVEL: A confidence level is the statistical certainty that an actuary believes funding will be sufficient. For example, an 80% confidence level means that the actuary believes funding will be sufficient in eight years out of ten.

**REVIEW AND APPROVAL OF THE
 FY 14/15 LIABILITY PROGRAM - TOTAL FUNDING**

ISSUE: Based on the information within the FY 14/15 actuarial study, staff has prepared the attached exhibits which show the pooled layer funding requirements along with the costs for the claims administration, program administration and excess insurance at both a 70% and an 80% confidence level.

RECOMMENDATION: Staff recommends that the Committee review the two funding options and approve the total estimated funding for FY 14/15 at either a 70% or 80% confidence level.

FISCAL IMPACT: Two pool layer funding options are being presented - \$1,966,950 at an 80% confidence level and \$1,675,550 at a 70% confidence level. See the chart below for a comparison of the FY 13/14 and FY 14/15 funding options.

Total Estimated Funding Options for FY 14/15			
Expense Item	Budgeted FY 13/14 – 80%	Proposed FY 14/15 – 80%	Proposed FY 14/15 – 70%
Recommended Pooled Layer Funding	\$1,565,000	\$1,966,950	\$1,675,550
Claims Administration	\$15,000	\$15,000	\$15,000
Program Administration Fee	\$796,392	\$777,825	\$777,825
Excess insurance	\$1,288,740	\$1,354,740	\$1,354,740
Total liability program funding	\$3,665,132	\$4,114,515	\$3,823,115

The recommended pooled layer funding at an 80% confidence level increased from FY 13/14 to FY 14/15 by \$401,950. This is due primarily to the loss development within FY 08/09 and FY 11/12.

BACKGROUND: The liability program has historically been funded at an 80% confidence level. At June 30, 2013, the liability program has a surplus balance of \$4,381,917 at an 80% confidence level and \$4,612,202 at a 70% confidence level. AORMA members have expressed concern that too much money is being held in the liability program as surplus. In response, Staff is presenting both funding options of 70% and 80%.

PUBLICATION: None.

ATTACHMENT(S):

- a. FY 14/15 Liability Program – Total Funding 80% Confidence Level
- b. FY 14/15 Liability Program – Total Funding 70% Confidence Level

CSURMA AORMA
FY 2014/2015 Liability Program
Total Estimated Funding
80% Confidence Level

Expense Item	Actual FY 10/11 \$250,000/\$500,000 SIR 80% C.L.	Actual FY 11/12 \$350,000 SIR 80% C.L.	Actual FY 12/13 \$350,000 SIR 80% C.L.	Budgeted FY 13/14 \$350,000 SIR 80% C.L.	Proposed FY 14/15 \$350,000 SIR 80% C.L.
Actuarial Recommended Estimated Pooled Layer - Funding	1,774,750	2,198,750	1,618,750	1,565,000	1,966,950
Claims Administration	15,000	12,600	12,600	15,000	15,000
JPA Program Administration Fee	645,780	728,993	742,383	777,825	777,825
Reinsurance / Excess Liability Insurance	1,104,328	1,147,931	1,207,471	1,231,582	1,354,740
Total Expenses:	3,539,858	4,088,274	3,581,204	3,589,407	4,114,515
Difference from prior year:		15.49%	-12.40%	0.23%	14.63%

C.L. - Confidence Level

Actuarial Recommended Estimated Pooled Layer Funding (based on the actuarial report dated August 8, 2013)

Claims Administration (an increase or decrease is not contemplated)

JPA Program Administration Fee (an increase or decrease is not contemplated)

Current cost for Reinsurance / Excess Liability Insurance of \$1,231,582 plus a 10% increase

CSURMA AORMA
FY 2014/2015 Liability Program
Total Estimated Funding
70% Confidence Level

Expense Item	Actual FY 10/11 \$250,000/\$500,000 SIR 80% C.L.	Actual FY 11/12 \$350,000 SIR 80% C.L.	Actual FY 12/13 \$350,000 SIR 80% C.L.	Budgeted FY 13/14 \$350,000 SIR 80% C.L.	Proposed FY 14/15 \$350,000 SIR 70% C.L.
Actuarial Recommended Estimated Pooled Layer - Funding	1,774,750	2,198,750	1,618,750	1,565,000	1,675,550
Claims Administration	15,000	12,600	12,600	15,000	15,000
JPA Program Administration Fee	645,780	728,993	742,383	777,825	777,825
Reinsurance / Excess Liability Insurance	1,104,328	1,147,931	1,207,471	1,231,582	1,354,740
Total Expenses:	3,539,858	4,088,274	3,581,204	3,589,407	3,823,115
Difference from prior year:		-1.88%	-11.56%	-0.34%	6.51%

C.L. - Confidence Level

Actuarial Recommended Estimated Pooled Layer Funding (based on the actuarial report dated August 8, 2013)

Claims Administration (an increased or decrease is not contemplated)

JPA Program Administration Fee (an increase or decrease is not contemplated)

Current cost for Reinsurance / Excess Liability Insurance of \$1,231,582 plus a 10% increase

**REVIEW AND APPROVAL OF THE
 FY 14/15 WORKERS’ COMPENSATION PROGRAM - TOTAL FUNDING**

ISSUE: Based on the information within the FY 14/15 actuarial study, staff has prepared the attached exhibits which show the pooled layer funding requirements along with the costs for the claims administration, program administration and excess insurance at both a 70% and an 80% confidence level.

RECOMMENDATION: Staff recommends that the Committee review the two funding options and approve the total estimated funding for FY 14/15 at either a 70% or 80% confidence level.

FISCAL IMPACT: Two pool layer funding options are being presented - \$4,382,449 at an 80% confidence level and \$4,133,749 at a 70% confidence level. See the chart below for a comparison of the FY 13/14 and FY 14/15 funding options.

Total Estimated Funding Options for FY 14/15			
Expense Item	Budgeted FY 13/14 – 80%	Proposed FY 14/15 – 80%	Proposed FY 14/15 – 70%
Recommended Pooled Layer Funding	\$3,149,900	\$3,108,750	\$2,860,050
Claims Administration	\$205,000	\$205,000	\$205,000
Program Administration Fee	\$551,699	\$551,699	\$551,699
Excess insurance	\$470,000	\$517,000	\$517,000
Total liability program funding	\$4,376,599	\$4,382,449	\$4,133,749

BACKGROUND: The workers’ compensation program has historically been funded at an 80% confidence level. At June 30, 2013, the workers’ compensation program has a surplus balance of \$3,908,168 at an 80% confidence level and \$4,519,854 at a 70% confidence level. AORMA members have expressed concern that too much money is being held in the workers’ compensation program as surplus. In response, Staff is presenting both funding options of 70% and 80%.

PUBLICATION: None.

ATTACHMENT(S):

- a. FY 14/15 WC Program – Total Funding 80% Confidence Level
- b. FY 14/15 WC Program – Total Funding 70% Confidence Level

**CSURMA AORMA
FY 13/14 Workers' Compensation Program
Total Estimated Funding
80% Confidence Level**

Expense Item	Actual FY 10/11 \$500,000 SIR 80% C.L.	Actual FY 11/12 \$500,000 SIR 80% C.L.	Actual FY 12/13 \$500,000 SIR 80% C.L.	Proposed FY 13/14 \$500,000 SIR 80% C.L.	Proposed FY 14/15 \$500,000 SIR 80% C.L.
Actuarial Recommended Estimated Pooled Layer - Funding	\$2,452,327	\$2,541,000	\$2,928,900	\$3,149,900	\$3,108,750
Claims Administration	\$195,000	\$207,089	\$207,089	\$205,000	\$205,000
JPA Program Administration Fee	\$901,125	\$503,866	\$538,104	\$551,699	\$551,699
Excess Insurance	\$406,708	\$441,617	\$477,508	\$470,000	\$517,000
Total Expenses:	\$3,955,160	\$3,693,572	\$4,151,601	\$4,376,599	\$4,382,449
Difference from prior year:		-6.61%	12.40%	5.42%	0.13%
Actuarial Recommended Estimated Pooled Layer - Rate	\$0.90	\$0.83	\$0.95	\$1.03	\$0.95

Actuarial Recommended Estimated Pooled Layer Funding (per the actuarial report dated July 29, 2012)
 Claims Administration (no increase or decrease is contemplated)
 JPA Program Administration Fee (no increase or decrease is contemplated)
 Excess Insurance (includes a 10% increase)

**CSURMA AORMA
FY 13/14 Workers' Compensation Program
Total Estimated Funding
70% Confidence Level**

Expense Item	Actual FY 10/11 \$500,000 SIR 80% C.L.	Actual FY 11/12 \$500,000 SIR 80% C.L.	Actual FY 12/13 \$500,000 SIR 80% C.L.	Proposed FY 13/14 \$500,000 SIR 80% C.L.	Proposed FY 14/15 \$500,000 SIR 70% C.L.
Actuarial Recommended Estimated Pooled Layer - Funding	\$2,452,327	\$2,541,000	\$2,928,900	\$3,149,900	\$2,860,050
Claims Administration	\$195,000	\$207,089	\$207,089	\$205,000	\$205,000
JPA Program Administration Fee	\$901,125	\$503,866	\$538,104	\$551,699	\$551,699
Excess Insurance	\$406,708	\$441,617	\$477,508	\$470,000	\$517,000
Total Expenses:	\$3,955,160	\$3,693,572	\$4,151,601	\$4,376,599	\$4,133,749
Difference from prior year:		-6.61%	12.40%	5.42%	-5.55%
Actuarial Recommended Estimated Pooled Layer - Rate	\$0.90	\$0.83	\$0.95	\$1.03	\$0.95

Actuarial Recommended Estimated Pooled Layer Funding (per the actuarial report dated July 29, 2012)
 Claims Administration (no increase or decrease is contemplated)
 JPA Program Administration Fee (no increase or decrease is contemplated)
 Excess Insurance (includes a 10% increase)

**REVIEW AND APPROVAL OF THE
FY 14/15 PROPERTY PROGRAM - TOTAL FUNDING**

ISSUE: Staff has prepared the attached exhibit which shows the pooled layer funding requirements along with the costs for the program administration and the excess insurance.

RECOMMENDATION: Staff recommends that the Committee approve the FY 14/15 Total Property Program Expense of \$3,179,019.

FISCAL IMPACT: The total property program funding of \$3,179,019 includes the following items:

Pooled Layer Funding:	\$350,000
Administrative Costs:	\$329,019
Excess Insurance Premium:	\$2,500,000
Total Property Program Expense:	\$3,179,019

The pooled layer funding limit was increased from \$250,000 to \$350,000. AORMA exceeds its \$250,000 aggregate every year. PEPiP may require an increase in AORMA's aggregate limit for FY 14/15; therefore, the funding is based on this higher pooled layer limit. If AORMA does not have significant loss experience during FY 13/14, AORMA can expect a slight rate decrease for FY 14/15.

BACKGROUND: When the premiums and rates are sent out to the members in January 2013, Staff will include actual premiums and/or rates for the property program as well as the other AORMA programs. In prior years, Staff provided estimates of the property costs rather than final costs. The majority of the Property Program costs are based on the excess insurance and these costs are not negotiated until late May or early June.

PUBLICATION: None.

ATTACHMENT(S):

- a. FY 14/15 Property Program – Total Funding

**CSURMA AORMA
FY 2014/2015 Property Program
Total Estimated Funding**

Expense Item	Actual FY 10/11 \$100,000 SIR \$250,000 Aggregate SIR	Actual FY 11/12 \$100,000 SIR \$250,000 Aggregate SIR	Actual FY 12/13 \$100,000 SIR \$250,000 Aggregate SIR	Actual FY 13/14 \$100,000 SIR \$250,000 Aggregate SIR	Proposed FY 14/15 \$100,000 SIR \$250,000 Aggregate SIR
Estimated Pooled Layer Funding	\$240,000	\$240,000	\$240,000	\$250,000	\$350,000
Excess Insurance Premium	\$2,125,836	\$2,481,083	\$2,717,248	\$2,539,426	\$2,500,000
JPA Administrative Costs	\$362,767	\$345,411	\$303,307	\$329,019	\$329,019
Total Expenses:	\$2,728,603	\$3,066,494	\$3,260,555	\$3,118,445	\$3,179,019
Difference from prior year:		12.38%	6.33%	-4.36%	1.94%

Estimated Pooled Layer Funding - Staff expects that the aggregate limit of \$250,000 may need to be increased to \$350,000 for FY 14/15. AORMA hits the \$250,000 aggregate every year. (the funding has been increased to \$250,000 which is the aggregate self insured retention)

Excess Insurance Premium - Staff is hoping for a small rate reduction in FY 14/15 if AORMA maintains a reasonable loss ratio.

Administrative costs - no increase or decrease is contemplated.

APPROVAL OF FY 14/15 CRIME PROGRAM FUNDING

ISSUE: Staff has prepared the attached exhibit which shows the pooled layer funding requirements along with the costs for the excess insurance and program administration.

RECOMMENDATION: Staff recommends that the Committee review and approve the FY 14/15 Crime Program total funding of \$337,000.

FISCAL IMPACT: The total crime program funding of \$337,000 includes the following items:

Pooled Layer Funding:	\$50,000
Administrative Costs:	\$50,000
Excess Insurance Premium:	\$237,000
 Total Crime Program Expenses:	 \$337,000

At June 30, 2013, the crime program had a fund balance of \$110,755; therefore, \$50,000 is being proposed for the pooled layer funding rather than \$75,000. Due to the \$500,000 claim that was paid in FY 12/13, Staff anticipates that the excess crime coverage premium will increase. A 5% increase has been included in the proposed costs for FY 14/15.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S):

- a. FY 14/15 Crime Program – Total Funding

**CSURMA AORMA
FY 2014/2015 Crime Program
Total Estimated Funding**

Expense Item	Actual FY 10/11 \$25,000 SIR \$100,000 Aggregate SIR	Actual FY 11/12 \$25,000 SIR \$100,000 Aggregate SIR	Actual FY 12/13 \$25,000 SIR \$100,000 Aggregate SIR	Actual FY 13/14 \$25,000 SIR \$100,000 Aggregate SIR	Proposed FY 14/15 \$25,000 SIR \$100,000 Aggregate SIR
Estimated Pooled Layer Funding	\$75,000	\$75,000	\$75,000	\$75,000	\$50,000
Excess Insurance Premium	\$160,567	\$160,017	\$183,702	\$225,436	\$237,000
JPA Administrative Costs	\$13,040	\$30,207	\$29,067	\$50,668	\$50,000
Total Expenses:	\$248,607	\$265,224	\$287,769	\$351,104	\$337,000
Difference from prior year:		6.68%	8.50%	22.01%	-4.02%

Estimated Pooled Layer Funding - At June 30, 2013, the crime program has a fund balance of \$110,755; therefore, \$50,000 is being proposed for the pooled layer funding rather than \$75,000.

Excess Insurance Premium - Due to the \$500,000 claim that was paid in FY 12/13, Staff anticipates that the excess crime coverage premium will increase. A 5% increase has been included in the proposed costs for FY 14/15.

Administrative Costs - No increase or decrease is contemplated.

**APPROVED LEGAL COUNSEL AND MAXIMUM ALLOWABLE
HOURLY RATE FOR LEGAL COUNSEL**

ISSUE: Policy and Procedure L-3 – Legal Counsel Selection, states that the following:

The TPA shall maintain and update the AORMA APPROVED LEGAL COUNSEL LIST of attorneys (not firms) to which claims will be assigned. [The TPA shall at least every 36 months survey LEGAL COUNSEL Compensation and recommend to AORMA a fair and equitable MAXIMUM ALLOWABLE HOURLY RATE for LEGAL COUNSEL](#) which will address partner rates, associate rates and blended rates. The AORMA Committee shall consider and take action at a regularly scheduled meeting to establish the MAXIMUM ALLOWABLE HOURLY RATE. However, if LEGAL COUNSEL is handling the defense of any University case, then LEGAL COUNSEL will be retained at the University’s hourly rate.

Carl Warren, the AORMA liability third party claims administrator, states the following with regard to AORMA’s maximum allowable hourly rate for legal counsel and recommends that the current maximum rates of \$185 and \$225 remain unchanged.

Currently the maximum hourly rate AORMA pays to defense counsel is \$185 per hour for the defense of general liability matters and \$225 per hour for the defense of specialty matters such as employment, probate or real estate.

We have completed our update of the approved counsel list. There are many extremely qualified and reputable attorneys on the list, many of whom come highly recommended by the Office of General Counsel. The attorneys that are willing to work for our rates are not substandard, they are attorneys that have “made it” and are giving back. They believe in the CSU system and are willing to lend a hand.

Based on the recent survey of new additions and the solid list of attorneys used in the past, we are still able to find excellent representation for the hourly rates we currently pay. My recommendation is to maintain the current rates of \$185 and \$225 per hour.

RECOMMENDATION: Staff recommends reviewing the list of approved attorneys and the letter from Carl Warren and approve AORMA’s maximum allowable hourly rate for legal counsel.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S):

- a. Approved legal counsel list
- b. Carl Warren's recommendation regarding AORMA's maximum allowable hourly rate for legal counsel
- c. AORMA P&P L-3 Legal Counsel Selection

AORMA APPROVED DEFENSE COUNSEL

SAN FRANCISCO/BAY AREA

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CARL WARREN & COMPANY
Claims Management and Solutions

August 21, 2013

To: AORMA Committee
From: Mauri McGuire, Carl Warren & Company, TPA-Third Party Liability
RE: Recommended Maximum Hourly Rate for Defense Counsel

Currently the maximum hourly rate AORMA pays to defense counsel is \$185 per hour for the defense of general liability matters and \$225 per hour for the defense of specialty matters such as employment, probate or real estate.

We have completed our update of the approved counsel list. There are many extremely qualified and reputable attorneys on the list, many of whom come highly recommended by the Office of General Counsel. The attorneys that are willing to work for our rates are not sub standard, they are attorneys that have "made it" and are giving back. They believe in the CSU system and are willing to lend a hand.

Based on the recent survey of new additions and the solid list of attorneys used in the past, we are still able to find excellent representation for the hourly rates we currently pay. My recommendation is to maintain the current rates of \$185 and \$225 per hour.

Please let me know if you have any questions or require additional information.

Sincerely,

CARL WARREN & COMPANY

Mauri McGuire
Client Relationship Manager

AN EMPLOYEE-OWNED COMPANY

1000 S. Hill Road, Suite 215 | Ventura, CA 93003

P. O. Box 7059 | Ventura, CA 93006-7059

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CA License No. 2607296

CSURMA AORMA

POLICY AND PROCEDURE NO. L-3

SUBJECT: LEGAL COUNSEL SELECTION

ADOPTED: DECEMBER 7, 2006

**AMENDED: OCTOBER 8, 2009
SEPTEMBER 16, 2010
MAY 10, 2012**

EFFECTIVE: JANUARY 1, 2007

POLICY & PROCEDURE NO.: (FORMERLY) 3C-LIAB

Should there be any discrepancy between this document and either the LIABILITY MEMORANDUM OF COVERAGE or PARTICIPATION AGREEMENT between the AORMA and the MEMBER, the LIABILITY MEMORANDUM OF COVERAGE and the PARTICIPATION AGREEMENT will govern.

POLICY

1. The TPA shall appoint all LEGAL COUNSEL to represent AORMA and its MEMBERS in defense of a covered liability claim. All appointed LEGAL COUNSEL shall be selected from the AORMA APPROVED LEGAL COUNSEL LIST and subject to the MAXIMUM ALLOWABLE HOURLY RATE for LEGAL COUNSEL. The TPA will send to LEGAL COUNSEL an engagement letter which the LEGAL COUNSEL will be asked to acknowledge and accept.
2. The CSURMA Secretary approves the selection of defense counsel to be added to the AORMA APPROVED LEGAL COUNSEL LIST.
3. To avoid any appearance of a conflict of interest, actual or potential, any attorney who has advised a MEMBER in any capacity (such as serving as general or labor counsel) shall not be engaged as LEGAL COUNSEL for a matter on which that attorney previously advised the MEMBER without prior approval of the CSURMA Secretary.

PROCEDURE

The TPA shall maintain and update the AORMA APPROVED LEGAL COUNSEL LIST of attorneys (not firms) to which claims will be assigned. The TPA shall at least every 36 months survey LEGAL COUNSEL Compensation and recommend to AORMA a fair and equitable MAXIMUM ALLOWABLE HOURLY RATE for LEGAL COUNSEL which will address partner rates, associate rates and blended rates. The AORMA Committee shall consider and take action at a regularly scheduled meeting to establish the MAXIMUM ALLOWABLE HOURLY RATE. However, if LEGAL COUNSEL is handling the defense of any University case, then LEGAL COUNSEL will be retained at the University's hourly rate.

MEMBERS shall have the right to recommend LEGAL COUNSEL from the AORMA APPROVED LEGAL COUNSEL LIST; however, the CSURMA Secretary shall make the final selection of LEGAL COUNSEL.

If the MEMBER disapproves of the selection of LEGAL COUNSEL for a particular matter, the MEMBER may submit an appeal in writing to the AORMA COMMITTEE. The following information may be considered on the appeal:

1. The AORMA APPROVED LEGAL COUNSEL.
2. Any MEMBER wishing to recommend LEGAL COUNSEL for inclusion on the AORMA APPROVED LEGAL COUNSEL LIST may do so by submitting background information on the individual attorney to the TPA. The TPA will then review the information and, if appropriate, request that the CSURMA Secretary approve inclusion of the attorney on the AORMA APPROVED LEGAL COUNSEL LIST.
3. Due to the potential conflict of interest, attorneys who serve regularly as general counsel, in-house counsel or labor counsel for that MEMBER may not defend that MEMBER unless prior written approval is granted by the CSURMA Secretary.
4. Except as permitted by Paragraph Nos. 6, 7, and 8 below, the CSURMA Secretary and the TPA shall have the sole responsibility to select and engage LEGAL COUNSEL to represent members of AORMA as to any matters tendered by a MEMBER through AORMA for DEFENSE and INDEMNITY. A MEMBER may request selection of LEGAL COUNSEL from the AORMA APPROVED LEGAL COUNSEL LIST for a specific claim.
5. The TPA shall assign claims to LEGAL COUNSEL within five days after receipt of notice from the MEMBER that a Summons and Complaint has been received by the TPA.
6. If there is a conflict of interest between AORMA and a MEMBER (which would be a conflict of interest between an insured and its insurer within the meaning of California Civil Code Section 2860) then that MEMBER has the same rights to select and engage INDEPENDENT COUNSEL as would an insured under Section 2860. AORMA also has all of the rights reserved to an insurer under Section 2860, and all of the provisions of Section 2860 shall apply as if AORMA was an insurer and the MEMBER was an insured.
7. A MEMBER may recommend LEGAL COUNSEL to defend an action if all of the following conditions apply:
 - a. Recommended LEGAL COUNSEL is selected from the AORMA APPROVED LEGAL COUNSEL LIST;

- b. The CSURMA Secretary approves the recommendation. (The recommendation will be approved by the CSURMA Secretary unless the MEMBER's selection is found to be imprudent, i.e., LEGAL COUNSEL proposed by the MEMBER does not have sufficient experience, expertise or other qualifications required to competently undertake the defense assignment).
 - c. One or more of the following circumstances exists:
 - (i) The MEMBER has significant exposure to a claim which the AORMA Committee has either denied coverage for, or has reserved its rights to deny coverage for, but which claims there may not be a conflict of interest between AORMA and MEMBER of the kind referred to in Paragraph No. 6 above. If the MEMBER chooses to avail itself of the privilege of selecting LEGAL COUNSEL under this No. 7 c.i., the MEMBER shall affirmatively waive its rights under No. 6 above.
 - (ii) The case involves legal or factual issues which merit handling by LEGAL COUNSEL with specialized expertise.
 - (iii) The case involves unusual ancillary factors, which justify retaining LEGAL COUNSEL having special sensitivity in dealing with those factors.
8. The MEMBER always may select and engage, *at its own expense*, MONITORING COUNSEL in addition to the LEGAL COUNSEL. However, the LEGAL COUNSEL selected by the CSURMA Secretary or the TPA shall manage and control the litigation.
9. AORMA will pay for INDEPENDENT COUNSEL and LEGAL COUNSEL selected and engaged pursuant to Paragraph Nos. 6 and 7 above. AORMA *will not pay for* MONITORING COUNSEL engaged pursuant to Paragraph 8, above.
10. In conjunction with LEGAL COUNSEL, selected pursuant to No. 6, above, the AORMA Committee and the TPA shall have the right to manage and control the conduct of the litigation. INDEPENDENT COUNSEL selected pursuant to No. 6, above, may participate in the defense of the litigation but shall not interfere with AORMA's right of control.
11. If a MEMBER has concerns regarding the selected LEGAL COUNSEL, they must communicate with the CSURMA Secretary prior to initiating the Member Appeal Process as described below.

NOTIFICATION

The TPA shall notify the MEMBER of LEGAL COUNSEL assigned to a claim, and confirm by sending the MEMBER a copy of the TPA's engagement letter. Before AORMA will pay any costs for LEGAL COUNSEL fees, selected LEGAL COUNSEL must confirm IN WRITING to

the TPA that the engagement is between LEGAL COUNSEL and AORMA, not LEGAL COUNSEL and MEMBER.

MEMBER APPEAL PROCESS

First Level Appeal

If a MEMBER wishes to appeal a decision resulting from the enforcement of this policy & procedure, the MEMBER must present an appeal in writing to the AORMA COMMITTEE within 30 days of the disputed decision. The AORMA COMMITTEE will review the appeal at its next regularly scheduled meeting and inform the MEMBER within five business days of its final decision.

Second Level Appeal

If a Member wishes to appeal the AORMA COMMITTEE's decision, the MEMBER will notify the CSURMA Secretary in writing within five business days of receipt of the AORMA's decision. The CSURMA EXECUTIVE COMMITTEE will then review the appeal at its next meeting or sooner. The CSURMA EXECUTIVE COMMITTEE's decision will be the final determination.

The TPA will involve the AORMA COMMITTEE Chair as appropriate to assist in resolving the claim or clarifying the issue.

DEFINITIONS:

1. **APPROVED LEGAL COUNSEL LIST** - A list of pre-approved attorneys approved by the CSURMA Secretary and the TPA to handle defense and litigation of AORMA member claims.
2. **AORMA** – Auxiliary Organizations Risk Management Alliance, an insurance purchasing program of the California State University Risk Management Authority, a California Joint Powers Authority.
3. **AORMA COMMITTEE** - A Committee of the CSURMA providing management and oversight to the Auxiliary Organizations Risk Management Alliance. The AORMA COMMITTEE is comprised of the Chair, the Vice Chair, eight “At Large” members, and two non-voting members.
4. **CSURMA** - The California State University Risk Management Authority, a California Joint Powers Authority, comprised of the California State University and its Auxiliary Organizations.
5. **DEFENSE** - Legal costs incurred as the result of defending a covered claim. These may include claimant’s and defense counsel’s attorney fees.
6. **EXECUTIVE COMMITTEE** – The CSURMA Executive Committee.
7. **INDEMNITY** - Compensation for an incurred injury, loss or damage
8. **INDEPENDENT COUNSEL** – Legal Counsel selected if a potential conflict of interest exists between AORMA and a MEMBER. INDEPENDENT COUNSEL may participate in the defense of the litigation but shall not interfere with LEGAL COUNSEL’S right of control.
9. **IN WRITING** - The required manner for reporting a claim to the AORMA TPA. Notification in writing includes email correspondence, faxed transmissions, and original, hard copy notifications.
10. **LEGAL COUNSEL** - Any attorney selected to represent an AORMA member. Legal Counsel is selected from the approved legal counsel list maintained by the TPA.
11. **MAXIMUM ALLOWABLE HOURLY RATE** – The maximum hourly fee for which AORMA will pay for an attorney to defend a covered claim. There are two separate maximum allowable hourly rates – one for Employment Practices liability claims, and one for all other claims. The TPA will survey the legal counsel marketplace to determine the maximum allowable hourly rate for AORMA in accordance with this Policy and Procedure.
12. **MEMBER** – Any Auxiliary Organization participating in AORMA.
13. **MEMORANDUM OF COVERAGE** - A governing document of AORMA. This document outlines the AORMA program definitions, coverages, exclusions and provisions.
14. **MONITORING COUNSEL** – Legal Counsel hired by the Member to monitor.
PARTICIPATION AGREEMENT – The participation Agreement, which is a governing document, outlines the roles and responsibilities of AORMA and its membership.
15. **THIRD PARTY CLAIMS ADMINISTRATOR (TPA)** - A claims administrator whose responsibilities include claim handling, litigation management, and excess liability carrier reporting.

AORMA LIABILITY PROGRAM CLAIMS ADMINISTRATION AUDIT REPORT

ISSUE: CSURMA engaged Bickmore Risk Services to conduct a liability claims administration audit of Carl Warren and Company. The purpose of the audit was to:

1. Verify that Carl Warren's claims administration practices meet industry best practices and comply with state law, the claims administration contract and its internal procedures
2. Evaluate adjuster experience, competence and staffing levels
3. Identify opportunities for program improvement and make recommendations to ensure improvement

Bickmore randomly selected 29 open and 16 closed claims for review. As stated in the audit, Bickmore finds the overall performance at 96%, indicating a **Superior** performance level, as shown in the claims audit,

1. Carl Warren complies with the contract, industry best practices, and its internal procedures; Eight of the nine components measured scored superior, with one component requiring improvement;
2. Claims are reported and assigned promptly;
3. Carl Warren field staff provides prompt and thorough investigations when requested by the Client Relationship Manager;
4. Initial reserves are set timely, usually within 24 hours of receipt of the claim;
5. Reserves are reviewed frequently and represent an accurate estimate of AORMA's exposure;
6. Documentation of reserve rationale is inconsistent
7. Litigation management results reflect delays in initial and subsequent reporting and budget submissions by defense counsel. While Carl Warren makes a tremendous effort to obtain compliance, there are opportunities for improvement

Carl Warren's response to the claims audit is attached for the Committee's review.

RECOMMENDATION: Staff recommends that the committee accept the report as presented.

FISCAL IMPACT: The cost for the claim audit was included in the FY 12/13 budget.

BACKGROUND: The CSU Trustee's Internal Audit identified that CSURMA had not recently secured a claims audit of AORMA third party claims administrator.

PUBLICATION: None.

ATTACHMENT(S):

- a. Bickmore Risk Services: Draft Claims Audit Report for Campus Liability, April 25, 2013
- b. Carl Warren's response management response



Bickmore



May 16, 2013

Mr. Robert Leong
Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111

RE: **California State University Auxiliary Organizations Risk Management Alliance
General Liability and Errors and Omissions Claims Audit**

Dear Mr. Leong:

Please find enclosed the findings and recommendations of our claims audit on behalf of the California State University Auxiliary Organizations Risk Management Alliance (AORMA). Carl Warren and Company (CW), AORMA's third party administrator (TPA) is contracted to manage its public liability and errors and omissions claims. Our audit examines CW's claims handling practices.

We present an overview of our findings in Chapter I and discuss our findings in Chapter II. We look forward to discussing this report.

Bickmore appreciates the opportunity to provide claims audit services and the assistance received from Alliant Insurance Services, Inc. and CW.

We stand ready to answer any questions. Please feel free to contact me at:

Bickmore
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Phone: (714) 426-8507
E-mail: demitchell@bickmore.net

It has been a pleasure to provide services for this important project.

Respectfully submitted,

DRAFT

Dennis Mitchell, CPCU, SCLA, ARM
Senior Claims Consultant

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- A - Claims Audit List
- B - Component, Subcomponent, and Criteria Scores with Exceptions
- C - CSURMA Claims Adjusting Process – Carl Warren and Company
- D - Recommended Reserve Changes

I. Executive Summary

The California State University Auxiliary Organizations Risk Management Alliance (AORMA) represents a group of programs under the California State University Risk Management Authority (CSURMA). CSURMA is a Joint Powers Authority established in 1997 to perform pooled group insurance and risk management-related activities for the California State University (the University) system and its 23 campuses.

AORMA is comprised of 90 independent non-profit organizations serving the needs of the University. These separate legal entities include student unions, research foundations, student housing, bookstores, etc. While associated with the University, they are not public entities. Thus, they are not entitled to the protections afforded to public entities by the California Government Code.

CSURMA provides \$350,000 pooled liability coverage to AORMA with member deductibles of \$25,000 to \$100,000 applying only to employment practices liability. Reinsurance above the \$350,000 primary layer is provided by General Re up to \$5,000,000, above which excess insurance is provided.

AORMA's liability claims are administered by Carl Warren and Company (CW), a third party administrator (TPA), located in Ventura, California.

The purpose of this audit is to:

- Verify CW's claims administration practices meet industry best practices, comply with state law, the claims administration contract, and its internal procedures;
- Evaluate adjuster experience, competence, and staffing levels; and
- Identify opportunities for program improvement and make recommendations to ensure improvement.

To assist AORMA in assessing the effectiveness of CW's claims administration, Bickmore:

- Reviewed the claims administration contract;
- Interviewed CW claims administration staff;
- Interviewed selected members of the AORMA Committee;
- Reviewed selected AORMA Policies and Procedures (P & P) relating to the administration of claims, member coverage, and litigation;
- Reviewed CW's "CSURMA Claims Adjusting Process" document (Appendix C) outlining claims administration procedures;
- Reviewed open and closed claims data and selected the sample of 45 liability claims shown in Appendix A;

- Reviewed the sample claims onsite at CW's Ventura, California office from April 22 through April 24, 2013, to determine whether CW claims administration meets industry best practices. Our review included the physical claim files and copies of notes and financials provided by CW. We were not provided access to CW's proprietary claim system; however, the information provided was sufficient for our assessment;
- Provided daily feedback communicating our findings to CW during the onsite audit; and
- Provided our daily findings to CW to validate results. We discussed the findings onsite, concluding discussions on April 26, 2013.

We were provided with a five-year history of open and closed claims as of April 3, 2013. Our analysis of the data reflected 46 open pending claims and we randomly selected 29 open and 16 closed claims for review. Thirteen claims or 33% of the sample are litigated, compared to the overall pending litigation rate of 20%.

For the two years ending December 31, 2012, annual claim intake averages 80 with an equal number of closures, for a 100% closing ratio. Maintaining a closing ratio of 100% or better promotes control of pending claims and usually stabilizes staffing requirements. General liability claims comprise 58% of the new claim intake and 85% of the pending claims, with about 50% of those claims relate to employment practices. Exhibit I-3 graphically illustrates these statistics.

The AORMA team is led by a Client Relationship Manager who is backed up by a second senior CW colleague. Administrative support is provided in the Ventura office, with investigative field task support provided by CW's adjusting network.

We find overall performance at 96%, indicating a **Superior** performance level, as shown in Table I-1.

We find:

- CW complies with the contract, industry best practices, and its internal procedures;
- Eight of the nine components measured scored superior, with one component requiring improvement;
- Claims are reported and assigned promptly;
- CW field staff provides prompt and thorough investigations when requested by the Client Relationship Manager;
- Initial reserves are set timely, usually within 24 hours of receipt of the claim;
- Reserves are reviewed frequently and represent an accurate estimate of AORMA's exposure;
- Documentation of reserve rationale is inconsistent; and

- Litigation management results reflect delays in initial and subsequent reporting and budget submissions by defense counsel. While CW makes a tremendous effort to obtain compliance, there are opportunities for improvement.

To arrive at our findings, we compared performance in the nine claims handling component areas for each claim shown in Appendix A against industry standards, state law, and AORMA's own requirements. Results are shown in Exhibit I-1 "Scoring by Component with Financials," and graphically in Exhibit I-2.

By scoring each component using the performance evaluation criteria shown in Table I-2 and dividing the 'Yes' findings by possible findings ('yes' plus 'no' findings), we determine the compliance percentage shown in Exhibit I-1. Using the scale shown in Table I-1, we assess performance setting an acceptable target at 85%, considering the compliance percentage for each component by claim and across all claims.

**Table I-1
 Performance Evaluation Scale**

Performance	Compliance Percentage
Superior	96% - 100%
Commendable	91% - 95%
Acceptable	85% - 90%
Requires Improvement	Below 85%

**Table I-2
 Performance Evaluation Criteria**

Evaluation	Grading Criteria
Yes	Complete compliance with industry standards, contract, and internal procedures. File reflects active steps are taken to resolve claim.
No	Lack of compliance with industry standards, contract and internal procedures. Evidence of substandard claims handling, creating exposure to penalties, or disbursement of undue benefits.
Not Applicable	The claim does not present a need for claims handling in the component area.

We make recommendations to enhance performance for component results below Superior, or when subcomponents or criteria are scored below Acceptable.

To improve performance we recommend implementing the enhancements discussed in Table I-3.

Table I-3
Performance Enhancement Recommendations Summary

Performance Component	Performance Enhancement Recommendations
Plan of Action/ Documentation	<ul style="list-style-type: none"> • Increase supervision to improve diary frequency to promote timely update of action plans at thirty-day intervals.
Reserve Management	<ul style="list-style-type: none"> • Increase supervision to ensure the adjuster provides claim note documentation to rationalize each reserve change.
Claim Disposition and Payment	<ul style="list-style-type: none"> • Increase supervision to provide documentation that Medicare interest is protected at the time of settlement.
Litigation/Recovery Management	<ul style="list-style-type: none"> • Follow up with counsel at no less than bi-weekly intervals to obtain compliance with the initial reporting and budgeting requirements. • Revise the engagement letter to counsel to emphasize payment of the firm’s legal billings are contingent upon: <ul style="list-style-type: none"> – Return of the signed engagement letter agreeing to AORMA’s guidelines; – Submission of an initial case analysis and budget; and – Submission of a revised litigation budget when the approved budget is exceeded. • Develop a letter to counsel to provide formal notice that they have not complied with one or more litigation management guidelines and payment of further billings will be suspended until they become compliant.

In Section II, we present our findings in detail with a discussion of industry standards and our recommendations. We recommend our report be read in its entirety.

Exhibit I-1

Scoring by Component with Financials

Claims Reviews Completed:	45	Actual Reserve:	\$1,255,235
Incurred:	\$2,821,426	Recommended Reserve:	\$1,286,258
Paid:	\$1,566,191	Net Reserve Change:	\$31,023

Claims Administration Component	Claims Graded	Number of Responses for Component			Compliance Percentage
		Yes	No	NA	
01 Claims Intake	45	265	1	4	99%
02 Investigation	45	237	8	160	97%
03 Plan of Action/Documentation	45	355	9	86	98%
04 Reserve Management	45	264	9	132	97%
05 Statutory Compliance	45	47	0	133	100%
06 Communication	44	53	1	81	99%
07 Claim Management Information System	45	215	4	6	98%
08 Claim Disposition and Payment	22	150	6	564	96%
09 Litigation/Recovery Management	29	170	34	426	83%
Overall Claims Administration	45	1,756	72	1,592	96%

Appendix B summarizes the “Yes/No” responses and identifies each exception by claim.

Exhibit I-2

Scoring by Component Summary Graph

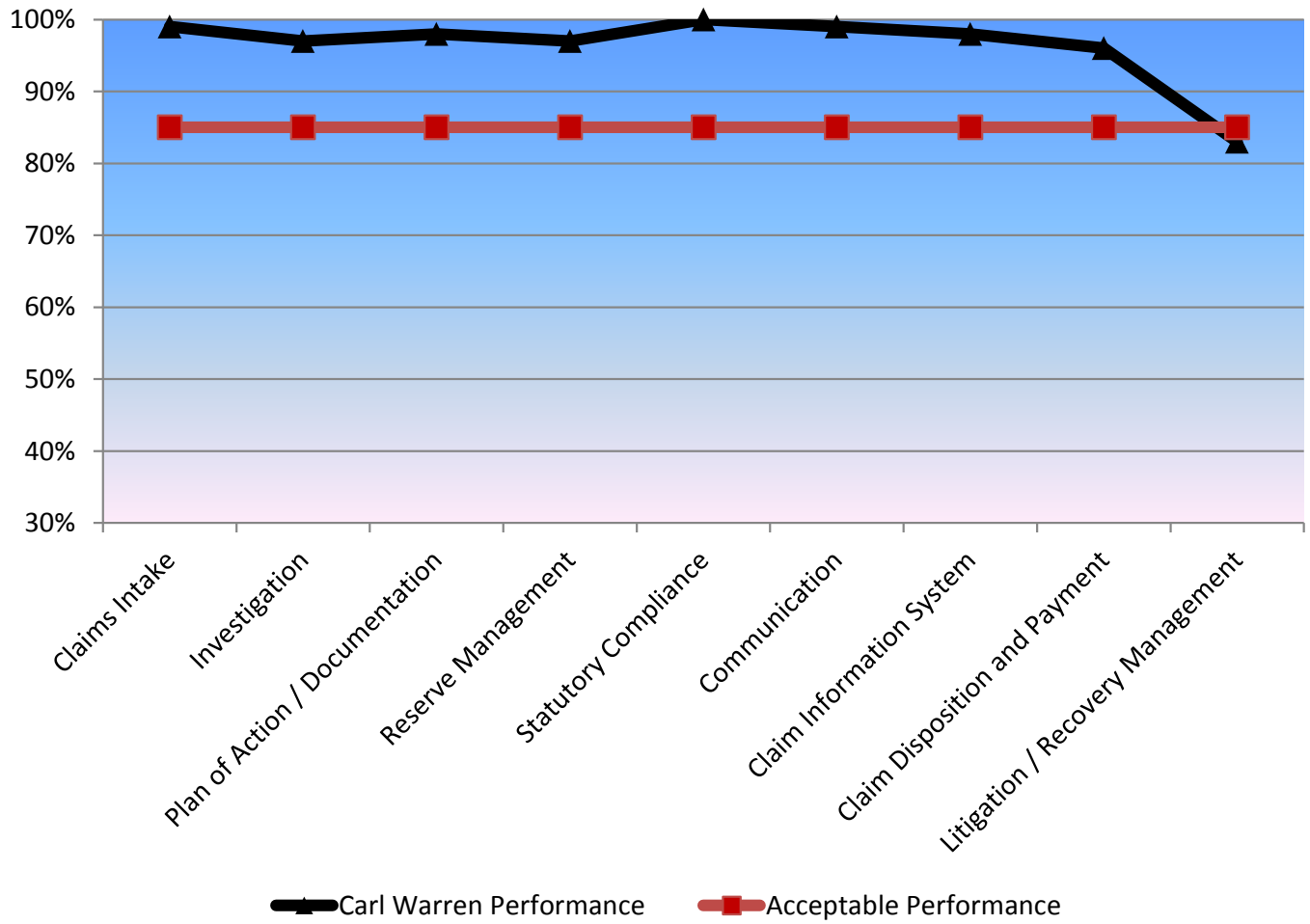
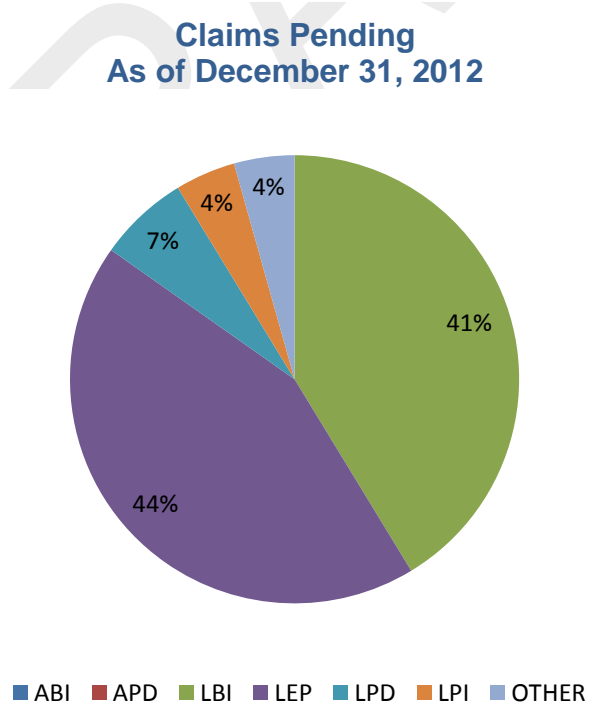
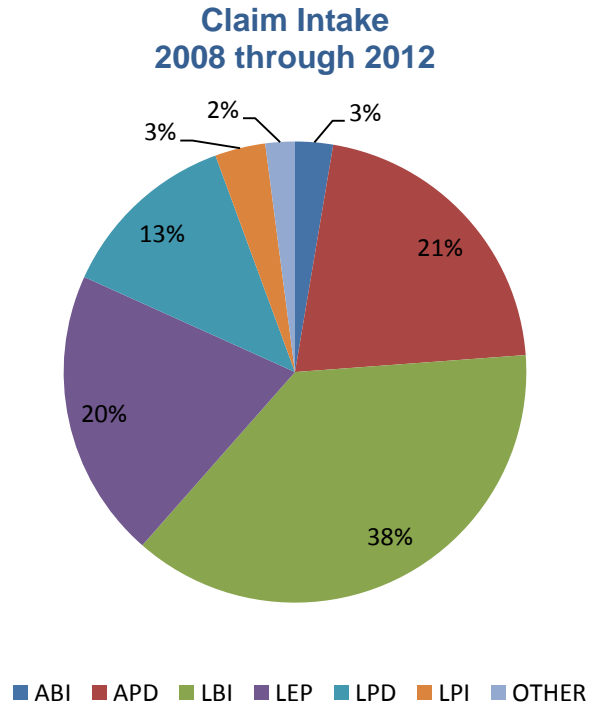


Exhibit I-3

Claim Intake and Pending Analysis



II. Detailed Findings

This chapter provides our findings for each component we measure. Our findings consider how well procedures meet industry best practices and how well procedures are applied in handling the claims according to the sample review. Below is a narrative discussion of our analysis and findings. Exceptions for all components are found in Appendix B. Upon request, we can provide additional detail that includes comment on each claim reviewed.

1. Claims Intake

99%

Best practices require the JPA to develop policies and procedures to promote timely, accurate claim reporting by members. Best practices also require an administrator to:

- Maintain manageable caseloads to promote prompt, effective service to members and third party claimants;
- Process assignments within one business day; and
- Verify the Memorandum of Coverage (MOC) applies to the loss date and the claim facts.

To guide its performance under the contract, CW developed its “CSURMA Claims Adjusting Process,” which we attach in Appendix C.

CW meets industry best practices for claims intake by requiring:

- Creating, reserving, and assigning new claims within 24 hours of receipt;
- Client approval prior to hiring independent experts; and
- Accurate data entry.

Claims are recorded in CW’s proprietary system that maintains financial and statistical data and allows the adjuster to document claim handling by entering notes. CW maintains individual paper files supporting the electronic notes. Investigation, correspondence, and other documentation are maintained in the physical claim file and not electronically.

Members generally report claims timely. Late-reported claims may subject the member to a financial penalty. AORMA’s P & P L-1 provides for a sliding scale reduction of coverage according to the number of days or months the claim is reported late. This encourages timely reporting.

We find:

- New claims are set up and assigned timely, usually within 24 hours of receipt;
- CW confirms receipt of claim to the member;

- Data is accurate and updated when appropriate;
- Productivity is acceptable with claim closures equaling claim intake for the past two years;
- The two individuals with primary responsibility for managing AORMA cases carry manageable caseloads under 125 claims, including claims for other clients;
- Both individuals have more than 25 years of experience handling claims and the claim files reflect their experience;
- CW manages the late reporting process by determining whether a late-reporting penalty could apply and seeking authority for its application; and
- CW is thoroughly familiar with AORMA's coverage and seeks authority to issue a reservation of rights when appropriate.

We assess claims intake performance as superior.

2. Investigation

97%

Best practices require:

- Completing investigation within 15 days of claim receipt or documenting efforts to do so;
- Documenting an action plan to complete items outstanding after 30 days;
- Developing evidence such as statements, police reports, and photographs to preserve evidence and support liability and damage decisions;
- Reporting bodily injury claims through the Insurance Services Office (ISO) *ClaimSearch*® system to identify prior injuries and claims history;
- Obtaining medical authorizations on bodily injury claims;
- Using a process to identify suspicious claims and target them for closer examination;
- Documenting analysis of the extent of the member's negligence and comparative negligence of the parties; and
- Documenting the initial liability assessment within 15 days of receipt of the claim and re-assessing liability upon receipt of new information.

A properly conducted investigation ensures an accurate understanding of the facts to determine liability. Prompt liability determination can eliminate the need to litigate and, if litigation does occur, allow more focused discovery.

CW meets best practices by requiring:

- Contact with appropriate parties within 24 hours of receipt of the claim;
- Obtaining police reports when necessary;
- Securing initial statements and diagrams within 72 hours of receipt of the claim; and
- Regular ongoing contact with the claimant when eventual settlement is appropriate.

CW requires sufficient information to make a liability assessment within 20 days of receipt of the claims.

We find:

- With one exception, required contacts are made within 24 hours;
- Investigations are completed timely with excellent support provided by CW's statewide adjusting staff;
- Investigation quality is good, with statements obtained when appropriate and photographs and other evidence clearly labeled;
- Notepad documentation clearly provides the current claim status;
- Follow up is generally completed timely, with three exceptions noted;
- Medical authorizations are consistently requested from claimants who allege bodily injury; and
- All qualifying claims are indexed through ISO *ClaimSearch*®.

We assess claims investigation performance as superior.

3. Plan of Action/Documentation

98%

Best practices require the administrator document action plans and initiate activities to resolve claims. Claim action plans and activity should be entered into the claim file notes at least monthly, with an emphasis on moving the claim toward resolution. Supervisory intervention is necessary to ensure timely disposition.

CW requires diary-triggered claim reviews at 30 day intervals.

We find:

- Action plans are reflected in the notepad;
- The adjuster undertakes appropriate activities to resolve claims;

- Diary frequency requires improvement to promote timely update of action plans, and to meet best practices and CW's requirements;
- Claim notes documentation is professional, reflects ongoing internal and external communication, and identifies authorship and date; and
- Claim file documentation is date stamped and maintained in chronological order.

We assess diary and action plan performance as superior. However, we recommend CW supervise to increase diary frequency to promote timely update of action plans at thirty day intervals.

4. Reserve Management

97%

Best practices require:

- Setting initial reserves within five days of claim receipt;
- Reevaluating reserves at least bi-annually for adequacy based upon the liability and damages information reflected in the investigation and discovery;
- Maintaining reserves at "Most Probable Ultimate Outcome" (MPUO) to avoid reserve stair stepping. This is a methodology we encourage for other similar entities, as it is fiscally prudent. Calculation of MPUO is recommended as follows:
 - Where there is a 75% or greater chance for favorable outcome, reserve for favorable outcome plus 25% of probable adverse outcome;
 - Where there is a 51% to 75% chance for favorable outcome, reserve for favorable outcome plus 50% of probable adverse outcome;
 - Where there is a 25% to 50% chance for favorable outcome, reserve for favorable outcome plus 75% of probable adverse outcome; and
 - Where there is less than a 25% chance for favorable outcome, reserve for 100% of probable adverse outcome.
- Documenting reserve calculations.

CW meets best practices by requiring:

- Setting the initial reserve within 24 hours of receipt of the claim;
- Considering ultimate loss and expense payments in calculating an accurate reserve;
- Reviewing reserve adequacy on each adjuster diary date; and
- Clearly explaining the rationale for subsequent reserve revisions in the file notes.

We find:

- Initial reserves are timely in 100% of the sample claims;
- Adjustments are made within 30 days of receipt of information supporting the need for an adjustment;
- Documentation of the adjuster's rationale for reserve changes is inconsistent, with six exceptions noted in 14 applicable claims.
- Reserves are accurate. We recommend two reserve changes in Appendix D for a total reserve increase of \$31,023, a 2.5% increase to the \$1,255,235 reserved for the audit sample. Our actuaries advise us a recommendation for change less than 10% has no impact on actuarial projections; and
- All claims are closed within 30 days of the final payment.

While we assess reserve management performance as superior, we recommend CW increase supervision to ensure the adjuster provides claim note documentation to rationalize each reserve change.

5. Statutory Compliance

100%

Best practices require compliance with:

- Any state Fair Claims Practices Act; and
- Other federal or state laws relating to handling and payment of claims.

Section 111 of the Medicare, Medicaid, and SCHIP Extension Act of 2007 (MMSEA) established mandatory reporting requirements for liability insurance (including self-insurance), no-fault insurance, and workers' compensation. This act requires claims administrators to identify a Medicare beneficiary (whose injury or accident might result in a settlement) to enable appropriate determination concerning coordination of benefits, including any Medicare recovery entitlement.

The Centers for Medicare & Medicaid Services (CMS) is responsible for implementing the MMSEA.

As a self-funded plan not covered by insurance, AORMA is exempt from the requirements of the California Fair Claims Practices Act included in the California Insurance Code. Nevertheless, CW treats claimants fairly and communicates and issues payments timely.

Because CSURMA funds AORMA's self-insured retention, CSURMA is the Responsible Reporting Entity (RRE) under MMSEA. CW is the reporting agent and contracts with ISO to identify and report appropriate claims. ISO provides CW with a listing of claims identifying Medicare recipients. CW's system provides protection against issuing a settlement on a bodily injury claim without verifying Medicare eligibility.

We assess statutory compliance performance as superior.

6. *Communication*

99%

Best practices require:

- Prompt response to internal communications; and
- Prompt response to external correspondence or communication.

We find:

- With one exception, claim files reflect good communication among CW, OGC, and member representatives; and
- Auxiliary organization representative interviews confirm satisfaction with CW's communication:
 - CW responds promptly to member inquiries;
 - CW keeps members informed as cases progress;
 - Adjuster presentations for settlement authority reflect understanding and familiarity with the specific case and applicable laws; and
 - One member expressed the desire to implement provision of quarterly financial reports to all auxiliary members.

We assess communication as superior.

7. *Claims Management Information System (CMIS)*

98%

Best practices require:

- CMIS support of claims handling efficiency, including:
 - CMIS fields adequate to collect data required to handle claims; and
 - Use of CMIS fields to collect data timely and accurately.
- CMIS support of loss experience reports (LERs), including:
 - Support for provision of LERs to members and loss control personnel; and
 - Support for provision of EDI per regulatory requirements.

We find:

- Data captured is accurate and updated when necessary;
- CW's proprietary system contains sufficient fields to allow meaningful reports; and
- Claim file data reviewed in the sample agreed with the loss run data and there was no contradictory data found in the notepads.

We assess performance for CMIS as superior.

8. Claim Disposition and Payment

96%

Industry best practices require documentation of:

- Evaluation of damages within 30 days of receipt;
- Verification of bodily injury claims by medical bills and reports;
- Extent of property damage by itemized building scope, appraisal, and pricing verification;
- Damage offsets such as prior damage, injury, or depreciation;
- Authorization requests and approvals;
- Offers and demands;
- Releases executed prior to settlement check issuance;
- Protection of Medicare's interest when there is a secondary payer obligation in accordance with the MMSEA; and
- Timely and accurate payments.

CW requires the request for authority to provide a clear analysis of the claim.

AORMA's P & P No. L-2 sets forth the following settlement authority parameters:

- CW has authority to \$25,000; and
- The AORMA Committee has settlement authority in excess of \$25,000 to the limit of the pooled layer.

The MOC requires member notification and consent to be requested for all settlements.

We find:

- The authority level delegated to CW is appropriate, given the experience of the individuals responsible for administering AORMA claims;
- Settlement evaluations are documented within 30 days of receipt of damages information in 11 of the 12 applicable claims;
- Settlement evaluations consistently include the adjuster's evaluation of evidence and rationale for the valuation range provided;
- Negotiation strategy is well documented;
- Offers and demands are documented in the claim notes;
- Releases are obtained in 100% of the settled claims in the audit sample;
- We note one exception to adequacy of documentation that Medicare interests were protected in a settlement;
- While we note one late authority request, all requests clearly outline claim issues and confirmation of authority is documented when appropriate; and
- Payments are timely, accurate, and supported.

We assess claims disposition performance as superior; however, we recommend CW increase supervision to provide documentation that Medicare interest is protected at the time of settlement.

9. Litigation/Recovery Management

83%

Best practices for litigation management require the administrator to avoid unnecessary litigation by:

- Investigating claims promptly;
- Evaluating claims reasonably and making early resolution decisions;
- Maintaining frequent contact with third party claimants to establish trust and foster claim resolution when appropriate; and
- Treating claimants and attorneys fairly.

To minimize costs when litigation does occur, the administrator is expected to:

- Control the use of outside defense counsel;
- Assign claims in writing to specific attorneys rather than to firms;

- Ensure cases contain the attorney's documented resolution strategy and a written budget;
- Collaborate with the assigned attorney to facilitate development of alternative resolution strategies when appropriate;
- Consider alternative dispute resolution; and
- Monitor defense counsel's billings to ensure compliance with contractual requirements.

AORMA meets best practices by detailing litigation management requirements in P & P No. L-2 which requires:

- TPA oversight of legal defense management;
- Counsel to acknowledge and sign an engagement letter indicating understanding of AORMA's litigation management requirements; and
- Counsel to provide a case analysis and litigation budget within 30 days of receipt of assignment and update the legal budget as necessary.

AORMA P & P L-3 requires CW to assign new suits to AORMA-approved counsel within five days of receipt. The policy also provides for maximum hourly rates.

We find:

- Twenty percent of the open pending claims and 33% of the audit sample are litigated;
- In addition to litigated claims, counsel is generally retained for discrimination cases involving administrative hearings before the U.S. Equal Employment Opportunity Commission or the California Department of Fair Employment and Housing;
- CW consistently refers new litigation to a panel firm within five days;
- Use of the required engagement letter is consistent, although we note two exceptions;
- Panel counsel demonstrates the necessary expertise to defend assigned cases and provides a through fact summary and analysis of liability. However, we note:
 - Counsel is non-compliant to CW's request for an initial case analysis within 30 days in 10 of 25 qualifying claims;
 - Counsel demonstrates non-compliance to CW's request for a litigation budget in 12 of 16 claims, with several claims requiring multiple requests; and
 - Subsequent case reporting by counsel requires improvement to meet AORMA's guidelines.
- Counsel and CW promote case closure through alternative dispute resolution when appropriate; and

- Legal billings generally comply with AORMA's guidelines.

Best practices for recovery management require:

- Prompt identification of and contact with responsible parties;
- Prompt identification of contracts that could potentially shift liability to a third party;
- Appropriate follow up with responsible parties to effect recovery;
- Assessment of costs and methods to effect recovery should the responsible party decline payment; and
- Protection of the statute of limitations when the decision is made to use legal assistance to obtain payment.

Three claims involve potential recovery and we note no exceptions to best practices.

We assess litigation management performance as requiring improvement. AORMA has developed excellent litigation management guidelines designed to control costs. Improvement is required in counsel's compliance with the guidelines. While CW is generally persistent in follow up to obtain compliance, this persistence must be applied to all claims. We recommend CW:

- **Follow up with counsel at no less than bi-weekly intervals to obtain compliance with the initial reporting and budgeting requirements;**
- **Revise its engagement letter to counsel to emphasize payment of the firm's legal billings is contingent upon:**
 - **Return of the signed engagement letter agreeing to AORMA's guidelines;**
 - **Submission of an initial case analysis and budget; and**
 - **Submission of a revised litigation budget when the approved budget is exceeded.**
- **Develop a letter to counsel to provide formal notice that they have not complied with one or more litigation management guidelines and payment of further billings will be suspended until they become compliant.**

The recommendations regarding payment withholding are supported by AORMA P & P L-2 and will provide incentive for counsel to comply with the guidelines.

Appendix A
Claims Audit List

DRAFT

Appendix B
**Component, Subcomponent, and Criteria Scores
with Exceptions**

DRAFT

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
		Yes	No	N/A	Actual	Possible	Pct
01 Claims Intake							
1	Claim Reporting	Yes	No	N/A	Actual	Possible	Pct
1.01	Does member report claim timely?	43	0	2	43	43	100%
1.02	Does the initial report have sufficient information for the adjuster to initiate contacts and investigation?	43	1	1	43	44	98%
1.03	Does the initial report reflect the member's familiarity with CSRMA claim reporting procedures?	45	0	0	45	45	100%
Subcomponent Total		131	1	3	131	132	99%
2	Claim Set Up	Yes	No	N/A	Actual	Possible	Pct
1.04	Is claim set up within 24 business hours of receipt?	45	0	0	45	45	100%
1.05	Are claim facts reviewed immediately to verify facts conform with coverage provided?	45	0	0	45	45	100%
1.06	Is claim data entry accurate?	44	0	1	44	44	100%
Subcomponent Total		134	0	1	134	134	100%
Category Total:		Yes	No	N/A	Actual	Possible	Pct
01 Claims Intake (85% target)		265	1	4	265	266	99%
Exceptions: 01 Claims Intake (Claims scoring below 100%)							
		1	1597600				83%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
02 Investigation							
1	Contacts	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
2.01	Contacts with required parties initiated within 24 hours of receipt of claim?	44	1	0	44	45	98%
2.02	Is contact with parties sufficient to obtain required information?	44	1	0	44	45	98%
Subcomponent Total		88	2	0	88	90	98%
2	Obtaining and Preserving Evidence	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
2.03	Investigation is substantially completed within 15 days of assignment, or the claim is documented with efforts to do so.	43	0	2	43	43	100%
2.04	If the investigation is not complete within 30 days, there is an action plan to complete outstanding items?	20	3	22	20	23	87%
2.05	Investigation includes statements, police reports, photographs appropriate to support liability and damage decisions?	27	1	17	27	28	96%
2.06	If bodily injury is involved, are authorizations obtained?	10	1	34	10	11	91%
Subcomponent Total		100	5	75	100	105	95%
3	Mitigation	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
2.07	If bodily injury is involved, the claim is reported to the index system?	25	0	20	25	25	100%
2.08	When fraud is suspected, additional investigation is pursued, together with reporting to authorities, if appropriate?	0	0	45	0	0	N/A
2.09	Did the adjuster perform a documented analysis of the extent of the member's negligence, including, if applicable, comparative negligence of the parties?	24	1	20	24	25	96%
Subcomponent Total		49	1	85	49	50	98%
Category Total:		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
02 Investigation (85% target)		237	8	160	237	245	97%

Exceptions: 02 Investigation
(Claims scoring below 100%)

1	1846537	83%
2	1812963	83%
3	1763201	83%
4	1758954-a	75%
5	1626892	86%
6	1581754	88%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
02 Investigation		7	1568276				88%
03 Plan of Action/Documentation							
1	Timeliness	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
3.01	Is an action plan documented and updated as necessary?	44	1	0	44	45	98%
3.02	Does the file reflect appropriate activities initiated to resolve the claim?	36	2	7	36	38	95%
Subcomponent Total		80	3	7	80	83	96%
2	Frequency of Updates	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
3.03	Time frames and follow-up dates documented?	37	0	8	37	37	100%
3.04	Diary frequency supported by case facts, but no longer than 60 days?	25	5	15	25	30	83%
3.05	Diary review is documented with date, adjuster name, and action taken?	43	0	2	43	43	100%
Subcomponent Total		105	5	25	105	110	95%
3	Quality of Documentation	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
3.06	File contents braided in chronological order?	40	1	4	40	41	98%
3.07	Separate folders to house claimant-specific information maintained?	3	0	42	3	3	100%
3.08	File material receipt recorded by date stamp or other means?	44	0	1	44	44	100%
3.09	File documents communication among adjuster, claimant and defense counsel.	38	0	7	38	38	100%
3.10	Adjuster documentation is clear and professional.	45	0	0	45	45	100%
Subcomponent Total		170	1	54	170	171	99%
Category Total:		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
03 Plan of Action/Documentation (85% target)		355	9	86	355	364	98%

Exceptions: 03 Plan of Action/Documentation
(Claims scoring below 100%)

1	1846537	88%
2	1812963	83%
3	1763201	88%
4	1758954-a	78%
5	1626892	75%
6	1539364	78%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
04 Reserve Management							
1	Procedures	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
4.01	Initial reserve is established within 2 business days of receipt of claim?	45	0	0	45	45	100%
4.02	Reserve adjustments are made within 30 days of receipt of information supporting a material change in developments?	36	0	9	36	36	100%
4.03	File contains documentation of reserve review at regular intervals, no greater than 120 days?	20	1	24	20	21	95%
4.04	Initial reserve and subsequent changes are supported by case facts?	38	0	7	38	38	100%
4.05	Reserves are evaluated by component, i.e., indemnity and expense?	42	0	3	42	42	100%
4.06	Reserve rationale is documented by worksheet, claim notes, report or other acceptable means.	8	6	31	8	14	57%
Subcomponent Total		189	7	74	189	196	96%
2	Evaluation and Accuracy	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
4.07	Indemnity reserve is accurate?	29	1	15	29	30	97%
4.08	Expense reserve is accurate?	30	1	14	30	31	97%
4.09	Reserve is closed within 30 days of final payment?	16	0	29	16	16	100%
Subcomponent Total		75	2	58	75	77	97%
Category Total: 04 Reserve Management (85% target)		264	9	132	264	273	97%

Exceptions: 04 Reserve Management
(Claims scoring below 100%)

1	1758954-a	86%
2	1626892	83%
3	1597600	89%
4	1582137	83%
5	1549214	80%
6	1519154	75%
7	1505817	75%
8	1501064	86%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
05 Statutory Compliance							
1	Compliance	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
5.01	Claim reflects compliance with state laws and regulations.	45	0	0	45	45	100%
5.02	Claim is flagged for required Medicare reporting?	1	0	44	1	1	100%
5.03	Does the adjuster require the claimant to comply with government code requirements?	0	0	45	0	0	N/A
5.04	Is there analysis of potential immunity defense (s)?	1	0	44	1	1	100%
Subcomponent Total		47	0	133	47	47	100%
Category Total: 05 Statutory Compliance (85% target)		47	0	133	47	47	100%
Exceptions: 05 Statutory Compliance (Claims scoring below 100%)							

06 Communication

1	Communication	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
6.01	Prompt response to internal communications?	44	0	1	44	44	100%
6.02	Response to correspondence requiring a response within 5 business days?	9	0	36	9	9	100%
6.03	Claim reflects updates between Risk Management and General Counsel?	0	1	44	0	1	0%
Subcomponent Total		53	1	81	53	54	98%
Category Total: 06 Communication (85% target)		53	1	81	53	54	99%
Exceptions: 06 Communication (Claims scoring below 100%)							

1 1626892 50%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
		Yes	No	N/A	Actual	Possible	Pct
07 Claim Information System							
1	Data Integrity						
7.01	Claim entry contains accurate information.	45	0	0	45	45	100%
7.02	Claim data is updated with new information.	41	4	0	41	45	91%
7.03	Claim system includes sufficient fields to provide meaningful loss information reports.	45	0	0	45	45	100%
7.04	Claim data is accurately reflected in loss run data.	45	0	0	45	45	100%
Subcomponent Total		176	4	0	176	180	98%
2	Medicare Reporting						
7.05	Claim contains entries for fields required for Medicare reporting under MMSEA (Legal Name, DOB, Gender, SSN)?	39	0	6	39	39	100%
Subcomponent Total		39	0	6	39	39	100%
Category Total: 07 Claim Information System (85% target)		215	4	6	215	219	98%

Exceptions: 07 Claim Information System
(Claims scoring below 100%)

1	1627388	80%
2	1613613	80%
3	1603788	80%
4	1603180	80%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
08 Claim Disposition and Payment							
1	Evaluation and Documentation	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
8.01	Was the damage evaluation performed within 30 days of receipt of damages information?	11	1	33	11	12	92%
8.02	If injury/disability was considered questionable, was an activity check performed or an independent medical examination considered?	1	0	44	1	1	100%
8.03	Does the adjuster establish a value range and a negotiating plan prior to initiating negotiations?	11	0	34	11	11	100%
8.04	Is the evaluation properly documented?	16	1	28	16	17	94%
8.05	If wage loss was involved, did the adjuster verify with the employer?	1	0	44	1	1	100%
8.06	If property damage, was it verified by appraisal/photographs or adjuster verification of contractor's scope and pricing?	3	0	42	3	3	100%
8.07	Were any applicable damage offsets assessed and applied?	5	0	40	5	5	100%
8.08	Are negotiations documented, stating each settlement offer and demand?	16	0	29	16	16	100%
8.09	Is a release executed prior to issuing a settlement check?	15	0	30	15	15	100%
8.10	Does file contain adequate documentation that Medicare interests have been protected pursuant to MMSEA?	1	1	43	1	2	50%
Subcomponent Total		80	3	367	80	83	96%
2	Authority	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
8.11	Is settlement authority requested within 10 days of completing the evaluation?	7	1	37	7	8	88%
8.12	Does the authority request clearly outline issues relevant to the claim to allow an informed decision?	9	0	36	9	9	100%
8.13	Is settlement authority documented in the claim file?	9	0	36	9	9	100%
Subcomponent Total		25	1	109	25	26	96%
3	Payments	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
8.14	Payment is issued timely.	15	0	30	15	15	100%
8.15	Are payment requests supported by documentation?	15	1	29	15	16	94%
8.16	Payment is issued accurately.	15	1	29	15	16	94%
Subcomponent Total		45	2	88	45	47	96%
Category Total:		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
08 Claim Disposition and Payment (85% target)		150	6	564	150	156	96%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions	Number of Responses	Weighted	Score
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08 Claim Disposition and Payment

Exceptions: 08 Claim Disposition and Payment
(Claims scoring below 100%)

1	1632425		90%
2	1600567		33%
3	1581754		89%
4	1539364		83%
5	1493029		90%

Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions		Number of Responses			Weighted		Score
09 Litigation/Recovery Management							
1	Litigation Management	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
9.01	Is the suit referred to a panel law firm within 5 days of notice?	28	0	17	28	28	100%
9.02	Does assignment include an engagement letter providing counsel with litigation guidelines?	23	2	20	23	25	92%
9.03	Does counsel work with adjuster to develop a litigation strategy?	18	3	24	18	21	86%
9.04	Does counsel provide a preliminary evaluation within 30 days of assignment?	15	10	20	15	25	60%
9.05	Does counsel provide a litigation budget within 30 - 45 days of assignment?	4	12	29	4	16	25%
9.06	Is counsel's analysis thorough, providing a fact summary and analysis of liability and governing statutes?	22	1	22	22	23	96%
9.07	Is counsel's subsequent reporting timely, within client guidelines?	19	4	22	19	23	83%
9.08	Is alternative dispute resolution considered, if appropriate?	5	0	40	5	5	100%
9.09	Do legal billings comply with litigation management guidelines?	25	2	18	25	27	93%
Subcomponent Total		159	34	212	159	193	82%
2	Recovery Management	<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
9.10	Was responsible third party contacted within 10 days of knowledge or was there an attempt to identify potentially responsible parties?	3	0	42	3	3	100%
9.11	Is there an investigation to determine the existence of contracts that would shift liability to another party?	3	0	42	3	3	100%
9.12	If another responsible party is identified, is there appropriate follow-up contact until a response is obtained?	2	0	43	2	2	100%
9.13	Was the responsible party notified in writing?	2	0	43	2	2	100%
9.14	In the event the responsible party declines payment or ignores requests for payment, is there a decision made on whether or not to pursue subrogation after completing a cost-benefit analysis?	1	0	44	1	1	100%
Subcomponent Total		11	0	214	11	11	100%
Category Total:		<i>Yes</i>	<i>No</i>	<i>N/A</i>	<i>Actual</i>	<i>Possible</i>	<i>Pct</i>
09 Litigation/Recovery Management (85% target)		170	34	426	170	204	83%

Exceptions: 09 Litigation/Recovery Management
(Claims scoring below 100%)

1	1600567	86%
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Claims Audit

Component, Subcomponent and Criteria Scores with Exceptions

AORMA

Components, Subcomponents and Questions	Number of Responses		Weighted	Score		
09 Litigation/Recovery Management						
	2	1493029		75%		
	3	1519154		88%		
	4	1533382		56%		
	5	1539671		75%		
	6	1544931		92%		
	7	1476043		75%		
	8	1593276		86%		
	9	1763201		43%		
	10	1603180		90%		
	11	1603788		50%		
	12	1613613		78%		
	13	1626892		50%		
	14	1627388		75%		
	15	1734312		78%		
	16	1582137		75%		
Overall (85% target)	1,756	72	1,592	1,756	1,828	96%

Appendix C

CSURMA Claims Adjusting Process – Carl Warren and Company

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CSURMA Claims Adjusting Process

Claims Reporting

New claims may be reported electronically by email, through our website, telephone-using a toll free number or by fax. The most common method is email or fax for non-urgent matters. If the claim notice is faxed it will automatically turn into an electronic version that goes directly to an assignment mail folder. The notice will be reviewed by the Client Relationship Manager and assigned to the adjuster, typically within twenty-four (24) hours, and no later than 2 business days unless a specified response time has been requested. Via email we will confirm receipt.

Claims Processing

When a claim is received it will be processed using our established Liability Claim Standards:

1. Within twenty-four (24) hours of receipt of the first report, a file will be created, reserved and assigned the proper code numbers, and the necessary data will be entered into the information system.
2. The initial reserve will take into consideration all potential payments related to the loss including liability and allocated expenses. Thereafter, any reserve revisions and all payments will be clearly explained in the file notes.
3. All payments, reserve revisions and file closings will be reviewed on every diary date and adjusted when file material warrants it.
4. Diary triggered reviews will be conducted on all files every thirty (30) days.
5. We submit all bodily injury (BI) claims to the Central Index Bureau.
6. When a claim has been resolved, we will prepare a closing report and promptly close the file.

Investigations (including fraud)

All investigations of claims and/or lawsuits are conducted in a manner that adheres to the Fair Claims Practices Act, and Carl Warren & Company will perform the following:

1. Contact with any injured claimant and, if applicable, witnesses and other interested parties, will be made within 24 hours of receipt of the first report.
2. When necessary, police reports will be immediately obtained upon receipt of the claim.
3. Initial statements and/or inspections will be taken within 72 hours of receipt of the claim. This includes taking pictures or preparing diagrams to illustrate the mechanism, cause or location of the accident.
4. Within twenty (20) days of receipt of the first report, there should be an investigation of facts of accident and injury sufficient to make a liability determination and send the



initial claims report. If there is a potential to tender the claim to a third party, we will request authority to do so in the initial report.

5. We will provide written reports to the client keeping them informed of any major claim developments such as medical status, settlement demands, scheduling of settlement conferences, hearings and trials.
6. We will seek approval prior to hiring independent experts deemed necessary to properly conduct fraud investigations or direct sub-rosa services when needed. Such investigation costs will be billed as an allocated loss expense and will be coded as such in all data files.
7. Contact will be maintained with any claimant on a regular basis to ensure accurate reserving and claimant rapport.
8. We will request a medical authorization and a loss of earnings authorization from the claimant on any bodily injury file where settlement is being considered.
9. All medical bills submitted by the claimant for payment will be reviewed for causal relationship to the accident.
10. Subrogation/contribution possibilities will be promptly recognized and investigated, preserving required evidence, and utilizing experts where needed and approved.
11. Where warranted, settlement will be aggressively pursued and all negotiations will be properly documented in the file notes and handled internally by the claims adjuster assigned the file unless there is a documented basis to handle it in another manner.
12. CRM/Adjusters will communicate with Risk Management and Counsel regularly throughout investigation.
13. When there is clear liability on a claim Carl Warren & Company will negotiate with claimant/plaintiff.
14. When liability has been determined and the settlement value is within our authority we will immediately start negotiations to settle the claim without litigation. If the value of the claim exceeds our authority, we will prepare an Evaluation/Authority Request form which will provide a clear analysis of the claim and our authority request.
15. When a settlement amount is agreed upon, we will prepare and send all releases, agreements, W-9's and other payment instruments to the claimant and/or the claimant's representative.

Claim Set-Up

Each file will consist of the following information:

- ✓ An information sheet containing all pertinent information regarding the claims: name of claimant, claim number, date of loss, description of loss and involved departments and employee(s).
- ✓ A reserve of the estimate of the potential cost of the claim
- ✓ A copy of the claim, lawsuit or other documentation
- ✓ An analysis of the potential exposure including liability and estimated damages
- ✓ Written contact with the claimant or claimant's representative
- ✓ Follow-up recommendations to bring claim to conclusion/closure
- ✓ Documentation regarding the resolution including settlement agreements/releases



- ✓ Communication with the Client and Counsel (in litigated matters) regarding the resolution or settlement of the case including letters pertaining to authorization of settlement
- ✓ Letters, correspondence, memos, legal documents and notes to file that pertain to the claim
- ✓ A full report of investigation including recorded or written statements from involved employees, managers, witnesses and claimant which may include photographs and any other visual information pertaining to the claim or lawsuit
- ✓ Correspondence or case notes regarding conversations with either claimant, plaintiff or his or legal representative

Quality Assurance

Carl Warren & Company's approach to quality control and the effective management of claims is one that has been refined over the past 60+ years. Our new adjusters are provided with training at the time they are hired. They are familiarized with our 183 page Adjuster Technical and Procedural Guidelines Manual. Our quality control processes really begins with notification of a claim and continues throughout the life of the claim. Our adjusters are required to review and verify information at the time the file is opened. All files are maintained on a diary system to ensure timely, informative, valuable reporting. Our adjusters conduct a mandatory, monthly review of their files to ensure the accuracy of the claim, payment and reserve data as well. We have an in house Quality Assurance group that audits files and streamlines the quality control process.

In summary, our quality assurance process is multilevel in structure. It begins with accountability. All of our adjusters are accountable for their work product as well as client service and satisfaction issues. Claim reports/files (depending on severity and other criteria) are periodically reviewed by our Client Relationship Managers. Service and Retention leaders selectively review claim files to verify our work meets the client's specifications. Finally, our quality assurance leader conducts periodic audits. Our adjusters are reviewed annually by supervisors within the management structure who are most familiar with their work and the relationships with their clients.

All files are on a strict diary and are reviewed at pre-established intervals, to ensure the timely completion of investigation, timely evaluation and the adequacy of the established reserves. They are to be looked at for initial reserve within 3-5 days, then at the 30 day diary there should be a fairly solid reserve set and an action plan in place. From the 30 day review, we then decide if this is something that has to be reviewed every 30 or 60 days and diary accordingly.

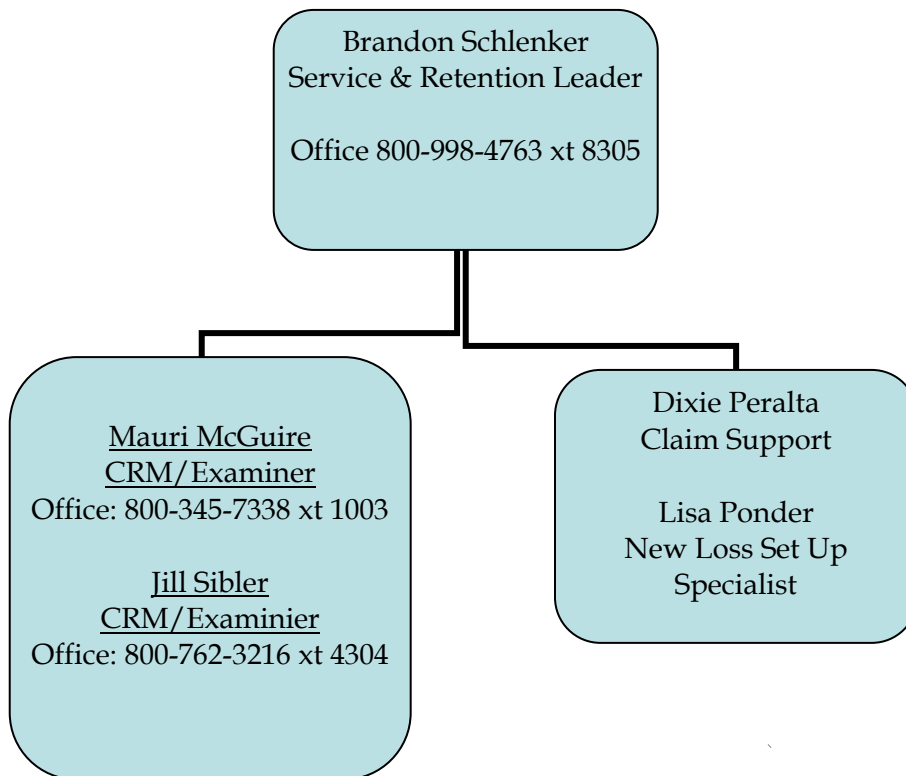
The supervision guidelines include the following:

- If the claim requires a full investigation in order to establish liability, the CRM will make the assignment to an adjuster for investigation and handling.



- Reporting will be monitored to assure it meets the established account reporting guidelines. The CRM/SRL will conduct random audits on selected adjuster files; a minimum of four files per month are audited.
- The SRL approves all checks.

Organizational Chart - Staff for CSURMA



Appendix D
Recommended Reserve Changes

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Claims Audit

Recommended Reserve Changes

AORMA

Claim Number	Injury Date	Reserve	Recommended Reserve	Comments
1505817	6/2/2009	\$6,427	\$16,327	Recommend increasing reserve to amount authorized for settlement.
1519154	9/16/2008	\$53,877	\$75,000	Reserving would be improved by increasing expense reserve as plaintiff appeal of the MSJ was partially successful and additional pleading and discovery will be required. Recommend obtaining updated legal budget from counsel. Recommend documenting rationale for reserve changes.
Total:		\$60,304	\$91,327	
Recommended Change:			\$31,023	



CARL WARREN & COMPANY
Claims Management and Solutions

September 12, 2013

Alliant Insurance Services
Attention: Daniel Howell and Mimi Long
100 Pine Street, 11th Floor
San Francisco, CA 94111

RE: Bickmore Audit of CSURMA AORMA Liability Claim Files

Dear Daniel and Mimi:

Per your request we have taken the opportunity to review the findings and recommendations made by Dennis Mitchell of Bickmore in his report of May 16, 2013. In summary, the overall results of the audit were 96%, which indicates a Superior Performance level. 8 of the 9 claim components measured scored 96% or better.

In the area of Litigation Management the results were 83%, or needs improvement. The results in this area can be attributed to delays in initial and subsequent reporting and budget submissions by defense counsel. While Dennis found evidence that Carl Warren made efforts to secure the information from the attorneys, there was room for improvement and further follow up by adjusters to obtain the needed documents.

Mr. Mitchell recommends the following in order to improve performance in this area and we would concur with his recommendations:

1. Follow up with counsel every two weeks to obtain compliance with initial reporting/evaluation and budgeting requirements.
2. Revise the retention letter to emphasize that payment of the legal bills are contingent on return of the signed letter, receipt of the initial evaluation and budget and submission of revised budget when approved budget is exceeded.
3. Develop a letter to defense counsel to provide formal notice that they have not complied with one of the requirements and payment of further billings will be suspended until the needed document is received.

We have attached proposed changes to the retention letter and a draft of the second letter, recommended by Mr. Mitchell, for your review.

We are pleased with the results and will make sure we focus on the auditor's recommendations, as well as maintain our Gold Level Claim Service to AORMA and it's members.

AN EMPLOYEE-OWNED COMPANY

1000 S. Hill Road, Suite 215 | Ventura, CA 93003

P. O. Box 7059 | Ventura, CA 93006-7059

www.carlwarren.com | Tel: 805-650-7020 | 800-345-7338 | Fax: 866-254-4423

CA License # 2607296

Please feel free to contact us with any questions or concerns.

Sincerely,

CARL WARREN & COMPANY

Brandon Schlenker
Assistant Vice President

Mauri McGuire
Client Relationship Manager

Jill Sibler
Client Relationship Manager

**APPROVAL OF AMENDED LEGAL COUNSEL ENGAGEMENT LETTER
AND LEGAL BILL SUSPENSION LETTER**

ISSUE: The AORMA Committee previously approved a legal counsel engagement letter for use by the AORMA Liability Program claims administrator, Carl Warren and Company. The recent claims audit report suggested that the engagement letter could be improved by incorporating reporting and budgeting requirements as a condition of payment for services. Carl Warren and Company has prepared the attached amendments to the engagement letter as well as a legal bill suspension letter.

RECOMMENDATION: It is recommended that the AORMA committee review and approve the attached letters as amended for use by Carl Warren and Company in AORMA's litigated claims matters.

FISCAL IMPACT: Use of the revised letters is expected to improve the claims handling process and reduce cost by an undetermined amount.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S):

- a. Carl Warren – Retention letter
- b. Carl Warren - Legal bill suspension letter

Date

Defense Attorney Name
Defense Attorney Address

Re: Principal: Auxiliary Organizations Risk Management Alliance (AORMA)
Member:
Additional Insured:
Claimant:
Date of Loss:
Our File:

Dear Mr. Attorney:

This assignment is being made to your office on behalf of our principal, CSURMA AORMA and its member, CSU Auxiliary Organization.

I have previously sent copies of my electronic file in anticipation of litigation in this matter.

Please immediately acknowledge your receipt of this assignment. Within 30 days please advise by letter:

- a) Facts.
- b) Your evaluation of liability based on present information.
- c) Your evaluation of damages at the present time.
- d) Applicable defenses.
- e) Further investigation required.
- f) Expert recommendation and timing of their use
- g) Proposed strategy and plan of action.

In your initial letter kindly set forth a budget of attorneys' fees and costs projected for handling the entire case through the completion of discovery, including the anticipated costs of mediation or any motions. Prior to a trial date we will request a budget for the cost of trial. In addition, no later than 30 days prior to mediation, arbitration or trial please provide a report, which shall include:

- 1. an assessment of the Member's liability;
- 2. an assessment of plaintiff's damages;

3. an assessment of legal defenses (and probability or prevailing);
4. an assessment of the chances of prevailing at trial;
5. the verdict value assuming full liability
6. as assessment of any other factors affecting the items above, including demeanor or credibility of important witnesses, evidentiary disputes, tendencies or local juries, the judge or opposing counsel, liability and solvency/coverage of co-defendants, or similar important issues;
7. an appraisal of settlement value, considering verdict value and chances of prevailing
8. the status of settlement discussions

Your reports should be to this office, with copies to all the listed parties copied below.

You are retained on behalf of the CSU Auxiliary Organization and they will be responsible for all bills. However, the bills should be sent to me for review and payment. CSURMA AORMA will be responsible for \$225.00 per hour for attorney billings. The balance will be forwarded to the CSU Auxiliary Organization to oversee payment.

Payment of the legal bills is contingent on the return of this signed letter, receipt of the initial evaluation and budget and submission of a revised budget when the approved budget is exceeded or expected to be exceeded, within the timelines outlined above.

Please refer all requests for settlement authorization to me and immediately alert me at any time settlement potential exists. Please forward a report if there have been substantive case developments, or every 90 days.

In order to control expenses, we require that you obtain authorization for significant discovery, retention of experts, filing of motions or scheduling of mediation. **all legal research requires prior approval.**

Please note that we reserve the right to order an independent legal billing audit if in our judgment, your billings do not comply with CSURMA AORMA's Liability Litigation Management guidelines or are excessive and/or unwarranted.

We thank you in advance for your assistance.

Sincerely,

CARL WARREN & COMPANY

Mauri McGuire
Claims Analyst

I acknowledge that I have read this engagement letter and have received a copy of CSURMA AORMA's Policy & Procedure No. L-2 - Liability Claims Administration and Litigation Management guidelines.

Defense Attorney Named

Date

Cc: CSU Auxiliary Organization

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

Zachary Gifford, Risk Management and Public Safety
The California State University
401 Golden Shore, 5th Floor
Long Beach, CA 90802

William Hsu, CSURMA General Counsel
Office of General Counsel
401 Golden Shore, 2nd Floor
Long Beach, CA 90802

Date

Defense Attorney Name
Defense Attorney Address

Re: Principal: Auxiliary Organizations Risk Management Alliance (AORMA)
Member:
Additional Insured:
Claimant:
Date of Loss:
Our File:

Dear Mr. Attorney:

As you may recall, you received the above mentioned assignment and retention letter dated (date). Within the retention letter there were various requirements for reporting with timeframes for completion. To date we have not received your signed copy confirming receipt of the CSURMA AORMA's Policy & Procedure No. L-2 - Liability Claims Administration and Litigation Management guidelines, litigation budget or initial evaluation.

As stated in the retention letter, payment of the legal bills is contingent on the return of the signed letter, receipt of the initial evaluation and litigation budget as well as the submission of a revised budget when the approved budget is exceeded.

As a result, we are providing formal notice that you have not complied with the requirements and that payment of further billings will be suspended until the needed documents are received.

I apologize for any inconvenience this may cause and look forward to receiving the requested/needed documents as soon as possible. Thank you for your cooperation.

Sincerely,

CARL WARREN & COMPANY

Cc:

CSU Auxiliary Organization

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

Zachary Gifford, Risk Management and Public Safety
The California State University
401 Golden Shore, 5th Floor
Long Beach, CA 90802

William Hsu, CSURMA General Counsel
Office of General Counsel
401 Golden Shore, 2nd Floor
Long Beach, CA 90802

**ADDENDUM TO CARL WARREN THIRD PARTY CLAIMS
ADMINISTRATION CONTRACT**

ISSUE: The CSU Board of Trustees audit of CSURMA recommended that CSURMA should require the third party claims administrators to be contractually obligated to provide the monthly bank statements necessary to perform internal reconciliations. Carl Warren is currently providing CSURMA with the monthly bank statements, however, this requirements is not currently documented in Carl Warren's contract with CSURMA.

Carl Warren has drafted and executed an addendum to its contract which states the following:

1. Contractor will keep a record of all checks, money orders, and cash it receives for reimbursement or refund of any claim expenditures. Contractor will furnish a copy of the record to Principal on a monthly basis, including bank statements and any other appropriate financial records.
2. Contractor will keep a record of all checks issued, cashed, voided or cancelled. Contractor will furnish a copy of the record to Principal on a monthly basis, including bank statements and any other appropriate financial records.
3. Contractor will operate all of Principal's accounts on a positive pay basis. Contractor will provide Principal with a reconciliation at least once a month.

RECOMMENDATION: Staff recommends that the Committee approve the addendum to the current Carl Warren service agreement for the term July 1, 2011 to June 30, 2016.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S):

- a. Addendum to Carl Warren's third party claims administration contract

**ADDENDUM TO
THIRD PARTY CLAIMS ADMINISTRATION CONTRACT**

The California State Risk Management Authority (hereinafter "Principal") and Carl Warren & Company (hereinafter "Contractor") are parties to a Third Party Claims Administration Contract entered into on July 1, 2011 (hereinafter "the Agreement").

For consideration received and acknowledged by both parties, Principal and Contractor have agreed that (a) this Addendum shall be added to the Agreement, and (b) as of September 1, 2013, this Addendum constitutes a part of the Agreement's terms and conditions.

1. Contractor will keep a record of all checks, money orders, and cash it receives for reimbursement or refund of any claim expenditures. Contractor will furnish a copy of the record to Principal on a monthly basis, including bank statements and any other appropriate financial records.

2. Contractor will keep a record of all checks issued, cashed, voided or cancelled. Contractor will furnish a copy of the record to Principal on a monthly basis, including bank statements and any other appropriate financial records..

3. Contractor will operate all of Principal's accounts on a positive pay basis. Contractor will provide Principal with a reconciliation at least once a month.

CARL WARREN & COMPANY (CONTRACTOR)

By: 

Title: Assistant Vice President

Date: 8/28/13, 2013

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

By: _____

Title: _____

Date: _____, 2013

APPROVAL OF POLICY AND PROCEDURE REVIEW SCHEDULE

ISSUE: Staff put together an AORMA policy and procedure review schedule for the committee's review and approval. The schedule specifies that every policy and procedure will be reviewed at least once in a two-year period. After the committee approves the review schedule, it will be added the annual service calendar.

RECOMMENDATION: Staff recommends that the committee review the policy and procedure review schedule and approved the schedule as presented.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S):

- a. AORMA Policy and Procedure Review Schedule

AORMA Policies and Procedures

Review Schedule

Policy and Procedure		Adopted	Amended	Reviewed	Scheduled for Review
A-1	AORMA Committee Composition, Elections and Terms Limits	4/18/2003	9/13/2012		FY 14/15
A-2	AORMA Committee and Standing Committee Roles and Responsibilities	8/19/2003	9/13/2012		FY 14/15
A-3	Target Surplus Funding Policy	1/10/2007	9/16/2010		FY 14/15
A-4	Dividends and Assessments	3/8/2007	9/16/2010		FY 14/15
A-5	Annual Calendar of Reports, Audits and Filings	10/29/2009	10/29/2009		FY 14/15
A-6	Risk Reduction Matching Grant Program	5/9/2013	5/9/2013		FY 14/15
A-7	Travel Reimbursement Policy	5/21/2013	5/21/2013		FY 14/15
L-1	Claims Reporting	12/7/2006	10/8/2009	5/10/2012	FY 14/15
L-2	Liability Claims Administration and Litigation Management	12/7/2006	5/10/2012		FY 14/15
L-3	Legal Counsel Selection	12/7/2006	5/10/2012		FY 14/15
L-4	Employee Driving Standards	7/1/2002	6/17/2010		FY 14/15
L-5	Guidelines for Extending Liability Coverage to Non-Auxiliary Organizations	8/19/2003	3/21/2013		FY 14/15
L-6	Requirement to Purchase PAI for all Activities Involving Minors	6/17/2010	6/17/2010		FY 14/15
L-7	Employment Practices Deductible Options	5/12/2011	12/6/2012		FY 14/15
UI-1	Formula for Determining Unemployment Insurance Program Annual Contributions	5/12/2010	12/6/2012		FY 14/15
W-1	Workers' Compensation Deposit Development Plan	5/15/2008	12/8/2009		FY 13/14
W-2	Contribution Payments	12/9/2004	12/8/2009		FY 13/14
W-3	Requirement of Members to Maintain Experience Modification Factor of 1.25 or Less	9/9/2003	12/8/2009		FY 13/14
W-4	Claims Handling Procedures and Guidelines	12/8/2009	9/16/2010		FY 13/14
W-5	Workers' Compensation Coverage Claims Settlement Authority	9/16/2010	9/16/2010		FY 13/14
W-6	Volunteer Coverage	1/12/2005	12/8/2009		FY 13/14
W-7	Workers' Compensation Safety Program Award - Safety Superstar	10/27/2005	12/9/2010		FY 13/14
W-8	Workers' Compensation Program Payroll Reporting Responsibilities	12/8/2009	12/8/2009		FY 13/14

APPROVAL OF REVISION TO POLICY & PROCEDURE A-6
RISK REDUCTION GRANT PROGRAM

ISSUE: At the MSLCTC meeting on June 3, 2013, the committee reviewed the final version of Policy & Procedure A-6 – Risk Reduction Matching Grant Program and requested that the following wording be added:

The Member will be expected to complete the proposed risk reduction project within the timeline provided within the grant application. **Upon review**, the MSLCTC may rescind the grant if the Member has not started, or completed, the risk reduction project within the timeframe proposed.

The MSLCTC wanted to make it clear within the Policy & Procedure, that the grant could be rescinded only after the MSLCTC reviewed the progress of the project and found that the member had not started, or completed, the project within the timeframe proposed. The MSLCTC didn't want a member to think that the grant would automatically be rescinded because there was a delay.

RECOMMENDATION: The MSLCTC recommends approving the revision within Policy & Procedure A-6.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: The revised Policy & Procedure will be posted on the CSURMA website.

ATTACHMENT(S):

- a. Revised Policy & Procedure A-6 – Risk Reduction Grant Program

SUBJECT: **RISK REDUCTION MATCHING GRANT
INCENTIVE PROGRAM**

ADOPTED: **MAY 9, 2013**

EFFECTIVE: **JULY 1, 2013**

AMENDED: **SEPTEMBER 12, 2013**

PURPOSE:

The Risk Reduction Matching Grant Incentive Program (**Program**) makes funds available to AORMA Members (**Members**) in both the Liability and Workers' Compensation programs. It funds specialized training, safety equipment, physical improvements or any other safety related item that will lead to a documentable reduction in claims costs. The purpose of this type of *matching grant program* is to encourage **Members** to enhance existing risk reduction efforts.

POLICY:

1. Annually, the Member Services, Loss Control and Training Committee (**MSLCTC**) will complete the following activities:
 - a. Propose to the AORMA Committee a budget amount for the **Program**.
 - b. Review the Liability and Workers' Compensation loss information to identify patterns and claims which may be preventable with the (1) purchase, replacement or upgrade of physical property or (2) development of specialized training.
 - c. Identify the focus of the **Program** for the upcoming fiscal year.
 - d. Approve a grant application and a maximum per **Member** grant amount.
 - e. Send out a memo to all **Members** identifying the focus of the **Program** and inviting **Members** to apply for the grant by completing the grant application.
 - f. Along with the Program Administrator, the grant applications will be reviewed, and if found to be appropriate and consistent with the purpose of the **Program** may be approved by the MSLCTC.
2. To access funds under the **Program**, a **Member** must complete the grant application which will include;
 - a. A description of the proposed risk reduction project
 - b. The anticipated timeline for completion of the risk reduction project. An estimate of the total costs for the proposed risk reduction project.

3. The **Member** will be expected to complete the proposed risk reduction project within the timeline provided within the grant application. Upon review, ~~F~~the MSLCTC may rescind the grant if the **Member** has not started, or completed, the risk reduction project within the timeframe proposed.
4. Fifty percent (50%) of the **Member's** risk reduction project costs (up to the maximum grant amount approved for that **Member**) will be reimbursed under the **Program**. The **Member** will submit to the MSLCTC the final paid receipt to be used to calculate the **Program** reimbursement amount.
5. After the grant funds are utilized, the **Member** will provide a brief report providing information that will assist the MSLCTC in monitoring this **Program's** effectiveness and the merits of future **Program** funds.
6. The MSLCTC will work with the Grant Recipients to develop benchmarks to evaluate the success of the **Program**. The MSLCTC will also provide guidance to future Grant Recipients based on these historical benchmarks.

APPROVAL OF REVISIONS TO POLICY AND PROCEDURE A-5
ANNUAL CALENDAR OF REPORTS, AUDITS AND FILINGS

ISSUE: Policy and Procedure has been amended to document that claims administration audits for both the liability and workers' compensation programs will be complete every even number year. The Policy & Procedure refers back to CSURMA Policy & Procedure #5, which did state that both the Campus and Auxiliary workers' compensation programs would receive claims audits every odd year. The CSURMA EC will be approving changes to CSURMA Policy & Procedure #5 to show that the Campus and Auxiliary workers' compensation claims audits will occur in different years.

RECOMMENDATION: Staff recommends that the Committee approve the revisions to Policy and Procedure A-5 as presented.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: The workers' compensation and liability claims administration audits have both been added to the AORMA Service Calendar.

ATTACHMENT(S):

- a. Revised AORMA Policy & Procedure A-5 – Annual Calendar of Reports, Audits and Filings
- b. Revised CSURMA Policy & Procedure #5



CSURMA AORMA

POLICY AND PROCEDURE NO. A-5

SUBJECT: ANNUAL CALENDAR OF REPORTS, AUDITS & FILINGS

ADOPTED: OCTOBER 29, 2009

EFFECTIVE: OCTOBER 29, 2009

AMENDED: SEPTEMBER 13, 2013

PURPOSE:

This policy and procedure outlines the various audits, reports and filings compiled by CSURMA AORMA on an annual basis.

POLICY:

It shall be the policy of the CSUMA to take the following action on an annual or semi-annual basis:

Reports and Audits:

1. Actuarial Study. Annually, an actuarial study will be performed on both the workers' compensation and liability programs to ascertain (1) the necessary funding for the upcoming fiscal year and (2) the outstanding liabilities for the prior fiscal years as detailed in CSURMA Policy & Procedure #4.
2. Claims Administration Audits for both the Liability and Workers' Compensation Program. These audits will be performed by an independent outside auditor in accordance with CSURMA Policy and Procedure #5 in every even numbered year.
3. Financial Audit. This audit will be performed annually by an independent outside auditor.

State of California Regulatory Required Filings:

1. Form 700 - Statement of Economic Interests. All designated and alternate AORMA Committee members will annually file with the FPPC the Form 700 - Statement of Economic Interests by April 1. All designated and alternate AORMA Committee members will also file with the FPPC the Form 700 upon becoming or retiring as a Committee designated or alternate member.



CSURMA

POLICY AND PROCEDURE NO. 5

EFFECTIVE: JULY 1, 1999

SUBJECT: CLAIMS AUDITS

POLICY:

It is the policy of the California State University Risk Management Authority (CSURMA) that Third-Party Claims Administrators shall be audited on a periodic basis to ensure that CSURMA is receiving high-quality services.

PROCEDURE:

The CSURMA Program Administrator shall take steps to engage the services of an independent, professional claims auditor to audit the CSURMA's risk pooling programs at the following period intervals:

- **Pooled Liability Program** - The Pooled Liability Program shall be audited in the first quarter of the calendar year in even-numbered years;
- **Pooled Workers' Compensation Program** - The Pooled Workers' Compensation Program shall be audited in the first quarter of the calendar year in odd-numbered years; and
- **Other Risk Pooling Programs** - Other risk pooling programs of the CSURMA shall be audited on a periodic basis determined by the CSURMA Executive Committee.

**CSU BOARD OF TRUSTEES AUDIT OF CSURMA
AND MANAGEMENT'S REPOSE**

ISSUE: The final version of the CSU Board of Trustees Audit of CSURMA report is included in this agenda packet for the committee's review. Staff will be available at the meeting to discuss the report in detail and answer any questions regarding the management responses.

RECOMMENDATION: This item is for information only; to action is requested.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: None; the final version of the CSU Board of Trustees Audit and management's response is available on the www.calstate.edu website.

ATTACHMENT(S):

- a. CSU Board of Trustees Audit of CSURMA report

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY**

**Audit Report 12-65
May 15, 2013**

Members, Committee on Audit

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Lupe C. Garcia, Vice Chair
Rebecca D. Eisen Steven M. Glazer
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University Auditor: Larry Mandel
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Audit Manager: Wendee Shinsato
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**BOARD OF TRUSTEES
THE CALIFORNIA STATE UNIVERSITY**

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ABBREVIATIONS

AIME	Athletic Injury Medical Expense
Alliant	Alliant Insurance Services, Inc.
AORMA	Auxiliary Organization Risk Management Authority
Board	Board of Directors
CABO	Chief Administrators and Business Officers
CAJPA	California Association of Joint Powers Authorities
CO	Office of the Chancellor
CSU	California State University
CSURMA	CSU Risk Management Authority
EC	Executive Committee
EO	Executive Order
EVC/CFO	Executive Vice Chancellor/Chief Financial Officer
GC	Government Code
ICSUAM	Integrated California State University Administrative Manual
JPA	Joint Powers Authority
MOU	Memorandum of Understanding
OUA	Office of the University Auditor
SAM	State Administrative Manual
SAS	Statement on Auditing Standards
SWIFT	Systemwide Investment Fund-Trust

EXECUTIVE SUMMARY

As a result of a request by the Executive Vice Chancellor/Chief Financial Officer, and as directed by the Board of Trustees at its January 2012 meeting, the Office of the University Auditor (OUA) reviewed the *California State University Risk Management Authority* (CSURMA). The OUA has never reviewed the CSURMA.

We visited the Office of the Chancellor (CO) from September 24, 2012, through January 25, 2013, and audited the procedures in effect at that time.

In our opinion, due to the effect of the weaknesses described below, the fiscal, operational and administrative controls for CSURMA as of January 25, 2013, taken as a whole, were not sufficient to meet the objectives stated in the “Purpose” section of this report. Areas of major concern include: outdated policies and procedures for investment and other major activities, an outdated conflict-of-interest code, a lack of delegated authority to approve expenditures, questionable travel expenses, and administration of the claims settlement process.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

GENERAL ENVIRONMENT [7]

Administration of the CSURMA needed improvement. For example, the CSURMA had not documented the requirement that Board members and alternates be appointed in writing. In addition, systemwide policies relating to the CSURMA were outdated, and the CSURMA had not defined and documented which California State University (CSU) policies were relevant to program administration or formally adopted a travel policy. Also, the CSURMA conflict-of-interest code was outdated and had last been approved in 1997, and the CSURMA had not initiated a general liability audit for either the CSURMA or Auxiliary Organizations Risk Management Authority general liability claims programs in 2010 or 2012, as required by CSURMA policy.

FISCAL ADMINISTRATION [12]

The CSURMA did not have documented policies relating to its contracting process, such as required reviews and approvals and standard terms and conditions for contracts with third-party service providers. In addition, the CSURMA had not documented all delegations of authority related to fiscal administration. Also, CSURMA oversight of funds held in third-party trust accounts needed improvement as one third-party service provider that held CSURMA funds in trust did not provide bank statements or bank account reconciliations to the CSURMA. Additionally, administration of CSURMA

investments needed improvement. For example, the CSURMA investment policy was outdated and had not been reviewed and approved by the Executive Council (EC) on an annual basis, and there was no delegation of authority from the CSURMA treasurer to the CO administrator responsible for overseeing CSURMA investments. Finally, travel expenses for an employee in Systemwide Risk Management were often questionable in terms of their appropriateness and business necessity and did not always appear to have a clear or demonstrable benefit to the CSURMA or the CSU.

INFORMATION SYSTEMS [24]

The CSURMA did not have documented policies on information security systems access for the iVOS claims processing system.

PROGRAM ADMINISTRATION [25]

Administration of the claims settlement process needed improvement. Specifically, delegation of authority from the EC or the Board to the various entities and individuals who signed or approved settlement agreements was not documented, a central repository of CO and campus settlement authorities for workers' compensation and general liability claims was not maintained, and there was no documented policy or procedure for the CSURMA claims settlement process for campus pooled programs.

INTRODUCTION

BACKGROUND

The California State University Risk Management Authority (CSURMA) is a joint powers authority composed of the California State University (CSU) and its auxiliary organizations. Formed on January 1, 1997, it is a separate legal entity that was created to protect member resources by providing broad coverage and quality risk management services that stabilize risk cost in a reliable, economical, and beneficial manner. Alliant Insurance Services, Inc. has been selected through an RFP process to serve as program administrator of the CSURMA since its inception and provides a number of services, including developing and maintaining policies and procedures, coordinating and arranging board and committee meetings, developing and maintaining CSURMA program manuals, and providing assistance in developing CSURMA budgets and financial statements.

The CSURMA is governed by a board of directors comprised of 30 campus members appointed by the CSU executive vice chancellor/chief financial officer and 10 auxiliary organization representatives. Campus members include, but are not limited to, representatives from each of the 23 campuses and the Office of the Chancellor (CO). The executive committee, a subset of the board of directors, conducts, directs, and supervises the entity's insurance program and claims management activity. The CO staff play an important role, as they perform many of the operating functions, such as the treasurer activities as performed by the assistant vice chancellor for financial services and risk activities by the assistant vice chancellor for risk management and public safety. The auxiliary organization risk management alliance committee specifically reviews and addresses issues associated with auxiliary organization activities. The CSURMA's principal office resides in Systemwide Risk Management and Public Safety in the CO; however, board and committee meetings are split between the CO and the program administrator's office in San Francisco. Additionally, CSURMA contracts with the Office of General Counsel for CSURMA legal support, in-house counsel on claims, litigation services, and coordination with external counsel, as needed. The Office of Risk Management and Public Safety is responsible for policy development, including executive orders on behalf of CSURMA and overall implementation of CSURMA directives.

The CSURMA provides entity risk pooling programs for workers' compensation, general liability, industrial and nonindustrial disability, unemployment insurance coverage, and property losses, along with purchased insurance coverage and other risk management programs. The CSURMA also purchases excess insurance and reinsurance from third-party providers to protect its members from catastrophic losses. As of June 30, 2011, investments held by the CSURMA totaled \$132,687,000. This includes amounts held for funding self-insurance programs and monies used for CSURMA operations.

The bylaws of the CSURMA recognize that the campuses are at the center of the CSU's risk management and insurance program and key to mitigating the risks associated with campus administration. CSURMA initiatives and programs assist its members in carrying out the following list of risk management responsibilities, developed by the CSURMA executive committee, that aim to reduce campus risk exposures and add value to the university community:

- ▶ Development and implementation of campus risk management policies, procedures, and programs.
- ▶ Remittance of pool deposits and premium payments in a timely fashion.
- ▶ Claims management and reporting.
- ▶ Periodic evaluations of campus risk management programs.

- ▶ Provision of risk management training and communications to campus management and staff.
- ▶ Implementation and monitoring of loss prevention and control programs.
- ▶ Participation, as appropriate, in claims settlement.

Executive Order 638, *California State University Risk Pooling Policy*, dated June 27, 1995, first authorized the creation of the CSU Risk Pool, which established a self-insurance program for workers' compensation and general liabilities and allowed for the purchase of excess insurance and the provision of other risk management services. Subsequently, the CSU Risk Pool was transitioned into the CSURMA joint powers authority. California Government Code (GC) §6502 permits the formation of joint powers authorities in the state of California, which are defined as legally separate entities where two or more public agencies, by agreement, may jointly exercise any power common to the contracting parties. GC §6516.9 allows the CSU to enter into a joint powers agreement with nonprofit auxiliary organizations for risk pooling arrangements.

The California Association of Joint Powers Authorities (CAJPA) is a statewide association for risk pools that provides continuing education, legislative advocacy, and active involvement in regulatory matters on behalf of its joint powers authority members. Although the CSURMA is not accredited by CAJPA, it aims to meet CAJPA standards, and it recently contracted with an independent audit firm, James Marta and Company, to perform a best-practices review of CSURMA's operating processes in accordance with CAJPA accreditation standards. CSURMA financial statements are also independently audited by KPMG, LLP on an annual basis. Furthermore, CSURMA contracts with other specialized insurance audit firms to conduct an independent claims review on a periodic basis.

PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures relating to the administration of the CSURMA and to determine the adequacy of controls over related processes to ensure compliance with relevant government regulations, CSURMA governing documents, Trustee policy, and Office of the Chancellor directives.

Within the overall audit objective, specific goals included determining whether:

- ▶ The administration and structure of the CSURMA provide clear lines of organizational authority and responsibility, current and comprehensive policies and procedures, and a defined mission and goals to measure program effectiveness.
- ▶ CSURMA governing documents provide an adequate framework for the administration of risk management programs in compliance with state regulations and CSU policy.
- ▶ Conflict-of-interest reporting is performed per state government regulations.
- ▶ Succession planning or other methods to reduce transition and turnover risk have been considered and implemented.
- ▶ CSURMA budget planning and monitoring processes ensure effective accounting and management control.
- ▶ Accounting processes and controls ensure adequate reporting of financial transactions; purchases and expenditures are properly authorized and controlled; and costs incurred by the CSU and its auxiliaries on behalf of the CSURMA are properly recovered.
- ▶ Administration and management of CSURMA investments is adequate.
- ▶ Oversight and evaluation of third-party vendors is adequate.
- ▶ Access to automated systems is controlled and limited to authorized users, and data backup procedures for automated systems are in place.
- ▶ Security and retention of the CSURMA records is adequate.
- ▶ Funding and reserve policies are adequate.
- ▶ Assessments and dividends are appropriately reviewed, approved, and processed.
- ▶ Claims settlements are properly authorized and processed in accordance with CSURMA policy.

SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Attachment A, Audit Agenda Item 2 of the January 24 and 25, 2012, meeting of the Committee on Audit stated that *CSURMA* would include a review of compliance with bylaws and other governing documents, the effectiveness of policies and procedures for program administration, conflict-of-interest reporting, funding and reserve policies, claims settlement processes, expenditure controls, oversight and evaluation of third-party vendors, and risk management or other insurance programs to ensure they are in the best interest of the CSU.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and included the audit tests we considered necessary in determining whether operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with Board of Trustee policies and Office of the Chancellor and campus policies, letters, and directives. The audit focused on procedures in effect from July 1, 2010, through January 25, 2013.

We focused primarily on the internal administrative, compliance, and operations controls over CSURMA activities. Specifically, we reviewed and tested:

- ▶ CSURMA governing documents, policies and procedures, and monitoring tools.
- ▶ Budgeting and accounting processes to ensure accurate reporting of financial transactions, proper approvals, and compliance with CSURMA policies and procedures.
- ▶ Contract award and renewal processes, including proper approvals, conflicts of interest, and fulfillment of terms.
- ▶ Procedures surrounding the CSURMA member loan program.
- ▶ Policies surrounding the administration of CSURMA investments, including monitoring of accounts and investment reporting.
- ▶ Access and data backup procedures for CSURMA systems.
- ▶ Methods for member evaluation of CSURMA programs.
- ▶ Funding and reserve policies, and the process for declaring and processing assessments and dividends.
- ▶ Claims processing and management.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

GENERAL ENVIRONMENT

CSURMA ADMINISTRATION

Administration of the California State University Risk Management Authority (CSURMA) needed improvement.

We found that:

- ▶ The CSURMA had not documented the requirement that Board of Directors (Board) members and alternates be appointed in writing. Although the executive vice chancellor/chief financial officer (EVC/CFO) had delegated authority for the appointment of 23 Board positions to the campus chief administrators and business officers, documentation of the delegation could not be located.
- ▶ The process for nominating and electing Executive Committee (EC) members was not documented in written policy, although this process was documented for Auxiliary Organization Risk Management Authority (AORMA) committee members.

The CSURMA Joint Powers Authority (JPA) agreement, revised October 28, 2011, gives power to the EVC/CFO to appoint up to 30 directors on the Board of Directors, and to appoint alternate representatives who shall serve in the absence of the primary representatives. The EVC/CFO may also appoint alternate representatives who shall serve in the absence of the primary representatives.

Government Codes (GC) §13402 and 13403 state that management is responsible for establishing and maintaining a system of internal administrative controls. It further states that the elements of a satisfactory system of internal controls include an established system of practices to be followed in performance of duties and functions, and personnel of a quality commensurate with their responsibilities.

The assistant vice chancellor of risk management and public safety stated that CSURMA did not have requirements in policy or documents regarding campus appointments to the Board or alternate positions and CSURMA did not recognize the need for a formal nomination and election process to the EC due to oversight.

The lack of effective administration of the CSURMA increases the risk of uninformed decision-making, misunderstandings of the duties and responsibilities of governing members, and insufficient oversight over the CSURMA program.

Recommendation 1

We recommend that the CSURMA:

- a. Document the requirement that CSURMA Board members and alternates must be appointed in writing, and ensure that the appointment of all current members and alternates is documented.
- b. Develop a written policy for nominating and electing EC members.

Management Response

We concur. The program administrator created a policy to document the existing process of appointing a nominating committee for EC appointees, and at its March 21, 2013, meeting, the CSURMA EC adopted Policy and Procedure No. 18 – Board of Directors Participation and Executive Committee Nominations and Elections Process.

By October 15, 2013, the CSURMA program administrator will update the procedure manual and CSURMA calendar of activities to ensure board appointment documentation occurs on a regular basis, along with a process for communicating changes in appointees. Board appointments and updates have already occurred for the current period.

SYSTEMWIDE POLICIES AND PROCEDURES

Systemwide policies relating to the CSURMA were outdated.

We found that Executive Order (EO) 638, *CSU Risk Pooling Policy*, dated June 27, 1995, established risk pooling and a self-insurance programs for CSU Risk Pool members, but the CSU Risk Pool had since been replaced by the CSURMA joint powers authority and the EO had not been updated accordingly.

GC §13402 and 13403 state that management is responsible for establishing and maintaining a system of internal administrative controls. It further states that the elements of a satisfactory system of internal controls include an established system of practices to be followed in performance of duties and functions and personnel of a quality commensurate with their responsibilities.

The assistant vice chancellor of risk management and public safety stated that with the maturation of the CSURMA program, the need to review and update the “founding” EO had not been recognized.

Outdated policies and procedures relating to the CSURMA increase the risk that the relationship between the CSURMA and the CSU will not be clearly defined, including CSURMA responsibilities for reporting to CSU executive management and adhering to certain CSU policies.

Recommendation 2

We recommend that the CO update systemwide policies relating to the CSURMA.

Management Response

We concur. The assistant vice chancellor for risk management and public safety will update EO 638 and other relevant EOs to reflect the current roles and responsibilities of the CSURMA. This will be completed by September 2013.

CSURMA POLICIES AND PROCEDURES

The CSURMA had not defined and documented which CSU policies were relevant to program administration and had not formally adopted a travel policy.

We noted that:

- ▶ Other than the CSU investment policy, the CSURMA had not formally approved adoption of other CSU policies that were used in practice, such as the CSU travel policy, the CSU accounting policies, or the systems access policies included in the Integrated California State University Administrative Manual.
- ▶ The CSURMA travel policy only addressed attendance of professional development conferences. In practice, CSURMA reimbursed non-conference travel expenses in accordance with the CSU travel policy.

CSURMA Bylaws, revised October 28, 2011, Article VIII, state that members of the EC, principal staff designated by the EC and duly appointed members of standing committees may be reimbursed for all reasonable and necessary travel expenses when required or incurred by those persons in attending meetings of the EC or a standing committee of the Entity. If the Board determines that travel expenses shall be reimbursed, the EC shall adopt a policy and procedure in accordance with this article.

State Administrative Manual (SAM) §20050 states that one symptom of a deficient internal control system is policy and procedural or operational manuals that are either not currently maintained or nonexistent.

The associate director of accounting stated although it was CSURMA accounting's practice to follow the policies set forth by the Office of the Chancellor's (CO) accounting department, including the CSU Travel Policy, no formal policy to do so had been documented.

Failure to define and document policies increases the risk that errors, inconsistencies, misunderstandings, or misappropriation could occur.

Recommendation 3

We recommend that CSURMA define and document which CSU policies are relevant to program administration and formally adopt a travel policy.

Management Response

We concur. The CSURMA has already taken action at its May board meeting to adopt the CSU 3601.01 travel policy and has further discussed at the May EC meeting as to which ICSUAM §3000, *General Accounting*, policies are appropriate for adoption. At the September EC meeting, the final resolution will be presented for approval, and this will be completed by December 2013. At the September 2013 EC meeting, review, consideration, and adoption of applicable portions of ICSUAM §8000 that are relevant to program administration will be completed. Any amendment or development of a CSURMA policy and practice not accomplished at the September meeting will be completed by December 2014.

CONFLICTS OF INTEREST

The CSURMA conflict-of-interest code was outdated and had last been approved in 1997.

We found that:

- ▶ The code referenced the Pooled Liability Program Committee, Workers Compensation Program Committee, Safety Committee, Officers Committee, and Finance Committee, none of which still exist.
- ▶ The code did not require all key personnel at the CSURMA program administrator to complete Form 700 conflict-of-interest filing statements.
- ▶ The CSURMA program administrator did not always maintain completed conflict-of-interest statements on file.

The CSURMA conflict-of-interest code states that designated positions shall file their statements with the CSURMA, and such statements shall be retained.

GC §87300, et seq. states that every agency shall adopt and promulgate a conflict-of-interest code. Each conflict-of-interest code shall contain a provision for the specific enumeration of the positions that involve the making or participation in the making of decisions that may foreseeably have a material effect on any financial interest. Every agency shall amend its conflict-of-interest code when change is necessitated by changed circumstances, including the creation of new positions that must be designated.

The assistant vice chancellor of risk management and public safety stated that prior to the audit, CSURMA had a practice for obtaining Form 700s and that the practice had not been reviewed for consideration of needed updates.

Failure to maintain a current and complete conflict-of-interest code, and failure to adequately maintain conflict-of-interest filings, increases the risk of inappropriate decision-making and non-compliance with state and CSU requirements.

Recommendation 4

We recommend that the CSURMA:

- a. Update the conflict-of-interest code to ensure that information included is current.
- b. Require all key personnel at the CSURMA program administrator to complete Form 700 conflict-of-interest filing statements.
- c. Ensure that the CSURMA program administrator maintains all conflict-of-interest statements on file.

Management Response

We concur. The CSURMA program administrator shall develop a procedure to ensure that all Form 700s are current and maintained for all persons required to submit Statements of Economic Interest under the CSURMA Conflict of Interest Code; CSURMA's Conflict of Interest Code was updated and re-adopted by the EC at their meeting on December 6, 2012. The program administrator's Form 700 records are now current for all required filers. To ensure that the program administrator maintains all conflict-of-interest statements on file, the program administrator will annually prepare a status report on all filings at the CSURMA EC's annual long-range planning meeting. The status report will show all the persons required to make filings and the status of those filings.

GENERAL LIABILITY CLAIMS AUDITS

The CSURMA had not initiated a general liability audit for either the CSURMA or AORMA general liability claims programs in 2010 or 2012, as required by CSURMA policy.

CSURMA Policy and Procedure 5, *Claims Audits*, effective July 1, 1999, states that the CSURMA program administrator shall take steps to engage the services of an independent, professional claims auditor to audit the CSURMA's risk pooling programs at specified period intervals. The pooled liability program shall be audited in the first quarter of the calendar year in even-numbered years.

AORMA Policy and Procedure A-5, *Annual Calendar of Reports, Audits and Filings*, effective October 29, 2009, states that claims administration audits for both the liability and workers' compensation programs will be performed by an independent outside auditor in accordance with CSURMA Policy and Procedure 5.

The assistant vice chancellor of risk management and public safety stated that although claims programs had been audited by excess insurance carriers, the CSURMA had not engaged an independent auditor due to oversight.

Failure to perform general liability audits for the CSURMA and AORMA claims programs increases the risk that claims will not be processed efficiently and effectively, and that errors or inconsistencies will not be discovered.

Recommendation 5

We recommend that the CSURMA perform audits of the CSURMA and AORMA general liability claims programs in accordance with CSURMA policy.

Management Response

We concur. The claims audits of the CSURMA campus liability, AORMA liability, and Athletic Injury Medical Expense programs (AIME) have been completed. The CSURMA EC reviewed and accepted the campus risk pool liability claims audit at its May 9, 2013, meeting, and the AORMA Committee will review the AORMA liability program claims audit at its September 2013 meeting. The AIME program claims audit will be reviewed at the September EC meeting. In the future, the CSURMA program administrator will include this in the schedule of activities to ensure timely completion every other year as provided in Policy and Procedure No. 19.

FISCAL ADMINISTRATION

CONTRACTING POLICIES

The CSURMA did not have documented policies relating to its contracting process.

We noted that the CSURMA did not have contracting policies that could include, but not be limited to, information on the required reviews and approvals and standard terms and conditions for contracts with third-party service providers. In addition, we reviewed seven contracts for claims administration and hosting services for the iVOS claims processing system and found that:

- ▶ One contract was approved by an individual who did not have delegated authority from the EC or Board, and one contract was approved for payment before it was signed.
- ▶ There were no standard contracting terms to address information security and confidentiality of data. Such terms could include, but not be limited to, confidentiality and safeguarding of data, prohibition of unauthorized use or disclosure of protected data, ownership of information and disposition of data upon contract termination, and reporting of unauthorized disclosures or misuse of data to the CSURMA.
- ▶ One contract did not address indemnification/hold harmless requirements, and three contracts did not address insurance requirements.
- ▶ Two contracts did not contain a right-to-audit clause.
- ▶ Five contracts, two of which were in the process of being updated during the audit, did not include a conflict-of-interest clause.
- ▶ One contract with a third party that held CSURMA funds in trust did not contain provisions for these funds, including, but not limited to, replenishments and account reconciliations.

CAJPA Standard I, *Governing Documents and Administrative Contracts*, Section E, requires the JPA to have written contracts with firms or individuals that provide program administration services, insurance brokerage services, claims administration services, or have access to JPA funds. Such contracts are required to include, among other things, indemnification and insurance requirements, ownership of records, and duty to disclose conflicts of interest.

EO 1069, *Risk Management and Public Safety*, dated March 1, 2012, states that the assistant vice chancellor for risk management and public safety has the responsibility for the development and implementation of systemwide risk identification, policies, and hold harmless provisions and insurance requirement guidelines for agreements, contracts, and purchases.

SAM §5305 states that agencies need to ensure the integrity of computerized information resources by protecting them from unauthorized access, modification, destruction, or disclosure and to ensure the physical security of these resources. Agencies shall also ensure that users, contractors, and third parties having access to computerized information resources are informed of and abide by this policy and the agency security plan.

The assistant vice chancellor, risk management and public safety stated that prior to the audit, the CSURMA had a practice for the development, review, and execution of agreements/contracts; however, the need for formalized policies (i.e., standard terms and conditions) had not been recognized.

A lack of policies relating to the contracting process increases the risk that contracts will not be properly executed and protected data will not be appropriately safeguarded.

Recommendation 6

We recommend that the CSURMA document policies and procedures for the contracting process, including information on the required reviews and approvals and use of standard terms and conditions.

Management Response

We concur. The assistant vice chancellor for risk management and public safety has reviewed and updated the CSURMA policies for contracting, review, approval, and execution of agreements/contracts. The EC adopted Resolution No. 03-13 (EC) regarding standard terms and conditions to be requested in service agreements at its March 21, 2013, meeting. The administrative contracting and review process will be presented to the EC at the September meeting. This will be completed by October 2013.

DELEGATIONS OF AUTHORITY

The CSURMA had not documented all delegations of authority.

We found that:

- ▶ There was no delegation of authority from the Board or the EC to the CO risk management staff to approve expenditures or to sign memorandums of understanding (MOU) related to cost recovery.
- ▶ There was no delegation of authority from the Board to the EC to approve changes to the CSURMA budget.

The CSURMA JPA agreement, effective October 28, 2011, states that the Board shall reserve to itself the approval of the annual budget of the entity. It further states that the treasurer shall pay sums as approved for payment by the Board or EC, or by any body or person to whom the Board has delegated approval authority.

GC §13402 and 13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. It further states that administrative controls include a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The associate director of accounting stated that it was the CSURMA accounting's practice to follow the delegations of authority created for the CO financial system; however, the lack of a delegation from the CSURMA Board had not been recognized as being in non-compliance. She also stated that it was staff's interpretation that the CSURMA's JPA agreement established the EC's authority to approve changes in the CSURMA budget.

Failure to maintain formal delegations of authority increases the risk of misunderstandings and of inappropriate or unauthorized transactions.

Recommendation 7

We recommend that the CSURMA:

- a. Document the delegation of authority from the Board or the EC to the CO risk management staff or other appropriate individuals to approve expenditures and sign MOUs related to cost recovery.
- b. Document the delegation of authority from the Board to the EC to approve changes to the CSURMA budget.

Management Response

We concur. The CSURMA board addressed both matters in its Resolution No. 01-13 (BOD), adopted at its meeting on May 10, 2013. The EC approved and delegated authority to sign MOUs related to cost recovery at its meeting on May 9, 2013.

THIRD-PARTY TRUST ACCOUNTS

CSURMA oversight of funds held in third-party trust accounts needed improvement.

We noted that although CSURMA accounting had requested bank statements and bank account reconciliations for CSURMA funds held in trust by A-G Administrators, the administrator of the athletic injury medical expense program, the documentation had not been provided.

GC §13402 and 13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. It further states that administrative controls include a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues and expenditures.

The associate director of accounting stated that numerous attempts to obtain A-G Administrators' bank statements and bank account reconciliations had been made, but all had been unsuccessful.

Lack of review of bank statements and reconciliations for funds held in third-party trust accounts increases exposure to loss from inappropriate acts.

Recommendation 8

We recommend that the CSURMA ensure that A-G Administrators provides bank statements and bank account reconciliations for CSURMA funds held in trust.

Management Response

We concur. A-G Administrators had provided periodic bank statements and bank account reconciliations for CSURMA funds held in trust. A-G is now providing bank statements and bank account reconciliations on a monthly basis to CSURMA accounting. Accounting will review the statements for accuracy.

CSURMA INVESTMENTS

Administration of CSURMA investments needed improvement.

We found that:

- ▶ The CSURMA investment policy, developed and approved in 2007, had not been reviewed and approved by the EC on an annual basis. The policy was re-approved by the EC in September 2012, but it still referred to the CABO investment committee, which is no longer in existence, as well as specific CABO oversight duties for CSURMA investments that were no longer being performed.
- ▶ There was no delegation of authority from the CSURMA treasurer to the senior director of financing and treasury to oversee CSURMA investments.

EC Resolution 1-07 states that the CSURMA re-adopts the investment policy of the CSU annually as the Investment Policy of the CSURMA by Resolution.

CAJPA Standard V, *Investment of Funds*, Section A, states that the JPA's written investment policy is reviewed annually by the governing body or an investment committee pursuant to GC §53646(a).

CAJPA Standard V, *Investment of Funds*, Section E, states that if the treasurer has the authority to reinvest, sell, and exchange securities, that the JPA makes such a delegation of authority annually.

GC §53607 states, in part, that the authority of the legislative body to invest or to reinvest funds of a local agency, or to sell or exchange securities so purchased, may be delegated for a one-year period by the legislative body to the treasurer of the local agency, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. Subject to review, the legislative body may renew the delegation of authority pursuant to this section each year.

The associate director of accounting stated that although the CSURMA adopted its investment policy in 2007, staff had neglected to present it to the EC to be reviewed and approved annually. She further stated that providing a monthly report of investment transactions had not been established as a formal operating requirement because it had not been recognized as a non-compliance issue. The senior director of financing and treasury stated that he had been designated as investment authority by the CSURMA treasurer; however, the delegation had not been documented due to oversight.

Inadequate monitoring of CSURMA investments increases the risk of loss due to poor fund administration or inappropriate acts.

Recommendation 9

We recommend that the CSURMA:

- a. Update the CSURMA investment policy and ensure that it is reviewed and approved on an annual basis by the EC.

- b. Document the delegation of authority from the CSURMA treasurer to the CO administrator assigned the responsibility of overseeing CSURMA investments.

Management Response

We concur. The CSURMA board has adopted an updated investment policy. The CSURMA program administrator will add the review of the investment policy to the annual activities reviewed by the EC in September 2013. The CSURMA board addressed the delegation of authority in its Resolution No. 01-13 (BOD), adopted at its meeting on May 10, 2013.

TRAVEL EXPENSES

Travel expenses for an employee in Systemwide Risk Management were often questionable in terms of their appropriateness and business necessity and did not always appear to have a clear or demonstrable benefit to the CSURMA or the CSU.

We reviewed 146 travel expense claims (TECs) over a 27-month period from July 2010 through September 2012 for an employee in Systemwide Risk Management working on CSURMA-related business. Over this time period, we noted that the employee incurred approximately \$158,994 in travel costs.

The CSU travel policies and procedures state that the CSU pays or reimburses for travel-related expenses that are ordinary, reasonable, not extravagant, and necessary to conduct official business; it is the traveler's responsibility to make certain that the expenses they incur meet those requirements. The employee signed all these claims, certifying "that the above is a true statement of the travel expenses incurred by me in accordance with CSU Policy and Procedures."

Trips to manage a vendor were often questionable, illogical, and outside the parameters of the duties/responsibilities of the risk management employee as defined in the position description.

- ▶ The CSURMA contracts with Alliant Insurance Services, Inc. (Alliant) as its program administrator. The employee's job description indicates that an estimated five percent of the employee's time is spent on "management of risk management vendor service agreements and performance." Yet, during the period reviewed, the employee filed TECs for 82 trips to Alliant's office in San Francisco. The employee's TECs indicate that all or part of approximately 157 out of 557 work days (28 percent) between July 2010 and September 2012 was spent on travel and meetings related to Alliant.
 - In 43 of the 82 instances (52 percent) when the employee claimed on the TEC to be working at Alliant's office in San Francisco, we found no corresponding parking receipt for the Pine Street parking garage (where the employee typically parked) or another nearby parking lot. The employee provided various explanations for several of these instances. For example, in 21 of the instances, the employee claimed to have parked in a space provided to Alliant. Although in 19 of those instances the employee did not claim parking expenses, there was a claim for \$21 reimbursements in two of the instances. In addition, in at least ten of the instances, the employee later claimed to have been working in the East Bay, not at Alliant's

office. However, the TECs all indicated that the employee was working in San Francisco at Alliant, so either the later response to us or the TECs are incorrect.

- Many of the trips were of very short duration, often lasting only slightly more than 24 hours. In 61 of the 82 instances, the employee picked up a rental car from the San Francisco airport after 4 p.m. As it is unlikely that any business was conducted on the day of arrival, we question the need for these overnight stays and whether sufficient work would actually have been conducted to justify the travel time and expense. Although the employee told us that business was conducted on each of those afternoons, we do not find that statement credible based on the times the rental car was picked up and the employee subsequently checked into the hotel. In almost all of the instances we reviewed, we believe there was little time for anything other than driving from the airport to the hotel, and in numerous instances, the employee did not even pick up the car until after 6 or 7 p.m., making it unlikely that there was time to conduct business. Further, in three of these instances, the employee returned the rental car before 10:30 a.m. the next day. Finally, in 22 instances, the parking receipts indicate that the employee left the Alliant offices before 1 p.m.
- During several of the trips in which the employee claimed to be working at Alliant, hotel records show the employee stayed at a hotel in Walnut Creek after flying into SFO. It seems illogical that the employee would fly to SFO and then drive to the East Bay area if working in downtown San Francisco. As noted above, the employee later claimed to have been working in the East Bay, not San Francisco; however, the TECs indicated otherwise.

Expenses not adequately documented or properly reviewed and approved

- ▶ The employee did not always provide adequate documentation to support the travel costs as required by CSU policy. CSU policy requires detailed receipts for all expenses of \$25 or more. Further, the employee's supervisor and CSURMA accounting failed to adequately review the travel expense claims. As a result, the employee was sometimes reimbursed for expenses not allowed by CSU travel policy.
 - Hotel receipts were either incomplete or missing from five travel expense claims. The unsupported/undocumented cost of these stays was \$1,628 in lodging costs and \$177 in parking costs.
 - The employee claimed at least 39 meals that cost \$25 or more without providing a receipt as required by CSU policy.
- ▶ During the period reviewed, travel approval forms, signed in advance of travel, had been signed for an estimated cost of \$141,465, while the actual total cost of the trips taken was approximately \$17,500 (12 percent) higher. Although the forms were approved prior to travel, we noted that they contained minimal information, and cost estimates were shown only as a lump sum amount. For example, for a November 2011 trip to Israel and Ghana, the employee's estimated trip costs per the travel approval form were \$7,000, but the actual cost was \$10,432, 49 percent above the original estimate. Further, estimated costs for a March 2012 trip to London were \$3,000, but the final cost was actually \$5,890, nearly double the original estimate.

- ▶ The employee was sometimes reimbursed for questionable costs, including some that the employee may not have been entitled to claim and some for which the business necessity or benefit to the CSURMA or the CSU is unclear.
 - In at least 33 instances, based on the time the employee picked up a personal car from LAX, the employee returned on an earlier flight than the one that had been booked. However, the times indicated on the TECs for the conclusion of travel were more consistent with the times the employee might have arrived home if the later flights had been taken. In addition, in 37 instances, it took the employee more than two hours, and in several instances more than five hours, to get home from LAX. Google Maps indicates that the trip from LAX to the employee's residence is approximately 25 miles. If the employee was not actually traveling during the times stated on the travel claim, we question whether the employee was entitled to reimbursement for all the meals claimed.
 - The CSU travel policy was revised in April 2011. According to the policy, employees are reimbursed for actual meal expenses up to a daily maximum of \$55. Although the employee typically claimed meal amounts down to the penny after the policy revision, the total amount claimed for a full day frequently totaled exactly \$55, and in several more instances was within \$1 of this amount. It is highly unlikely for the total of three daily meals to equal exactly \$55 on multiple occasions, and we therefore question the validity of the amounts claimed.
 - The employee was reimbursed on three separate occasions for hotel costs incurred within a 25-mile radius of the CO. In two of these cases, there was no explanation as to the need for a hotel stay. In the third case, the employee obtained a travel exception to stay at a hotel during a conference; however, the employee stayed six miles away from the conference hotel at a hotel that appeared to be slightly more expensive but was part of the employee's preferred hotel brand chain.
 - During the employee's trip to Nairobi, Kenya, we noted three questionable receipts from Kairi Tours & Safari, Ltd. Specifically, there were two receipts in the employee's name: one for a trip to Sheldric Farm, a giraffe center, and Kazuri bead shop on August 22, 2012 (\$80), and another for a trip to Nairobi National Park on August 25, 2012 (\$180), for the employee and the mother of an injured student. The third receipt said that the payment was received from the employee "for [the mother of an injured student]" for August 25, 2012, for the same \$80 trip the employee took on August 22. When the person who reviewed the TEC asked the employee's assistant about the receipts, the assistant said they were taxi charges. Although the receipts indicate that the company provided hotel pickup, we believe referring to the expenses as taxi charges is a mischaracterization of their true nature as sightseeing tours. When we questioned the assistant about how she knew these were taxi charges since the receipts did not indicate they were from a taxi company, she said she did not really remember.
 - There was no clear business purpose or necessity for the employee's overnight stay in New York when traveling to Bermuda in June 2011. No explanation was provided on the TEC. The employee later claimed to have had a late dinner with a New York underwriter; however,

we find that explanation questionable because the employee's flight was scheduled to land at 8 p.m., and the employee checked into the hotel at 9:08 p.m. It seems unlikely that a business dinner would have been conducted after that, especially since the employee did not claim reimbursement for dinner or business expenses that day and had an 8 a.m. flight to Bermuda the next morning.

- In two instances, the employee claimed and was reimbursed for hotel room upgrades in San Francisco (\$46 above the room charge of \$173 in July 2011 and \$40 above the room charge of \$201 in September 2011). No justification was documented.
 - The employee traveled to San Francisco from July 17-19, 2011, but the parking receipt submitted for reimbursement from LAX was for July 15-19, 2011, and was not in the employee's name.
 - The employee was reimbursed \$17 for a car wash at the LAX parking garage.
- ▶ Employee travel costs were not always reasonable or economical.
- The CSU travel policy concerning foreign lodging expenses allowed for actual costs before April 2011, and after April 2011, set a fixed amount per diem for lodging, meals, and incidentals in accordance with U.S. Department of State allowances. There were numerous instances in which the employee's foreign lodging costs were excessive. For example, on all four trips the employee made to London during the time period covered by our review, the hotel expenses incurred were more than \$520 per night and up to \$576 per night.¹ The maximum federal rates (the rates used by the CSU for international travel) during those trips ranged from \$319 to \$331 per night; therefore, the employee exceeded those limits by more than \$200 per night. On one of the trips, the first hotel night was \$233, within the \$321 maximum federal rate, but the rate changed after the first night. The employee's travel approval form was approved based on the \$233 per night rate, even though subsequent nights were \$530. In another example, when the employee traveled to Tel Aviv, the hotel cost was \$470 per night, \$135 per night over the maximum federal rate of \$335.
 - The employee and a colleague traveled to Israel and Ghana in October 2011. The employee left the morning of October 20, and the colleague left the morning of October 22. It was unclear from the information on the TEC why the employee had to leave for Israel two days earlier than the colleague. When we asked the employee, we were told that there was some uncertainty as to when the meetings were going to start and the colleague had not yet finalized his arrangements, but the employee knew there would be more than 30 hours of flying time and going through customs to deal with. The employee claimed expenses totaling \$10,433, more than twice the total amount, \$5,125, claimed by the colleague. The main differences between the two claims related to lodging (\$4,600 claimed by the employee versus \$994 claimed by the colleague, who stayed at less expensive hotels and took advantage of lodging offered by local universities) and meals and incidentals (the employee

¹ Two of these trips were prior to the implementation of the April 2011 policy that established limits on foreign lodging costs; nevertheless, we concluded the lodging rates incurred by the employee were excessive.

claimed the full per diem amounts² for all but four meals, for a total of \$1,450, whereas the colleague claimed much lower amounts and far fewer meals because several of the meals had been provided, for a total of \$260).

- During four of the employee’s international trips, the employee often claimed full per diem amounts for meals and incidentals. For example, the employee claimed up to \$180 per day in London, and \$143 per day in Tel Aviv. Although CSU policy allows employees to claim maximum federal per diem amounts for foreign travel, it also states that only expenses actually incurred are reimbursable. By signing the TECs, the employee certified that the expenses claimed were incurred.
 - The employee used valet parking almost exclusively. For example, valet parking at LAX was \$19.95 per day, but the same parking company offered self-parking rates as low as \$12.95 per day. The employee also chose to frequent hotels that only offered valet parking, including the Embassy Suites in Walnut Creek at \$16 per night and the Hyatt in San Francisco at \$57 per night.
 - When traveling out-of-state or internationally, in at least eight instances the employee used limo services rather than taxis or shuttles to travel to and from the airports. Some websites for the hotels where the employee stayed provided estimated taxi costs between the airport and hotel that were significantly less than the limo services. For example, in April 2011, the employee paid an average of \$82 each way between the airport and hotel in Chicago, and the hotel’s website indicated that the cost of a taxi between the hotel and the airport was approximately \$40. The following month, the employee used a limo service from the airport to the hotel in New York at a cost of \$134. A taxi-fare-finder website for New York estimated that the taxi cost would have been approximately \$53, less than half the cost of the limo service. CSU travel procedures state that transportation expenses shall be reimbursed based on the most economical mode of transportation.
- ▶ Employee travel patterns and modes of transportation were often illogical and inefficient.
- As noted previously, the employee traveled to Israel and Ghana in 2011. The employee noted on the travel approval form that Ghana was “on the way home from Tel Aviv.” We disagree. When we asked the employee about it, we were told that although it was not exactly on the way home, it was closer than going from Long Beach when the employee was already going to be in Israel with a colleague who was traveling on to Ghana. The employee said the colleague had asked for a risk assessment in Ghana because no one from the CSU had been to Ghana in more than ten years. However, the colleague told us that he did not recall how the employee’s participation in the trip to Ghana came up, so he was unable to confirm that assertion. When asked if risk assessments were part of the employee’s job, the employee reported doing what was asked but acknowledged that the only other foreign risk assessment that had been done was the one in Israel on that same trip. Further, although the employee

² The daily meal and incidental allowances were \$143 for Tel Aviv, \$89 for Accra, and \$149 for Frankfurt, where the employee had connecting flights.

claimed to have provided a verbal report to the chancellor after returning from the trip, a written report was not prepared.

- On a trip to St. Louis on June 15-16, 2011, the employee arrived at 6:49 p.m. on June 15 and checked into the hotel at 7:30 p.m. The employee was then at the airport the next day by 12:10 p.m. to depart on a 1:32 p.m. flight. The cost of the trip was \$846. We question the business need and the benefit to the CSURMA or the CSU of traveling this distance and incurring these costs for such a short period of time. Although the employee told us the company brought in all the principals to an early meeting so there was no need to remain in their offices all day as was originally scheduled, we did not find that response credible. Specifically, the employee's flight itinerary dated May 25, 2011, already had the employee booked to return on June 16 at 1:32 p.m., so the employee knew at least three weeks in advance that the meeting would only be in the morning.
- On at least six occasions, the employee drove from their residence in Long Beach to LAX, parked at LAX, flew to San Diego, and rented a car in San Diego. This method of travel was both more expensive and more time-consuming than driving to San Diego. For example, on June 10, 2012, the employee drove from Long Beach to LAX and flew to San Diego, renting a car. The employee returned the following day. The cost of airfare, mileage to and from LAX, airport parking, and the rental car was \$423. If the employee had driven a personal car from Long Beach, we estimate travel costs would have been about one-fourth that cost, or \$106. If the employee had used a rental car, we estimate the two-day cost would have been approximately \$62, plus fuel charges – still significantly less than the cost of flying. In addition, after returning from San Diego on June 11, the employee flew to San Diego again the following day before continuing on to San Francisco.
- The purpose of one trip in February 2012 was to attend a Statewide Emergency Planning Committee meeting scheduled on February 8 from 9 a.m. to noon. However, the employee returned the rental car to the Sacramento airport at 10:22 a.m. that day, and the meeting location was approximately 30 minutes from the airport. Therefore, the employee would have had only approximately 45 minutes to attend the meeting. We question whether this was an efficient use of time and resources. According to the employee, a portion of the meeting was cancelled, so there was no need to stay.

CSU Travel Procedures and Regulations, dated April 1, 2011, state that university employees traveling on official business shall observe normally accepted standards of appropriateness in the type and manner of expenses they incur. In addition, it is the traveler's responsibility to report his/her actual travel expenses in a responsible and ethical manner. Travelers should make certain that the business-related expenses they incur are ordinary, reasonable, not extravagant, and necessary for the purpose of the trip. Additionally, the approving authority designated to approve travel claims is responsible for ensuring that all expenses are reasonable in terms of price, purpose and necessity. Some specific requirements include:

- ▶ Transportation expenses shall be reimbursed based on the most economical mode of transportation and the most commonly traveled route consistent with the authorized purpose of the trip.

- ▶ Valet parking charges in excess of normal parking charges shall be borne by the traveler, unless the traveler obtains an exception.
- ▶ Subsistence expenses, such as charges for lodging, meals, and incidental expenses, for travel within 25 miles of an employee's headquarters or residence shall not be reimbursed.
- ▶ Original, itemized receipts for all lodging expenses and for any reimbursable items costing \$25 or more shall be required for reimbursement of travel costs. For substantiation of an expense, a receipt indicates what was purchased, the amount due, the form of payment, and preferably a zero balance.
- ▶ Lodging expenses must not be extravagant and should be reasonable for the locality of travel.
- ▶ In the event the traveler must forego the provided meal for health or business reasons, an explanation for the purchase of the meal replacement must accompany the claim. Supporting documentation may be requested and required.
- ▶ Travelers to foreign destinations will receive a fixed amount per diem for lodging, meals, and incidentals in accordance with the Federal Maximum Travel Per Diem Allowances for Foreign Areas published by the U.S. Department of State.

Financial Services Coded Memo 2010-01, *CSU Policy and Procedures Governing Travel and Relocation Expense Reimbursement*, dated January 14, 2010, was the travel policy in effect until April 2011. This states that for in-state travel, actual meal costs will be reimbursed up to \$50, and actual incidental costs up to \$5 may be reimbursed for each complete 24-hour period of travel.

The assistant vice chancellor of risk management and public safety stated that in her judgment and due to the scale and complexity of CSURMA programs, a hands-on approach was required to effectively design, develop, and negotiate insurance and self-insurance products, and produce agendas for numerous CSURMA meetings. She further stated that due to these duties, coupled with the range of risk management needs for the largest public university system in the United States, extensive travel was required and warranted. She also stated that all trips were reviewed and approved in advance, as were all expense claims after the trips were completed.

Insufficient control over travel expenses increases the risk of wasteful or abusive use of funds and unauthorized or inappropriate payments.

Recommendation 10

We recommend that the CSURMA and the CO:

- a. Evaluate the business necessity for such frequent travel, and determine to what extent other more efficient or economical options may be used, such as day trips instead of overnight stays or the use of phone or video conferencing. Document and maintain the results of this evaluation.

- b. Remind employees who travel on CSURMA-related business that they must follow CSU travel requirements, including the need for providing applicable receipts for expenses, and prior written authorization for policy exceptions.
- c. Improve the oversight and post-review of travel expenditures for CSURMA-related business. This could include, but not be limited to, providing periodic refresher training to employees who review, approve, and process travel expense claims, and implementing processes to elevate concerns with travel that does not comply with CSURMA or CSU policies and procedures, including timely research/resolution of noted concerns and appropriate personnel actions.
- d. Evaluate the need for the CSURMA EC to receive quarterly reports regarding CSURMA administrative and travel expenditures.

Management Response

We concur. The CSU EVC for business and finance has carefully considered the findings and recommendations within the audit and in one case, due to an approved medical condition, valet services were appropriate. The EVC has reexamined internal controls related to preapproval, travel appropriateness, and expenditure reimbursement and has reminded employees of CSU travel requirements. Practices are now in place to ensure the frequency and duration of travel is necessary to conduct CSURMA business. Travel has been significantly curtailed and is being replaced with alternate technological means to conduct business, such as audio calls, video conferences, or Skype, when appropriate.

Oversight and post-review of travel expenditures within the CO has improved, and when appropriate, reimbursement is subject to denial. Further exploration is under way to determine whether the CSURMA EC should receive quarterly reports regarding the CSURMA administrative and travel expenditures of the CSU Office of Risk Management. The EVC will conduct appropriate personnel action, including a potential for reimbursement of ineligible or questionable expenditures.

INFORMATION SYSTEMS

The CSURMA did not have documented policies on information security systems access for the iVOS claims processing system.

SAM §5340 states that management is responsible for ensuring that the appropriate physical, technical, and administrative controls are in place to support proper access to information assets.

SAM §20050 states that one symptom of a deficient internal control system is policy and procedural or operational manuals that are either not currently maintained or nonexistent.

The assistant vice chancellor of risk management and public safety stated that although a practice was in place for iVOS information security systems access, the need for a documented process had not been recognized.

The lack of written policies and procedures for information security systems access increases the risk of inappropriate access to confidential claims data.

Recommendation 11

We recommend that the CSURMA document policies on information security systems access for the iVOS claims processing system.

Management Response

We concur. At its May 9, 2013, meeting, the CSURMA EC took action to review and accept the iVOS user policy of the Systemwide Office of Risk Management for access to the iVOS claims processing system.

PROGRAM ADMINISTRATION

Administration of the claims settlement process needed improvement.

We found that:

- ▶ Delegation of authority from the EC or the Board to AORMA, CSU campuses, legal counsel, and others who signed and/or approved claims settlement agreements was not documented.
- ▶ The CSURMA did not have a documented policy or procedure for the CSURMA claims settlement process for campus pooled programs.
- ▶ The CSURMA did not maintain a central repository of CO and campus settlement authorities for workers' compensation and general liability claims.

CAJPA Standard VIII, *Claims Management*, Section G, requires JPAs to have a written policy addressing settlement authority.

CSURMA Bylaws state that the EC has the duty and responsibility to authorize payment of claims against the entity, provided that claim settlement authority shall be in accordance with the policies and procedures governing the particular coverage program.

GC §13402 and 13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. It further states that administrative controls include a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The assistant vice chancellor of risk management and public safety stated that a practice that included the input and participation of general counsel and the former chancellor was in place for claims settlement, but the need for a documented process had not been recognized.

Failure to properly administer the claims settlement process increases the risk of unauthorized or inappropriate payments.

Recommendation 12

We recommend that the CSURMA:

- a. Document the delegation of authority from the EC or the Board to the various entities and individuals who sign and/or approve claims settlement agreements.
- b. Develop and document a policy or procedure to address the CSURMA claims settlement process for campus pooled programs.
- c. Maintain a central repository of CO and campus settlement authorities for workers' compensation and general liability claims.

Management Response

We concur. At its May 21, 2013, meeting, the CSURMA EC adopted Policy and Procedure No. 19 – Campus Risk Pool Settlement Authority, describing the claims settlement process, and delegated authorities. The program administrator has been directed to maintain a central repository of CO and campus settlement authorities and has obtained written notification from 22 of the campuses and the CO. Obtaining of the 23rd campus' information will be completed by September 2013. The program administrator has been directed to include an update of the campus notification as a part of the annual service calendar.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
<u>Office of the Chancellor</u> Benjamin F. Quillian	Executive Vice Chancellor and Chief Financial Officer and CSURMA Board of Directors Alternate Member
George Ashkar	Assistant Vice Chancellor/Controller, Financial Services and CSURMA Treasurer
Leona Ching	Risk Management Administrative Analyst
Kelly Cox	Associate Director, Accounting
Robert Eaton	Senior Director, Financing and Treasury
Zachary Gifford	Associate Director, Systemwide Risk Management
Jean Gill	Assistant Controller
Martha Guiditta	Risk Management Specialist
William Hsu	General Counsel and CSURMA Counsel
Alice Kim	Manager, Enterprise and Chancellor's Office Financial Reporting
Charlene Minnick	Assistant Vice Chancellor, Risk Management and Public Safety and CSURMA Secretary
Oliver Ravela	Banking Services Analyst
Michael Redmond	Senior Director, Chancellor's Office Fiscal Controls and Special Initiatives
Colleen Zenger	Financial Manager
<u>California State University, Fresno</u> Cynthia Teniente-Matson	Vice President for Administration and Chief Financial Officer and CSURMA Chair



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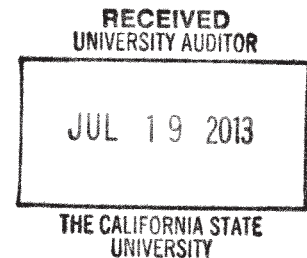
MEMORANDUM

DATE: July 18, 2013

TO: Larry Mandel
University Auditor

FROM: Benjamin F. Quillian *B.F.*
Executive Vice Chancellor and
Chief Financial Officer

SUBJECT: Responses to Audit Report Number 12-65
Risk Management Authority



Management has reviewed the preliminary draft of the Risk Management Authority Audit Report #12-65. As you know I have had lingering concerns about Risk Management & Public Safety and appreciate the thoroughness of the report.

Attached are the responses to the recommendations. Please let me know if you have any questions. Thank you.

c: Cynthia Teniente-Matson, Vice President for Administration and CFO, CSU Fresno
Mary Ann Rodriguez, Vice President, Administration and Finance, CSU Dominguez Hills
Charlene Minnick, Assistant Vice Chancellor, Risk Management and Public Safety
Zachary Gifford, Associate Director, Risk Management and Public Safety
Daniel Howell, CSURMA Program Director

CSU Campuses
Bakersfield
Channel Islands
Chico
Dominguez Hills
East Bay

Fresno
Fullerton
Humboldt
Long Beach
Los Angeles
Maritime Academy

Monterey Bay
Northridge
Pomona
Sacramento
San Bernardino
San Diego

San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

**CALIFORNIA STATE UNIVERSITY
RISK MANAGEMENT AUTHORITY****Audit Report 12-65****GENERAL ENVIRONMENT****CSURMA ADMINISTRATION****Recommendation 1**

We recommend that the CSURMA:

- a. Document the requirement that CSURMA Board members and alternates must be appointed in writing, and ensure that the appointment of all current members and alternates is documented.
- b. Develop a written policy for nominating and electing EC members.

Management Response

We concur. The program administrator created a policy to document the existing process of appointing a nominating committee for EC appointees, and at its March 21, 2013 meeting, the CSURMA Executive Committee adopted Policy and Procedure No. 18 - Board of Directors Participation and Executive Committee Nominations and Elections Process.

By October 15, 2013, the CSURMA Program administrator will update the procedure manual and CSURMA calendar of activities to ensure board appointment documentation occurs on a regular basis along with a process for communicating changes in appointees. Board appointments and updates have already occurred for the current period.

SYSTEMWIDE POLICIES AND PROCEDURES**Recommendation 2**

We recommend that the CO update systemwide policies relating to the CSURMA.

Management Response

We concur. The Assistant Vice Chancellor for Risk Management and Public Safety will update EO 638 and other relevant executive orders to reflect the current roles and responsibilities of the CSURMA. This will be completed by September 2013.

CSURMA POLICIES AND PROCEDURES

Recommendation 3

We recommend that CSURMA define and document which CSU policies are relevant to program administration and formally adopt a travel policy.

Management Response

We concur. The CSURMA has already taken action at its May Board meeting to adopt the CSU 3601.01 travel policy and has further discussed at the May EC as to which ICSUAM 3000, General Accounting, policies are appropriate for adoption. At the September EC meeting, the final resolution will be presented for approval and this will be completed by December 2013. At the September 2013 Executive Committee meeting, review, consideration and adoption of applicable portions of ICSUAM 8000 that are relevant to program administration will be completed. Any amendment or development of a CSURMA policy and practice not accomplished at the September meeting will be completed by December 2014.

CONFLICTS OF INTEREST

Recommendation 4

We recommend that the CSURMA:

- a. Update the conflict-of-interest code to ensure that information included is current.
- b. Require all key personnel at the CSURMA program administrator to complete Form 700 conflict-of-interest filing statements.
- c. Ensure that the CSURMA program administrator maintains all conflict-of-interest statements on file.

Management Response

We concur. The CSURMA program administrator shall develop a procedure to ensure that all Form 700s are current and maintained for all persons required to submit Statements of Economic Interest under the CSURMA Conflict of Interest Code; CSURMA's Conflict of Interest Code was updated and re-adopted by the Executive Committee at their meeting on December 6, 2012. The program administrator's Form 700 records are now current for all required filers. To ensure that the program administrator maintains all conflict-of-interest statements on file, the program administrator will annually prepare a status report on all filings at the CSURMA Executive Committee's annual Long Range Planning Meeting. The status report will show all the persons required to make filings and the status of those filings.

GENERAL LIABILITY CLAIMS AUDITS

Recommendation 5

We recommend that the CSURMA perform audits of the CSURMA and AORMA general liability claims programs in accordance with CSURMA policy.

Management Response

We concur. The claims audits of the CSURMA Campus Liability, AORMA Liability, and AIME programs have been completed. The CSURMA EC reviewed and accepted the Campus Risk Pool liability claims audit at its May 9, 2013 meeting and the AORMA Committee will review the AORMA Liability Program Claims Audit at its September 2013 meeting. The AIME program claims audit will be reviewed at the September EC meeting. In the future, the CSURMA program administrator will include this in the schedule of activities to ensure timely completion every other year as provided in Policy and Procedure No. 19.

FISCAL ADMINISTRATION**CONTRACTING POLICIES****Recommendation 6**

We recommend that the CSURMA document policies and procedures for the contracting process, including information on the required reviews and approvals and use of standard terms and conditions.

Management Response

We concur. The Assistant Vice Chancellor for Risk Management and Public Safety has reviewed and updated the CSURMA policies for contracting, review, approval and execution of agreements/contracts. The Executive Committee adopted Resolution No 03-13 (EC) regarding standard terms and conditions to be requested in service agreements at its March 21, 2013 meeting. The administrative contracting and review process will be presented to the Executive Committee at the September meeting. This will be completed by October 2013.

DELEGATIONS OF AUTHORITY**Recommendation 7**

We recommend that the CSURMA:

- a. Document the delegation of authority from the Board or the EC to the CO risk management staff or other appropriate individuals to approve expenditures and sign MOUs related to cost recovery.
- b. Document the delegation of authority from the Board to the EC to approve changes to the CSURMA budget.

Management Response

We concur. The CSURMA Board addressed both matters in its Resolution No. 01-13 (BOD) adopted at its meeting on May 10, 2013. The Executive Committee approved and delegated authority to sign MOUs related to cost recovery at its meeting on May 9, 2013.

THIRD-PARTY TRUST ACCOUNTS

Recommendation 8

We recommend that the CSURMA ensure that A-G Administrators provides bank statements and bank account reconciliations for CSURMA funds held in trust.

Management Response

We concur. A-G Administrators had provided periodic bank statements and bank account reconciliations for CSURMA funds held in trust. A-G is now providing bank statements and bank account reconciliations on a monthly basis to CSURMA accounting. Accounting will review the statements for accuracy.

CSURMA INVESTMENTS

Recommendation 9

We recommend that the CSURMA:

- a. Update the CSURMA investment policy and ensure that it is reviewed and approved on an annual basis by the EC.
- b. Document the delegation of authority from the CSURMA treasurer to the CO administrator assigned the responsibility of overseeing CSURMA investments.

Management Response

We concur. The CSURMA Board has adopted an updated investment policy. The CSURMA Program Administrator will add the review of the investment policy to the annual activities reviewed by the EC in September 2013. The CSURMA Board addressed the delegation of authority in its Resolution No. 01-13 (BOD) adopted at its meeting on May 10, 2013.

TRAVEL EXPENSES

Recommendation 10

We recommend that the CSURMA and the CO:

- a. Evaluate the business necessity for such frequent travel, and determine to what extent other more efficient or economical options may be used, such as day trips instead of overnight stays or the use of phone or video conferencing. Document and maintain the results of this evaluation.
- b. Remind employees who travel on CSURMA-related business that they must follow CSU travel requirements, including the need for providing applicable receipts for expenses, and prior written authorization for policy exceptions.
- c. Improve the oversight and post-review of travel expenditures for CSURMA-related business. This could include, but not be limited to, providing periodic refresher training to employees who review, approve, and process travel expense claims, and implementing processes to elevate

concerns with travel that does not comply with CSURMA or CSU policies and procedures, including timely research/resolution of noted concerns and appropriate personnel actions.

- d. Evaluate the need for the CSURMA Executive Committee to receive quarterly reports regarding CSURMA administrative and travel expenditures.

Management Response

We concur. The CSU Executive Vice Chancellor (EVC) for Business and Finance has carefully considered the findings and recommendations within the audit and in one case due to an approved medical condition valet services were appropriate. The EVC has reexamined internal controls related to preapproval, travel appropriateness, and expenditure reimbursement, and has reminded employees of CSU travel requirements. Practices are now in place to ensure the frequency and duration of travel is necessary to conduct CSURMA business. Travel has been significantly curtailed and is being replaced with alternate technological means to conduct business such as audio calls, video conferences or Skype, when appropriate.

Oversight and post-review of travel expenditures within the Chancellor's Office has improved and when appropriate reimbursement is subject to denial. Further exploration is underway to determine if the CSURMA Executive Committee should receive quarterly reports regarding the CSURMA administrative and travel expenditures of the CSU Office of Risk Management. The Executive Vice Chancellor will conduct appropriate personnel action including a potential for reimbursement of ineligible or questionable expenditures.

INFORMATION SYSTEMS

Recommendation 11

We recommend that the CSURMA document policies on information security systems access for the iVOS claims processing system.

Management Response

We concur. At its May 9, 2013 meeting, the CSURMA Executive Committee took action to review and accept the iVOS user policy of the Systemwide Office of Risk Management for access to the iVOS claims processing system.

PROGRAM ADMINISTRATION

Recommendation 12

We recommend that the CSURMA:

- a. Document the delegation of authority from the EC or the Board to the various entities and individuals who sign and/or approve claims settlement agreements.
- b. Develop and document a policy or procedure to address the CSURMA claims settlement process for campus pooled programs.

- c. Maintain a central repository of CO and campus settlement authorities for workers' compensation and general liability claims.

Management Response

We concur. At its May 21, 2013 meeting the CSURMA Executive Committee adopted Policy and Procedure No. 19 - Campus Risk Pool Settlement Authority describing the claims settlement process and delegated authorities. The program administrator has been directed to maintain a central repository of CO and campus settlement authorities and has obtained written notification from 22 of the campuses and the CO. Obtaining of the 23rd campus' information will be completed by September 2013. The program administrator has been directed to include an update of the campus notification as a part of the annual service calendar.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

July 23, 2013

CHICO

DOMINGUEZ HILLS

MEMORANDUM

EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Timothy P. White
Chancellor



HUMBOLDT

SUBJECT: Draft Final Report 12-65 on the
California State University Risk Management Authority

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of July 23, 2013, I accept the response as submitted with the draft final report on the *California State University Risk Management Authority*.

MONTEREY BAY

NORTHRIDGE

TPW/amd

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS

ADOPTION OF CSURMA AORMA 2014 MEETING CALENDAR

ISSUE: Noted below are the proposed 2014 AORMA Committee meeting dates.

Description	Date	Day	Time	Location
AORMA Committee	3/20	Thursday	10:00 AM	TBD
AORMA Committee	5/08	Thursday	10:00 AM	Long Beach
New Member Orientation	9/10	Wednesday	9:00 AM	TBD
AORMA Committee – LRP	9/10	Wednesday	10:00 AM	TBD
AORMA Committee	9/11	Thursday	10:00 AM	TBD
AORMA Committee	10/23	Thursday	10:00 AM	Long Beach
AORMA Committee	12/04	Thursday	10:00 AM	TBD

RECOMMENDATION: Staff recommends approving the proposed 2014 AORMA Committee meeting dates, with changes as appropriate.

FISCAL IMPACT: None.

BACKGROUND: In prior years, all of the AORMA Committee meetings were held in the Alliant offices in San Francisco. Recently, hotel rates in San Francisco have skyrocketed, and therefore, meetings have been held in either the CSU Chancellors Office or the Alliant offices in Newport Beach. After these meeting dates are approved, Staff will research hotel rates in San Francisco. If reasonably priced accommodations are available, the AORMA Committee meetings will be held in San Francisco. If not, the meetings will be held in either the CSU Chancellors Office or the Alliant offices in Newport Beach.

PUBLICATION: The approved calendar will be posted on the CSURMA website and will be included in all of the agenda packets.

ATTACHMENT(S): None.

COMPLETION OF THE AORMA SERVICE CALENDAR

ISSUE: Staff created the AORMA Service Calendar. This calendar includes all of the AORMA activities that occur on a regular basis as documented in AORMA's policies and procedures, contracts or meeting agendas. This calendar will be kept up-to-date and will be included in each agenda packet.

RECOMMENDATION: Staff recommends approving the AORMA Service Calendar as presented.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: The AORMA Service Calendar will be included in each agenda packet and will reside on the CSURMA website.

ATTACHMENT(S):

- a. Draft AORMA Service Calendar

RESPONSIBLE ENTITY	ACTION/RESPONSIBILITY	DEADLINE	STATUS
JULY, 2013			
Alliant Staff	Send out AORMA binder, insurance summary and invoice to all members	7/04/13	Completed
Alliant Staff	Request Workers' Compensation and Liability loss runs @ 6/30 – Forward to Actuary	7/07/13	Completed
Alliant Staff	Request Liability (EPL check register) for minimum EPL deductible calculation for FY 14/15	7/07/13	Completed
Liability TPA	Survey legal counsel compensation and recommend to AORMA a fair and equitable maximum allowable hourly rate	7/31/13	Requested
Alliant Staff	Request final audited payroll from all Workers' Compensation program members for the term July 1, 2012 to June 30, 2013	7/31/13	Requested
AUGUST, 2013			
Actuary	Completion of draft actuarial studies for Workers' Compensation and Liability programs	8/01/13	Completed
AORMA Chair / Alliant Staff	Prepare AORMA summary for AOA Executive Committee meeting on August 16, 2013	8/02/13	Completed
Liability TPA	Send out watch list for the liability claims review	8/09/13	Completed
Liability TPA	AORMA liability claims review	8/13/13	Completed
Alliant Staff	Calculate each member's minimum EPL deductible for the FY 14/15 liability coverage term	8/26/13	Completed
Alliant Staff	UIP - Process EDD Statement of Reimbursable Benefit Charges for the period ending 6/30/13	8/31/13	
Alliant Staff	Complete Target Surplus Funding Report	8/31/13	Completed
CSU Accounting	Completion of Financial Audit for the period ending June 30, 2013	8/31/13	
Alliant Staff	Calculate additional premium or return premium for each Workers' Compensation program member based on the audited payroll for FY 12/13	8/31/13	
<i>Programs Committee Meeting (Teleconference) – August 8, 2013 – Agenda Items</i>			
1. Finalize the revisions to the FY 14/15 Property program premium allocation formula			
2. Finalize the revisions to the FY 14/15 Crime program premium allocation formula			

RESPONSIBLE ENTITY	ACTION/RESPONSIBILITY	DEADLINE	STATUS
3. Discuss extending AORMA Liability Insurance Program to cover the VEBA Trust			
<i>MSLCT Committee Meeting (Teleconference) – August 26, 2013 - Agenda Items</i>			
1. Review Risk Reduction Matching Grant Program applications – award grants as applicable			
SEPTEMBER, 2013			
CSU Accounting	Prepared invoices or checks for the FY 12/13 Workers' Compensation payroll audit	9/15/13	
Alliant Staff	Completion of Workers' Compensation payroll desk audits	9/30/13	
Alliant Staff	Send out invoices or checks for the FY 12/13 Workers' Compensation payroll audit	9/30/13	
Alliant Staff / AORMA Chair	AORMA Committee update letter to all AORMA members summarizing the funding and dividends approved for the upcoming fiscal year	9/30/13	
Alliant Staff	Completion of the AORMA UIP Financial Statement	9/10/13	
<i>AORMA Committee Long Range Planning Meeting(Long Beach) – September 11, 2013 – Agenda Items</i>			
1. Introduction of new committee members			
2. Review of FY 12/13 AORMA Long Range Action Plan			
3. Recap of 2013 AORMA Officers Retreat			
4. Discussion regarding use of technology in safety training			
5. Review of loss ratio analysis (Liability and Workers' Compensation programs)			
6. Review of historical premium and dividends			
7. Review EPL losses vs. expenses			
8. Review of Target Surplus Funding report			
9. Review of historical 80% pool funding, dividends approved and funds remaining in the workers' compensation and liability pools			
10. Review of AOA Conference sessions			
11. AORMA Committee continuity plan			
12. Development of the Long Range Action Plan			
13. Review of AORMA Annual Service Calendar			

RESPONSIBLE ENTITY	ACTION/RESPONSIBILITY	DEADLINE	STATUS
	14. Review of Estimated Fund Balance @ 6/30/13 – Workers’ Compensation and Liability Programs		
	15. Review of Campus / Auxiliary Visit Schedule		
<i>AORMA Committee Meeting(Long Beach) – September 12, 2013 – Agenda Items</i>			
	1. Review of Estimated Fund Balance @ 6/30/13 – Workers’ Compensation and Liability Programs		
	2. Review of AORMA Program Expenses @ 6/30/13		
	3. Review and Acceptance of Liability Actuarial Study for FY 14/15		
	4. Review and Acceptance of Workers’ Compensation Actuarial Study for FY 14/15		
	5. Review of Target Surplus Funding Report		
	6. Approval of Liability and Workers’ Compensation dividend payable in July, 2014		
	7. Approval of FY 14/15 Liability Insurance Program – Total Funding		
	8. Approval of FY 14/15 Workers’ Compensation Insurance Program – Total Funding		
	9. Approval of FY 14/15 Property Insurance Program – Total Funding		
	10. Approval of FY 14/15 Crime Insurance Program – Total Funding		
	11. Review of AORMA’s approved legal counsel list		
	12. Approval of maximum allowable hourly rate for legal counsel		
	13. Review and approve revisions to the FY 14/15 Property program premium allocation		
	14. Review and approve revisions to the FY 14/15 Crime program premium allocation		
	15. Adoption of 2014 meeting calendar		
	16. Approval of 2014 AOA Conference sponsorship		
	17. Approval of AORMA Annual Service Calendar		
	18. Review of CSURMA Audit		
	19. Approval of 2013 liability claims audit		
	20. Approval of Policy and Procedure Review Schedule		
	21. Approval of revisions to Policy & Procedure A-6 – Risk Reduction Matching Grant Program		
OCTOBER, 2013			

RESPONSIBLE ENTITY	ACTION/RESPONSIBILITY	DEADLINE	STATUS
Nominations Committee	Poll eligible AORMA Committee members to determine which members are willing to be nominated for the Vice Chair position	10/15/13	Completed
Alliant Staff	Request FY 14/15 estimated Workers' Compensation payroll	10/01/13	
Alliant Staff	Request completion of the FY 14/15 Liability application	10/01/13	
Alliant Staff / AORMA Chair	Send out notification of minimum Employment Practices Liability deductibles for FY 14/15	10/31/13	
<i>Programs Committee Meeting (Teleconference) – October 3, 2013 – Agenda Items</i>			
	1. Review Workers' Compensation payroll desk audits		
	2. Approval of meeting dates for 2014		
	3. Approval of PC long range action plan		
	4. Review of approved funding for the Liability, Workers' Compensation, Property and Crime programs		
	5. Review of the Liability and Workers' Compensation actuarial studies		
	6. Review of the Target Surplus Funding report		
	7. Approve the minimum Employment Practices Liability deductibles for FY 14/15		
<i>AORMA Committee Meeting (Newport Beach) – October 24, 2013 – Agenda Items</i>			
	1. Approval of long range action plan for 2014		
	2. Discussion and approval of AOA Conference free registrations		
	3. Vice Chair election will be held during the AORMA Committee meeting		
NOVEMBER, 2013			
AORMA Chair / Alliant Staff	Prepare AORMA summary for AOA Executive Committee meeting on November 15, 2013	11/01/13	
Liability TPA	Send out watch list for the liability claims review on November 12, 2013	11/08/13	
Liability TPA	AORMA liability claims review	11/12/13	
Alliant Staff	Send out Program Manuals	11/15/13	
Alliant Staff	Completion of the Liability and Workers' Compensation dividend allocation for	11/30/13	

RESPONSIBLE ENTITY	ACTION/RESPONSIBILITY	DEADLINE	STATUS
	distribution in July, 2014		
Alliant Staff	Completion of the Unemployment Insurance Program member allocation for FY 14/15	11/30/13	
Alliant Staff	Completion of the Liability program member allocation for FY 14/15	11/30/13	
Alliant Staff	Completion of the Workers' Compensation program member allocation for FY 14/15	11/30/13	
Alliant Staff	Completion of the Property program member allocation for FY 14/15	11/30/13	
Alliant Staff	Completion of the Crime program member allocation for FY 14/15	11/30/13	
Alliant Staff	Review volunteer losses within the Workers' Compensation program	11/30/13	
Alliant Staff	UIP - Process EDD Statement of Reimbursable Benefit Charges for the period ending 9/30/13	11/30/13	
<i>MSLCT Committee Meeting (Teleconference) – November 18, 2013 – Agenda Items</i>			
	1. Approval of meeting dates for 2014		
	2. Approval of MSLCTC long range action plan		
	3. Approval of the Workers' Compensation Safety Program Award – Safety Superstar		
<i>CSURMA EC</i>	<i>CSURMA Executive Committee Meeting (Sacramento)</i>	<i>11/06/13</i>	
<i>CSURMA BOD</i>	<i>CSURMA Board of Directors Meeting (Sacramento)</i>	<i>11/06/13</i>	
DECEMBER, 2013			
AORMA Chair / Alliant Staff	Prepare AORMA summary for AOA Executive Committee meeting on January 11, 2014	12/27/13	
<i>AORMA Committee</i>	<i>AORMA Committee Meeting – December 5, 2013 – Agenda Items</i>	<i>12/05/13</i>	
<i>Programs Committee</i>	<i>Programs Committee Meeting - December 12, 2013 – Agenda Items</i>	<i>12/12/13</i>	
	1. Approval of the Liability and Workers' Compensation dividend allocation for distribution in July, 2014		
	2. Approval of the Workers' Compensation AORMA class codes rates for FY 14/15		
	3. Approval of the Unemployment Insurance Program member allocation for FY 14/15		

RESPONSIBLE ENTITY	ACTION/RESPONSIBILITY	DEADLINE	STATUS
	4. Approval of the Liability program member allocation for FY 14/15		
	5. Approval of the Workers' Compensation program member allocation for FY 14/15		
	6. Approval of the Property program member allocation for FY 14/15		
	7. Approval of the Crime program member allocation for FY 14/15		
	8. Review of all Workers' Compensation member's experience modification factors		
	9. Approval of meeting dates for 2014		
	10. Approval of PC long range action plan for 2014		
JANUARY, 2014			
Alliant Staff	Completion of the AORMA Annual Report	1/05/14	
Nominations Committee	At the AOA Conference, during the AORMA Breakfast Presentation, announce the new Vice Chair as well as open seats on the AORMA Committee	1/07/14	
Alliant Staff	Notify the Workers' Compensation program members of their experience modification factor in accordance with P&P W-3 – Satisfactory, Early Warning Notice or Termination Warning	1/15/14	
Alliant Staff	Final premium / rate letter to all AORMA members – include information regarding Workers' Compensation coverage for volunteers	1/31/14	
FEBRUARY, 2014			
Alliant Staff	UIP - Process EDD Statement of Reimbursable Benefit Charges for the period ending 12/31/13	2/28/14	
Alliant Staff	Schedule the AORMA workers' compensation claims audit (every even year)	2/28/14	
Alliant Staff	Schedule the AORMA liability claims audit (every odd year)	2/28/14	
<i>MSLCT Committee Meeting – February 3, 2014 – Agenda Items</i>			
	1. Review of the MSLCTC budget for FY 14/15		
	2. Recommended funding for the Risk Reduction Matching Grant Program for FY 14/15		
	3. Review the Liability and Workers' Compensation loss information to identify patterns and claims which may be preventable with the (1) purchase, replacement or upgrade of physical property or (2) development of specialized training		

RESPONSIBLE ENTITY	ACTION/RESPONSIBILITY	DEADLINE	STATUS
4. Identify the focus of the Risk Reduction Matching Grant Program for FY 14/15			
<i>Programs Committee Meeting - February 6, 2014 – Agenda Items</i>			
Liability TPA	Send out watch list for the liability claims review on February 18, 2014	2/14/14	
Liability TPA	AORMA liability claims review	2/18/14	
MARCH, 2014			
AORMA Chair / Alliant Staff	Prepare AORMA summary for AOA Executive Committee meeting on March 21, 2014	3/07/14	
Nominations Committee & Alliant Staff	Forward slate of nominees to fill the open seats on the AORMA Committee to the AOA Executive Committee for review and comment	3/20/14	
AORMA Committee Members and Staff	Completion of the Form 700 – Statement of Economic Interest	3/31/14	
WC Claims Consultant	Completion of the claims audit of the Workers' Compensation program (every odd-numbered year)		
Liability Claims Auditor	Completion of the claims audit of the Liability program (every even-numbered year)	3/14/14	
<i>AORMA Committee Meeting – March 20, 2014 – Agenda Items</i>			
1. Review and approval of FY 13/14 CSURMA budget – midterm adjustments			
2. Review and approval of FY 14/15 CSURMA budget			
3. Review slate of nominees to fill the open seats on the AORMA Committee			
4. Review the Auxiliary Service Provider Report			
5. Review and accept the workers' compensation claims audit (every even year)			
6. Review and accept the liability claims audit (every odd year)			
7. Review of excess insurance renewal report			
8. Discussion regarding the renewal of the Alliant Loss Control Services (risk control consulting) contract – one year contract expiring on June 30, 2014			
9. Discussion regarding the renewal of the Employers Group (HR consulting services) contract – one year contract expiring on June 30, 2014			

RESPONSIBLE ENTITY	ACTION/RESPONSIBILITY	DEADLINE	STATUS
	10. Discussion regarding the renewal of the TargetSolutions (on-line safety training) contract – three year contract expiring on June 30, 2015		
	11. Discussion regarding the renewal of the Employers Edge (unemployment insurance claims administrator) contract – five year contract expiring on June 30, 2018		
	12. Discussion regarding the renewal of the Carl Warren (AORMA third party liability claims administrator) contract – five year contract expiring on June 30, 2016		
	13. Discussion regarding the renewal of the Sedgwick (Workers' Compensation claims administration) contract – five year contract expiring on June 30, 2018		
<i>CSURMA EC</i>	<i>CSURMA Executive Committee Meeting</i>	<i>3/20/14</i>	
<i>CSURMA EC</i>	<i>CSURMA Executive Committee Long Range Planning Meeting</i>	<i>3/21/14</i>	
APRIL, 2014			
Alliant Staff	Send out a memo to all Members identifying the focus of the Program and inviting Members to apply for the grant by completing the grant application	4/30/14	
Liability TPA	Send out watch list for the liability claims review on April 8, 2014	4/04/14	
Liability TPA	AORMA liability claims review	4/08/14	
Alliant Staff	Send out ballot for AORMA Committee term beginning on July 1, 2014	4/01/14	
Alliant Staff	Receive back all AORMA Committee ballots for the term beginning on July 1, 2014	4/30/14	
AORMA Chair	Appoint the PC and MSLCTC Chair for a one year term beginning on July 1, 2014	4/30/14	
Alliant Staff	Send out letter from the AORMA Chair appointing the new PC and MSLCTC Chair for the term beginning on July 1, 2014	4/30/14	
<i>MSLCT Committee Meeting (Teleconference) – April 7, 2014 – Agenda Items</i>			
	1. Approve the blank grant application and a maximum per Member grant amount		
	2. Review the Auxiliary Service Provider Report		
	3. Discussion regarding the renewal of the Alliant Loss Control Services (risk control consulting) contract – one year contract expiring on June 30, 2014		
	4. Discussion regarding the renewal of the Employers Group (HR consulting services) contract – one year contract expiring on June 30, 2014		
	5. Discussion regarding the renewal of the TargetSolutions (on-line safety training) contract – three year contract expiring on June 30, 2015		
	6. Discussion regarding the renewal of the Employers Edge (unemployment insurance claims administrator) contract – five year contract expiring on		

RESPONSIBLE ENTITY	ACTION/RESPONSIBILITY	DEADLINE	STATUS
June 30, 2018			
7. Recommendation for MSLCTC Chair for FY 14/15			
<i>Programs Committee Meeting – April 10, 2013 – Agenda Items</i>			
1. Recommendation for PC Chair for FY 14/15			
MAY, 2014			
AORMA Chair / Alliant Staff	Send out appointment letters to the newly elected AORMA Committee members for the term beginning on July 1, 2014	5/30/14	
AORMA Chair / Alliant Staff	Send out appointment letters to the newly appointed AORMA Standing Committee Chairs for the term beginning on July 1, 2014		
Alliant Staff	Update the AORMA Committee and Standing Committee Org Chart for the term beginning July 1, 2014	5/30/14	
Alliant Staff	Update the AORMA Committee and Standing Committee Roster for the term beginning July 1, 2014	5/30/14	
Alliant Staff	UIP - Process EDD Statement of Reimbursable Benefit Charges for the period ending 3/31/14	5/30/14	
<i>AORMA Committee Meeting – May 8, 2014 – Agenda Items</i>			
2. Review of excess insurance placements reports			
3. Approval of binding authority on the excess insurance placements			
4. Announce the outcome of the AORMA Committee election			
5. Announce the appointment of the PC and MSLCTC Chair for the one year term beginning on July 1, 2014			
6. Approval of the renewal of the Alliant Loss Control Services (risk control consulting) contract – one year contract expiring on June 30, 2014			
7. Approval of the renewal of the Employers Group (HR consulting services) contract – one year contract expiring on June 30, 2014			
8. Approval of the renewal of the TargetSolutions (on-line safety training) contract – three year contract expiring on June 30, 2015			
9. Approval of the renewal of the Employers Edge (unemployment insurance claims administrator) contract – five year contract expiring on June 30, 2018			
10. Approval of the renewal of the Carl Warren (AORMA third party liability claims administrator) contract – five year contract expiring on June 30, 2016			

RESPONSIBLE ENTITY	ACTION/RESPONSIBILITY	DEADLINE	STATUS
11. Approval of the renewal of the Sedgwick (Workers' Compensation claims administration) contract – five year contract expiring on June 30, 2018			
<i>CSURMA EC</i>	<i>CSURMA Executive Committee Meeting</i>	<i>5/09/14</i>	
<i>CSURMA BOD</i>	<i>CSURMA Board of Directors Meeting</i>	<i>5/09/14</i>	
JUNE, 2014			
AORMA Chair / Alliant Staff	Prepare AORMA summary for AOA Executive Committee meeting on June 6, 2014		
JULY, 2014			
<i>AORMA Officers</i>	<i>AORMA Officers Retreat – Location TBD</i>	<i>TBD</i>	
Alliant Staff	Send to CSU Accounting the approved Liability and Workers' Compensation dividend allocation for processing	7/01/14	
Alliant Staff	Request a review of the claims activity within the UIP – claims activity variations of more than 10% above or below pricing levels used will resulting in a pricing adjustment	7/05/14	
Alliant Staff	Request Workers' Compensation and Liability loss runs @ 6/30 – Forward to Actuary	7/05/14	
CSU Accounting	Process the Liability and Workers' Compensation dividend checks and forward to Alliant for distribution	7/15/14	
Alliant Staff	Distribute the Liability and Workers' Compensation dividend checks	7/31/14	
<i>MSLCT Committee Meeting – July 28, 2014 – Agenda Items</i>			
1. Review grant applications, and if found to be appropriate and consistent with the purpose of the Program, approve the grants			
<i>Programs Committee Meeting – July 31, 2014 – Agenda Items</i>			
AUGUST, 2014			
SEPTEMBER, 2014			

RESPONSIBLE ENTITY	ACTION/RESPONSIBILITY	DEADLINE	STATUS
<i>AORMA Committee</i>	<i>AORMA Committee Long Range Planning Meeting</i>	<i>9/10/14</i>	
<i>AORMA Committee</i>	<i>AORMA Committee Meeting</i>	<i>9/11/14</i>	
<i>CSURMA EC</i>	<i>CSURMA Executive Committee Meeting</i>	<i>9/12/14</i>	
OCTOBER, 2014			
<i>AORMA Committee</i>	<i>AORMA Committee Meeting</i>	<i>10/23/14</i>	
<i>CSURMA EC</i>	<i>CSURMA Executive Committee Meeting</i>	<i>10/24/14</i>	
<i>CSURMA BOD</i>	<i>CSURMA Board of Directors Meeting</i>	<i>10/24/14</i>	
NOVEMBER, 2014			
<i>MSLCT Committee</i>	<i>MSLCT Committee Meeting (Teleconference)</i>	<i>11/17/14</i>	
DECEMBER, 2014			
<i>Programs Committee</i>	<i>Programs Committee Meeting (Teleconference)</i>	<i>12/11/14</i>	

APPROVAL OF 2014 AOA CONFERENCE SPONSORSHIP

ISSUE: The annual Auxiliary Organizations Association (AOA) Conference will be held January 12 - 15, 2014 in Sacramento, CA.

RECOMMENDATION: It is recommended that the Committee review AORMA's participation in the upcoming AOA Conference and provide direction to Staff as appropriate.

FISCAL IMPACT: Historically, CSURMA has provided sponsorship in the amount of \$15,000. Last year, for the 2013 conference, CSURMA increased its sponsorship to \$18,000. The additional \$3,000 was due to the termination of the AOUIT trust. Up until its termination, the Trust provided sponsorship in the amount of \$3,000.

BACKGROUND: The AOA Conference is a great opportunity for the AORMA Committee to remind the membership of the many ways they have benefited by joining the program. The conference is also a good venue for providing risk management training to a large number of its members at one time.

PUBLICATION: None.

ATTACHMENTS: None.

**REVIEW OF PROPERTY PROGRAM RATING ALLOCATION
FOR FY 14/15**

ISSUE: At the September, 2012, AORMA Committee long range planning meeting, the AORMA Programs Committee was assigned the task of reviewing and revising, as appropriate, the current property allocation formula. The PC met on five separate occasions (1/03/12, 4/18/13, 6/06/13, 6/27/13 and 8/08/13) over an eight month period where they scrutinized the current property allocation formula and are now recommending revisions to the FY 14/15 property program rating and allocation methodology.

On July 10, 2013, during the AORMA officers retreat, the draft FY 14/15 property program rating and allocation methodology was reviewed. Overall, the officers were pleased with the basic allocation methodology changes, but recommend that the Programs Committee explore an alternative deductible option of \$5,000 for personal property and 1% of the TIV, with a minimum of \$5,000 and maximum of \$50,000 for real property and business interruption / rents. The Programs Committee reviewed the alternative deductible option at their 8/08/13 meeting and has included the deductible revision in draft being presented today.

RECOMMENDATION: The Programs Committee recommends approve the revised Property Program Rating and Allocation formula as presented.

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

PUBLICATION: The FY 14/15 property program final rates and estimated premiums will be distributed to the AORMA members in January, 2014. Staff will include a summary of the property allocation changes in its September update letter which will be sent to all of the auxiliary organization executive directors.

BACKGROUND: The revised property allocation formula includes the following factors:

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 funding requirement.

Real Property - .2115

Personal Property - .2538

Size Credits – The property allocation 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. The size credit 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 a pool size credit.

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 ten members at the maximum collar.

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

Deductibles – All members will have a \$5,000 deductible for personal property. The real property and business interruption / rents deductible will be 1% of the TIV, with a minimum of \$5,000 and maximum of \$50,000.

Minimum Premium – The minimum premium for FY 14/15 will remain at \$600.

Noted below is a recap of the five Programs Committee meetings where the property allocation formula was discussed.

1. **January 3, 2013** – Staff explained that the property allocation formula is currently based on the Member's prior year's premium, losses, total insurable values and deductible size. The long term goal for the program was that all members would, eventually, use the same basic rate as a starting point and that the rates would be individually modified based on the member's losses and deductible choice. Currently, the majority of members utilize the basic AORMA property rate. However, there are a few members who have a rate that is substantially lower than the program rate.

Direction to Staff - January 3, 2013 Meeting - Bring to the next meeting two different property allocation formulas. The first formula would have one basic rate for all member property. The second formula would have two basic rates – one for real property and one for personal property.

2. **April 18, 2013** - The Programs Committee members reviewed the two property allocation formula options. 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: 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.

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 are included as follows:

- \$10,000 deductible - .98
- \$25,000 deductible - .97
- \$50,000 deductible - .96
- \$100,000 deductible - .94

Rate collars are included as follows:

- Minimum rate collar – 80% of the previous year's rate
- Maximum rate collar – 130% of the previous year's rate

The minimum premium for each member is \$500

Option B: All members start with two basic 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. The loss rating surcharge, deductible credits, rate collars and the minimum premium are the same as Option A above.

Direction to Staff - April 18, 2013 Meeting:

- a. *Review deductible credits.* Deductible credits as presented in the allocations appear to be too low.
 - b. *Review rate split within Option B between real property and business interruption / rents and personal property.* Currently, the rate difference is \$.04.
 - c. *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.
3. **June 6, 2013** – The committee reviewed the revised property allocation which 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.

Direction to Staff – June 6, 2013 Meeting:

Include mandatory 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.

4. **June 27, 2013** - The committee reviewed two revised property allocation formulas – Option F – one deductible based on total TIV, and 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:

- \$5,000 – no rate credit
- \$10,000 – 1% rate credit
- \$25,000 – 2% rate credit
- \$50,000 – 3% rate credit
- \$100,000 – 5% rate credit

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.

Direction to Staff – June 27, 2013 Meeting:

Present Option G with the split deductibles to the AORMA officers at the officers’ retreat for comments, recommendations and/or approval to finalize.

5. *August 8, 2013* - The committee reviewed the revised property allocation formula which included the same deductible for all members.

\$5,000 for personal property

1% of the TIV (with a minimum of \$5,000 and maximum of \$50,000) for real property and business interruption / rents

Direction to Staff – August 8, 2013 Meeting:

Present Option J with the revised deductibles to the AORMA committee in September, 2013 for approval.

ATTACHMENTS:

- a. The draft FY 14/15 Property Program Rating Allocation Method will be available to view during the meeting in excel format.

**REVIEW OF CRIME PROGRAM RATING ALLOCATION
FOR FY 14/15**

ISSUE: At the September, 2012, AORMA Committee long range planning meeting, the AORMA Programs Committee was assigned the task of reviewing and revising, as appropriate, the current crime allocation formula. The PC met on five separate occasions (1/03/12, 4/18/13, 6/06/13, 6/27/13 and 8/08/13) over an eight month period where they scrutinized the current crime allocation formula and are now recommending revisions to the FY 14/15 crime program rating and allocation methodology.

On July 10, 2013, during the AORMA officers retreat, the FY 14/15 crime program rating and allocation methodology was reviewed. Overall, the officers were pleased with the basic allocation methodology changes, but recommended (1) excluding from the total expenditures, expenses for services purchased by one member from another member and (2) consider reducing the minimum premium for those auxiliaries that have no employees and contract for all of their services from another auxiliary. The Programs Committee discussed the officers' suggested changes, but did not include the suggestions in the draft FY 14/15 crime program rating and allocation methodology being presented today. The member's total expenditures are used in the allocation as a way to set the minimum premium for those members who have no employees. Because, all of the members with no employees would have similar expenditure exclusion for contract services, the basic exposure remains the same. Therefore, the Programs Committee instead reviewed the minimum premiums to determine if the amounts were still viable.

RECOMMENDATION: The Programs Committee recommends approval of the revised Crime Program Rating and Allocation formula as presented.

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.

PUBLICATION: The FY 14/15 crime program final rates and estimated premiums will be distributed to the AORMA members in January, 2014. Staff will include a summary of the crime allocation changes in its September update letter which will be sent to all of the auxiliary organization executive directors.

BACKGROUND: The draft FY 14/15 crime program rating and allocation methodology includes the following allocation factors:

1. **Basic Rates** – All members are assigned a basic rate which is multiplied by the member’s total estimated payroll to establish the base premium.
2. **Size Credit** – A size credit is applied to the base premium which allows the largest members to receive rate relief. Overall, AORMA receives a lower rate due to 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.
3. **Collared Rates** – Rate collars are included as follows and will change every year, until no collars are necessary:
 - a. Minimum premium collar – 85% of the previous year’s premium
 - b. Maximum premium collar – 145% of the previous year’s premium
4. **Loss Rating** – The loss rating surcharges are included as follows:
 - 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
5. **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:
 - a. Expenditures under \$2,000,000 – MP \$250
 - b. Expenditures between \$2,000,001 and \$6,000,000 – MP \$1,250
 - c. Expenditures between \$6,000,001 and \$10,000,000 – MP \$2,250
 - d. Expenditures between \$10,000,001 and \$20,000,000 – MP \$2,750
 - e. Expenditures over \$20,000,000 – MP \$3,250
6. **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.
7. **Deductible** – All members will have a \$5,000 deductible.

Noted below is a recap of the five Programs Committee meetings where the crime allocation formula was discussed.

1. **January 3, 2013** – Staff explained that the crime allocation is based on the following factors:

- a. Prior year's premium
- b. Number of employees (FTE)
- c. Total expenditures
- d. Loss information

Staff expressed concerns with these allocation factors. (1) Prior year's premium – some members, in the past, did not purchase crime coverage and therefore, were added to this program essentially for free (the lowest premium in FY 12/13 was \$5. In FY 13/14 the minimum premium was increased to \$100.) Some members purchased stand alone coverage with inflated premiums compared to the overall AORMA premium. (2) Number of employees (FTE) – The members tend to have many part-time employees; however, the number of hours worked by each employee can vary widely. One part-time employee may work three hours per week whereas another employee may work 15 hours per weeks. So the number of employees (FTE) seems to be an unreliable allocation factor. (3) In the current allocation, the total expenditures are added to the total number of employees, which means that the members with employees are being allocated too high of a percentage of the total premium.

Direction to Staff – January 3, 2013 Meeting – Bring to the next meeting a new crime allocation formula which addresses the allocation concerns noted above.

2. **April 18, 2013** - The Programs Committee members reviewed the draft crime allocation formula. The allocation factors included are payroll, expenditures and losses. Minimum premiums are applied based on expenditures.

Basic Premium - All members are assigned a basic premium based solely on total payroll

Size Credits - 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. Only two members receive the full 30% size credit.

Collared Rates - Premium collars are included as follows:

Minimum premium collar – 80% of the previous year's premium

Maximum premium collar – 150% of the previous year's premium

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

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 - A minimum premium for each member are established based on total expenditures as follows:

- Expenditures less than \$1,000,000 - \$100 minimum premium
- Expenditures between \$1,000,000 and \$3,000,000 - \$500 minimum premium
- Expenditures in excess of \$3,000,000 - \$750 minimum premium

Deductibles – A deductible is assigned based on premium size as follows:

- FY 14/15 premium less than \$5,000 - \$2,500 deductible
- FY 14/15 premium in excess of \$5,000 - \$5,000 deductible

Direction to staff – April 18, 2013 Meeting

- a. Look into increasing the minimum premiums of \$100, \$500 or \$750.
 - b. Review the option mandating a minimum deductible of \$5,000 for all members and including the option of increasing the \$5,000 deductible to \$10,000 with a rate decrease.
3. **June 6, 2013** – The committee reviewed the revised crime allocation formula.

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

Size Credit – The size credit remains the same. The crime allocation includes a size credit 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 – The rate collars remain the same. 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 surcharge remains the same. 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.

Direction to Staff – June 6, 2013 Meeting

- a. Delete the \$10,000 deductible option. Because crime losses are infrequent, having a \$10,000 deductible option isn't reducing the overall program losses and therefore, it was felt that a premium reduction for a higher deductible did not benefit the pool.
 - b. Spread the admin costs evenly between the members rather than basing the allocation on percentage of premium.
4. **June 27, 2013** – The committee reviewed the revised crime allocation.

Basic Rates – The basic rate was reduced from .065 to .04 due to the admin cost being allocated separately.

Size Credit – The size credit remains the same. 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 – The collared rate minimums and maximum remain the same. 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 remain the same.

- 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 – 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 \$250 (Median \$383)
- Expenditures between \$2,000,001 and \$6,000,000 – MP \$1,250 (Median \$1,876)
- Expenditures between \$6,000,001 and \$10,000,000 – MP \$2,250 (Median \$2,608)
- Expenditures between \$10,000,001 and \$20,000,000 – MP \$2,750 (Median \$4,108)
- Expenditures over \$20,000,000 – MP \$3,250 (Median \$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.

Direction to Staff – June 27, 2013 Meeting

Present the revised crime allocation formula to the AORMA officers at the officers’ retreat for comments, recommendations and/or approval to finalize.

5. ***June 27, 2013*** – On July 10, 2013, during the AORMA officers retreat, the FY 14/15 crime program rating and allocation methodology was reviewed. Overall, the officers were pleased with the basic allocation methodology changes, but recommended (1) excluding from the total expenditures, expenses for services purchased by one member from another member and (2) consider reducing the minimum premium for those auxiliaries that have no employees and contract for all of their services from another auxiliary. The Programs Committee discussed the officers’ suggested changes, but did not include the suggestions in the draft FY 14/15 crime program rating and allocation methodology being presented today. The member’s total expenditures is used in the allocation as a way to set the minimum premium for those members who have no employees. Because, all of the members with no employees would have similar expenditure exclusion for contract services, the basic exposure remains the same. Therefore, the Programs Committee instead reviewed the minimum premiums to determine if the amounts were still viable.

Direction to Staff – August 8, 2013 Meeting:

Present the draft FY 14/15 crime program rating and allocation methodology to the AORMA committee in September, 2013 for approval.

ATTACHMENT(S): Draft FY 14/15 Crime Rating Allocation Method – Version D will be reviewed as a handout during the meeting.

CSURMA AORMA 2013 MEETING CALENDAR

ISSUE: The Program Administrator includes a current copy of the CSURMA AORMA meeting calendar in every agenda

RECOMMENDATION: No action is requested on this item.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S):

- a. CSURMA AORMA – 2013 Meeting Calendar



California State University Risk Management Authority
 Auxiliary Organizations Risk Management Alliance

2013 CSURMA • AORMA MEETING CALENDAR

JANUARY, 2013		FEBRUARY, 2013		MARCH, 2013	
3	PC: Teleconference, 2:00 p.m.	4	MSLCTC: Teleconference, 11:00 a.m.	21	AORMA: Newport Beach, 9:00 a.m.
				21	EC: Newport Beach, 2:30 p.m.
				22	EC LRP: Newport Beach, 8:00 a.m.
					Only the AORMA Chair and Vice Chair attend the EC meetings
					Only the AORMA Chair attends to AOA EC meeting
APRIL, 2013		MAY, 2013		JUNE, 2013	
18	PC: Teleconference, 2:00 p.m.	9	AORMA: Long Beach, 10:00 a.m.	3	MSLCTC: Teleconference, 11:00 a.m.
		9	EC: Long Beach, 4:00 p.m.	6	PC: Teleconference, 2:00pm
		10	EC: Long Beach, 8:00 a.m.		
		10	BOD: Long Beach, 10:30 a.m.		
			Only the AORMA Chair and Vice Chair attend the EC meetings		
			All AORMA Committee members attend the BOD		

AORMA = Auxiliary Organizations Risk Management Alliance Committee	PC = AORMA Programs Committee	EC = CSURMA Executive Committee
AOUIT = Auxiliary Organizations Unemployment Insurance Trust	AORMA LRP = AORMA Long Range Planning Meeting	EC LRP = EC Long Range Planning Meeting
MSLCTC = AORMA Member Services, Loss Control & Training Committee	AOA = CSU Auxiliary Organizations Association	BOD = CSURMA Board of Directors

2013 CSURMA • AORMA MEETING CALENDAR

JULY, 2013	AUGUST, 2013	SEPTEMBER, 2013
<p>10-11 AORMA Officers Retreat – Monterey</p> <p>Only the AORMA Chair, Vice Chair, Past Chair and Ex Officio attend the AORMA Officers Retreat</p>	<p>4 PC: Teleconference, 2:00 p.m.</p> <p>26 MSLCTC: Teleconference, 11:00 a.m.</p> <p>8 PC: Teleconference, 2:00 p.m.</p>	<p>11 AORMA New Committee Member Orientation: Long Beach, 9:00 a.m.</p> <p>11 AORMA LRP: Long Beach, 10:00 a.m.</p> <p>12 AORMA: Long Beach, 9:00 a.m.</p> <p>12 EC Orientation: Dominguez Hills, 4:00 p.m.</p> <p>13 EC: Dominguez Hills, 8:30 a.m.</p> <p>Only the AORMA Chair and Vice Chair attend the EC meetings</p>
OCTOBER, 2013	NOVEMBER, 2013	DECEMBER, 2013
<p>3 PC: Teleconference, 2:00 p.m.</p> <p>24 AORMA: Newport Beach, 10:00 a.m.</p> <p>25 EC: Long Beach, 9:00 a.m.</p> <p>25 BOD: Long Beach, 10:30 a.m.</p> <p>Only the AORMA Chair and Vice Chair attend the EC meetings</p> <p>All AORMA Committee members attend the BOD</p>	<p>18 MSLCTC: Teleconference, 11:00 a.m.</p> <p>6 EC: Sacramento, 1:00 p.m.</p> <p>6 BOD: Sacramento, 3:30 p.m.</p> <p>7-8 FTPT Conference, Sacramento, CA</p>	<p>5 AORMA: San Francisco, 10:00 a.m.</p> <p>6 EC: San Francisco, 8:30 a.m.</p> <p>12 PC: Teleconference, 2:00 p.m.</p> <p>Only the AORMA Chair and Vice Chair attend the EC meetings</p>

AORMA = Auxiliary Organizations Risk Management Alliance Committee	PC = AORMA Programs Committee	EC = CSURMA Executive Committee
AOUIT = Auxiliary Organizations Unemployment Insurance Trust	AORMA LRP = AORMA Long Range Planning Meeting	EC LRP = EC Long Range Planning Meeting
MSLCTC = AORMA Member Services, Loss Control & Training Committee	AOA = CSU Auxiliary Organizations Association	BOD = CSURMA Board of Directors

CSURMA AORMA PROGRAM ADMINISTRATOR CONTACT LISTS

ISSUE: Staff includes an updated AORMA Program Administrator contact list in each agenda.

RECOMMENDATION: No action is requested on this item.

FISCAL IMPACT: None.

BACKGROUND: None.

PUBLICATION: None.

ATTACHMENT(S):

- a. AORMA Program Administrator - Contact List
- b. Claims Reporting Contacts

CONTACT LIST

Coverage	Contact	E-Mail Address	Office	Fax
JPA Program Administrator – Alliant Insurance Services, Inc.				
Certificate of Insurance Requests	Hsan Htein Van Rin	hhtein@alliant.com vrin@alliant.com	415-403-1452 415-403-1408	415-874-4810 415-874-4810
General Coverage Questions	Mimi Long Van Rin Hsan Htein Daniel Howell	mlong@alliant.com vrin@alliant.com hhtein@alliant.com dhowell@alliant.com	415-403-1423 415-403-1408 415-403-1452 415-403-1426	415-874-4810 415-874-4810 415-874-4810 415-874-4810
Inland Marine	Van Rin Hsan Htein Mimi Long	vrin@alliant.com hhtein@alliant.com mlong@alliant.com	415-403-1408 415-403-1452 415-403-1423	415-874-4810 415-874-4810 415-874-4810
Participant Accident Insurance (PAI)	Van Rin	vrin@alliant.com	415-403-1408	415-874-4810
Special Events Insurance	Van Rin	vrin@alliant.com	415-403-1408	415-874-4810
Foreign Travel Program	Stacey Weeks Van Rin	sweeks@alliant.com vrin@alliant.com	415-403-1448 415-403-1408	415-874-4810 415-874-4810
General Risk Management Questions	Mimi Long Van Rin Hsan Htein Daniel Howell	mlong@alliant.com vrin@alliant.com hhtein@alliant.com dhowell@alliant.com	415-403-1423 415-403-1408 415-403-1452 415-403-1426	415-874-4810 415-874-4810 415-874-4810 415-874-4810
Workers' Compensation Claims Consultant	Jacki Graf	jgraf@alliant.com	415-403-1438	415-874-4810
Form 700	Tevea Him	thim@alliant.com	415-403-1416	
CSU Chancellor's Office				
CSU Chancellor's Office	Charlene Minnick Zachary Gifford Rebecca Skidmore Leona Ching Alice Kim Kelly Cox Mandy Wong Rima Tanuwidjaja	cminnick@calstate.edu zgifford@calstate.edu rskidmore@calstate.edu lching@calstate.edu akim@calstate.edu kcox@calstate.edu mwong@calstate.edu rtanuwidjaja@calstate.edu	562-951-4580 562-951-4568 562-951-4574 562-951-4580 562-951-4627 562-951-4611 562-951-4578 562-951-4621	562-951-4859 562-951-4859 562-951-4859 562-951-4859 562-951-4865 562-951-4865 562-951-4865 562-951-4856

CONTACT LIST

Coverage	Contact	E-Mail Address	Office	Fax
Loss Control Consultants				
Alliant Risk Control Consulting	Brent Escoubas	bescoubas@alliant.com	949-260-5013	
TargetSolutions	Kelly Zielinski	kaz@targetsolutions.com	858-683-7229	858-487-8762
TargetSolutions	Liz Farzan	laf@targetsolutions.com	858-592-6880 Ext. 147	
TargetSolutions	Ashley Cole	alc@targetsolutions.com	858-638-7176	
Unemployment & Verification Solutions – Employers Edge				
Unemployment Claims Operations, Claim Specialist	Vanessa Rodriguez	v.rodriquez@employersedge.com	720-891-4900 x144	720-420-7449
Hearing Coordination, Appellate Coordinator’s	Jamie Clark Jen Venable	j.clark@employersedge.com j.venable@employersedge.com	720-891-4900	
Account Management	Steve Bell	s.bell@employersedge.com	720-891-4900 x101	720-420-7431
Alteranate Account Management Contact, Direct of Client Services	Angie Hansen	a.hansen@employersedge.com	720-891-4900 x116	
Human Resources Consulting – Employers Group				
Helpline	Mark Nelson Kimberly Nwamanna	mnelson@employersgroup.com knwamanna@employersgroup.com	213-765-3952 213-765-3982	
Client Service	Bill Stephens	bstephens@employersgroup.com	805-807-9922	213-226-0216
Reference Library	Robert Campbell	rcampbell@employersgroup.com	800-748-8484 Ext. 3430	
Unemployment Questions	Ryan Farias	rfarias@employersgroup.com	213-709-4143	
Affirmative Action Plans	Suzanne Oliva	soliva@employersgroup.com	213-765-3918	
Leave Management	Kimberly Nwamanna	knwamanna@employersgroup.com	213-765-3982	
Research and Surveys	Juan Garcia	jgarcia@employersgroup.com	213-765-3969	
Employer Advocacy	Ken Tiratira	ktiratira@employersgroup.com	213-765-3915	



CLAIMS REPORTING CONTACTS

The following are important items of information which should be provided when reporting a claim or occurrence:

1. The date, time and location of the event
2. The person at the agency to contact regarding the claim
3. A description of the circumstances of the event
4. Estimated amount of claim or loss (*if applicable*)
5. A complete copy of any legal documents (*if applicable*)

LIABILITY CLAIMS

In the event of a liability claim (General Liability, Automobile Liability, Errors & Omissions, including Directors & Officers, Employment Practices Liability), please contact:

Mauri McGuire
Carl Warren & Company
P.O. Box 7059
Ventura, CA 93006

E-mail: mmcguire@carlwarren.com
Tel: 805-650-7020 ext. 1003
Fax: 805-658-9950

Express Mail:
Carl Warren & Company
1000 South Hill Road, Suite 215
Ventura, CA 93003



PROPERTY, BOILER & MACHINERY, CYBER LIABILITY, CRIME CLAIMS

In the event of a property, boiler & machinery, cyber liability, or crime claim, please contact:

David C. Sutton, Claims Executive

Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111-5101

E-mail: dsutton@alliant.com
Tel: 415-403-1417
Fax: 415-403-1466
Cell: 415-693-8816

OR:

Michelle Maffei, Senior Claims Advocate

Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111-5101

E-mail: mmaffei@alliant.com
Tel: 415-403-1418
Fax: 415-403-1466
Cell: 415-693-8864

COPY TO:

Robert Frey, Vice President

Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111-5101

E-mail: rfrey@alliant.com
Tel: 415-403-1445
Fax: 415-403-1466
Cell: 415-518-8490



WORKERS' COMPENSATION CLAIMS

In the event of a Workers' Compensation claim, please forward the Workers' Compensation Claim Form (DWC1) and the Employer's Report of Occupational Injury or Illness (Form 5020) to:

Brian Montagnese - Supervisor

Sedgwick CMS
P.O. Box 14479
Lexington, KY 40512-4479

E-mail: brian.montagnese@sedgwickcms.com
Tel: 916-851-8060
Fax: 916-851-8079

YOUR CLAIM WILL BE ASSIGNED TO EITHER:

Katie Brandt, Adjuster

Sedgwick CMS
P.O. Box 14479
Lexington, KY 40512-4479

E-mail: katie.brant@sedgwickcms.com
Tel: 916-851-8058
Fax: 916-851-8079

OR:

Biba Olson, Claims Assistant

Sedgwick CMS
P.O. Box 14479
Lexington, KY 40512-4479

E-mail: biba.olson@sedgwickcms.com
Tel: 916-851-8058
Fax: 916-851-8076



PARTICIPANT ACCIDENT INSURANCE (PAI)

In the event of a Participant Accident Insurance (PAI) claim, please forward the completed HSR claim form directly to:

Health Special Risk, Inc.
HSR Plaza II
4100 Medical Parkway
Carrollton, TX 75007

E-mail: CSRM@hsri.com
Tel: 972-512-5600
Fax: 972-512-5820
Tel Toll Free: 866-523-3186

UNEMPLOYMENT INSURANCE PROGRAM (UIP)

For Unemployment Insurance Program (UIP) claim, please contact Employers Edge directly at:

Vanessa Rodriguez, Claim Specialist
Employers Edge
P.O. Box 351567
Westminister, CO 80035

Email: v.rodriguez@employersedge.com
Tel: (720) 891-4900 x144

Steve Bell, Account Management
Employers Edge
P.O. Box 351567
Westminister, CO 80035

Email: s.bell@employersedge.com
Tel: (720) 891-4900 x101



SLIP, SPECIAL EVENTS, AUTO PHYSICAL DAMAGE, INLAND MARINE, MISCELLANEOUS

In the event of a loss, please contact:

David C. Sutton, Claims Executive

Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111-5101

E-mail: dsutton@alliant.com
Tel: 415-403-1417
Fax: 415-403-1466
Cell: 415-693-8816

OR:

Michelle Maffei, Senior Claims Advocate

Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111-5101

E-mail: mmaffei@alliant.com
Tel: 415-403-1418
Fax: 415-403-1466
Cell: 415-693-8864

COPY TO:

Robert Frey, Vice President

Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111-5101

E-mail: rfrey@alliant.com
Tel: 415-403-1445
Fax: 415-403-1466
Cell: 415-518-8490

AORMA TRAVEL REIMBURSEMENT POLICY

ISSUE: Reasonable expenses associated with your travel to and from this meeting are reimbursable by CSURMA. Attached for your review is Policy & Procedure A-7 – CSURMA AORMA Travel Reimbursement Policy.

RECOMMENDATION: No action is requested on this item.

FISCAL IMPACT: None.

BACKGROUND: Please contact Mimi Long should you have any questions regarding your travel expenses.

PUBLICATION: None.

ATTACHMENT(S):

- a. Policy & Procedure A-7 – CSURMA AORMA Travel Reimbursement Policy



Procedure for Reimbursement of CSURMA / AORMA Travel Expenses

In person attendance at the AORMA Committee meetings is preferred and therefore reasonable expenses associated with travel to and from as well as participation in the meetings are reimbursable by CSURMA. In addition to the roles and responsibilities of AORMA Committee participation, the AORMA Committee Chair is also expected to attend the AOA Executive Committee meetings as the representative of the AORMA Committee. Therefore, if the AORMA Committee Chair attends the AOA Executive Committee meeting strictly as the AORMA Committee representative all reasonable expenses associated with travel to and from as well as participation in the meetings are reimbursable by CSURMA. If the AORMA Committee schedules a meeting the day immediately prior to or after the AOA Annual Conference or the CSURMA Fitting the Pieces Together Conference, members are reimbursed for the extra expenses incurred to attend the AORMA Committee meeting only; the expenses that the Committee Member would have normally incurred to attend the AOA Annual Conference or the CSURMA Fitting the Pieces Together Conference are not reimbursable.

The completed State of California – Travel Expense Claim form should be forwarded to your accounting department for reimbursement to you. Your accounting department should then seek reimbursement from CSURMA. *Your accounting department should send (1) an invoice along with (2) the State of California – Travel Expense Claim form and (3) the meeting agenda for which you are seeking reimbursement to:*

Mr. Zachary Gifford
Associate Director Systemwide Risk Management
Office of the Chancellor
401 Golden Shore, 5th Floor
Long Beach, CA 90802

If you have any questions regarding this procedure or what constitutes a “reasonable travel expense” please contact:

Mimi Long
CSURMA AORMA Program Administrator
Alliant Insurance Services
100 Pine Street, 11th Floor
San Francisco, CA 94111
Tel: 415-403-1423
Email: mlong@alliant.com

CSURMA AORMA COMMITTEE CONTACT LIST

ISSUE: Attached for the Committee's review are the AORMA Committee and Standing Committee Membership Roster Contact List.

RECOMMENDATION: It is recommended that the Committee Members review the contact information for accuracy and report any changes or corrections to Staff.

FISCAL IMPACT: None.

BACKGROUND: Contact lists are provided at every meeting.

PUBLICATION: None.

ATTACHMENT(S):
AORMA Committee Roster - Effective at 7-01-13

AORMA Committee
Ten voting members - two alternates - twelve members total
Effective at July 1, 2013

Committee	Seat	Member	Position	Campus	Type of Auxiliary	E-Mail	Telephone Number
AORMA	Chair	Dwayne Brummett	Director of Business Services	San Luis Obispo	Associated Students, Inc., Cal Poly San Luis Obispo	dbrummet@calpoly.edu	805-756-5768
AORMA	Vice Chair	Robert de Wit	Chief Financial Officer	Long Beach	Forty-Niner Shops, Inc., CSU Long Beach	rdewit@csulb.edu	562-985-5549
AORMA	Past Chair	Kurt Borsting	Director, Titan Student Centers	Fullerton	Associated Students, California State University, Fullerton, Inc.	kborsting@fullerton.edu	657-278-4214
AORMA	Ex Officio	Pat Worley	Executive Director	Sacramento	Associated Students of California State University, Sacramento	pcworley@csus.edu	916-278-7290
AORMA	At Large	Brian Nowlin	Chief Operating Officer	Long Beach	California State University, Long Beach Research Foundation	Brian.Nowlin@csulb.edu	562-985-4690
AORMA	At Large	Frank Mumford	Executive Director	Fullerton	CSU Fullerton Auxiliary Services Corporation	fmumford@fullerton.edu	657-278-4101
AORMA	At Large	Gigi Kiama	Human Resources Manager	Monterey Bay	The University Corporation at Monterey Bay	gkiama@csumb.edu	831-582-4301
AORMA	At Large	Guy Dalpe	Managing Director	San Francisco	Cesar Chavez Student Center, San Francisco State University	gdalpe@sfsu.edu	415-338-1044
AORMA	At Large	Leslie Davis	Executive Director	Sacramento	University Union Operation of CSUS, Inc.	leslied@saclink.csus.edu	916-278-2904
AORMA	At Large	Keith Kompsi	Director, Foundation Financial Services	Fresno	Fresno Association, Inc., CSU Fresno	kkompsi@csufresno.edu	559-278-0838
AORMA	At Large	Haleh Minakary	General Business Manager	Pomona	The Cal Poly Pomona Foundation, Inc.	hminakary@csupomona.edu	909-869-2910
AORMA	At Large	Melinda Coil	Chief Financial Officer	San Diego	San Diego State University Research Foundation	mcoil@foundation.sdsu.edu	619-594-1076

Member Services, Loss Control & Training Committee
Minimum of five members - at least two of whom are AORMA Committee members

Committee	Seat	Member	Position	Campus	Type of Auxiliary	E-Mail	Telephone Number
MSLCTC	Chair	Dwayne Brummett	Director of Business Services	San Luis Obispo	Associated Students, Inc., Cal Poly San Luis Obispo	dbrummet@calpoly.edu	805-756-5768
MSLCTC	At Large	Kristin Kelly	Associate Director	San Jose	The Student Union of San Jose State University	kristin.kelly@sjsu.edu	408-924-6315
MSLCTC	At Large	Peter Neville	Executive Director	Sonoma	Sonoma Student Union Corporation	peter.neville@sonoma.edu	707-664-2780
MSLCTC	At Large	Arnecia Bryant	Associate Director, Operations	Dominguez Hills	The Donald P. and Katherine B. Loker University Student Union, Inc.	abryant@csudh.edu	310-243-3854
MSLCTC	At Large	Dennis Miller	Director, Employment Services	Pomona	The Cal Poly Pomona Foundation, Inc.	dennismiller@csupomona.edu	909-869-2958
MSLCTC	At Large	Debbie Adishian-Astone	Executive Director	Fresno	CSU Fresno Association, Inc.	debbiea@csufresno.edu	559-278-0802
MSLCTC	At Large	Melinda Coil	Chief Financial Officer	San Diego	San Diego State University Research Foundation	mcoil@foundation.sdsu.edu	619-594-1076
MSLCTC	At Large	Raven Tyson	Contracts & Risk Management Coordinator	San Diego	Associated Students of San Diego State University	raven.tyson@sdsu.edu	619-594-3760

Programs Committee
Minimum of five members - at least two of whom are AORMA Committee members

Committee	Seat	Member	Position	Campus	Type of Auxiliary	E-Mail	Telephone Number
PC	Chair	Guy Dalpe	Managing Director	San Francisco	Cesar Chavez Student Center, San Francisco State University	gdalpe@sfsu.edu	415-338-1044
PC	At Large	Kurt Borsting	Director, Titan Student Centers	Fullerton	Associated Students, California State University, Fullerton, Inc.	kborsting@fullerton.edu	657-278-4214
PC	At Large	Gigi Kiama	Human Resources Manager	Monterey Bay	University Corporation, CSU Monterey Bay	gkiama@csumb.edu	831-582-4301
PC	At Large	Mark Day	Executive Director	San Bernardino	Santos Manuel Student Union of California State University, San Bernardino	mday@csusb.edu	909-537-7201
PC	At Large	Haleh Minakary	General Business Manager	Pomona	The Cal Poly Pomona Foundation, Inc.	hminakary@csupomona.edu	909-869-2910

AOUI Board of Trustees / Unemployment Insurance Program Task Group
Five members

Committee	Seat	Member	Position	Campus	Type of Auxiliary	E-Mail	Telephone Number
AOUI	Chair	Guy Dalpe	Managing Director	San Francisco	Cesar Chavez Student Center, San Francisco State University	gdalpe@sfsu.edu	415-338-1044
AOUI	Treasurer	Kim Clark	Executive Director	San Marcos	University Corporation	kclark@csusm.edu	760-750-3722
AOUI	Secretary	Kristin Kelly	Associate Director	San Jose	The Student Union of San Jose State University	kristin.kelly@sjsu.edu	408-924-6315
AOUI	Trustee	Heidi Chien	Associate Executive Director	Humboldt	Humboldt State University Center, Board of Directors	heidi.chien@humboldt.edu	707-826-5984
AOUI	Trustee	Joe Illuminate	Associate Director	Northridge	University Student Union of California State University, Northridge	joe.illuminate@csun.edu	818-677-3615

AORMA Committee Chair serves for a period of four years - Vice Chair, to Chair, to Past President, to Ex-Officio.

Standing Committee Chair serves a one-year term, is appointed by the AORMA Committee Chair, and must be an AORMA Committee member.

AORMA Committee and Standing Committee members may serve a maximum of three consecutive two-year terms (total six years).

Size of Campus: small - less than 10,000 FTE; medium - between 10,000 and 20,000 FTE; large - more than 20,000 FTE