



**CSURMA EXECUTIVE 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	Primary Location:	CSU Dominguez Hills
Time:	4:30 PM		1000 East Victoria Street
			Carson, CA 90747
	September 13, 2013	Legend:	<b>A</b> = Action
	8:30 AM		<b>I</b> = Information
			<b>V</b> = Verbal
			<b>S</b> = Separate

**A. CALL TO ORDER**

- 1. **Approval of the Agenda** A p. 5

**B. PUBLIC COMMENTS**

**C. CONSENT CALENDAR**

*The Committee is asked to take action on the consent calendar items as a group, except that a member may request that an item be withdrawn from the Consent Calendar for discussion and action.*

- 1. **Approval of Minutes – June 25, 2013** A p. 6  
*The Committee will be asked to approve the minutes from their last meeting.*
- 2. **Financial Information**
  - a. Receipt and Review of the Draft Financial Statements at June 30, 2013 p. 13
  - b. Treasurer’s Report p. 23

**D. GENERAL ADMINISTRATION**

- 1. **Trustee’s Audit Status Report** A p. 30  
*The Committee will receive an update on the status of the University Auditor’s report and may take action or provide direction to staff as necessary.*
- 2. **Appointment of Secretary-Auditor** A p. 72  
*The Committee will be asked to appoint a Secretary-Auditor.*
- 3. **Resolution Establishing Periodic Review of CSURMA Policies and Procedures.** A p. 74  
*The Committee will be asked to consider a resolution establishing a periodic review of CSURMA Policies and Procedures.*
- 4. **Insurance Renewal Report** A p. 76

*The Committee will receive a report on the completion of insurance renewal negotiations and may take action or provide direction as necessary.*

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| 5.  | <b>Property Coverage for State Houses</b><br><i>The Committee will receive a report on property coverage for State houses and may take action or provide direction as necessary.</i>                             | A | p. 81  |
| 6.  | <b>Member Loan Extension</b><br><i>The Committee will receive a report on a pending member loan extension request and may take action or provide direction as necessary.</i>                                     | A | p. 83  |
| 7.  | <b>Student Insurance Programs</b>  | A |        |
|     | a. <b>CSURMA Student Insurance Programs Coverage and Rating Task Group</b><br><i>The Committee will be asked to appoint a task group to review existing student insurance program coverage and rating plans.</i> |   | p. 90  |
|     | b. <b>Student Health Insurance Program</b><br><i>The Committee will receive a report on the Student Health Insurance Program and may take action or provide direction as necessary.</i>                          |   | p. 91  |
| 8.  | <b>Review of Policy &amp; Procedure No. 16 – Use of CSURMA Equipment</b><br><i>The Committee will review Policy &amp; Procedure No. 16 regarding the use of CSURMA equipment.</i>                                | A | p. 110 |
| 9.  | <b>Reporting of Travel Expenditures</b><br><i>The Committee will be asked to recommend reporting of travel expenditures.</i>   | A | p. 114 |
| 10. | <b>Liability and AIME Program Claims Audits</b><br><i>The Committee will be asked to review and accept the vendor management response to the audits.</i>   | A | p. 116 |
| 11. | <b>Adoption of Campus Risk Pool Risk Reduction Grant Policy &amp; Procedure</b><br><i>The Committee will be asked to review and adopt a policy and procedure.</i>  | A | p. 120 |
| 12. | <b>Campus Risk Pool Property Program Memorandum of Coverage</b><br><i>The Executive Committee will be asked to approve a new property coverage memorandum of coverage.</i>                                       | A | p. 125 |
| 13. | <b>CSURMA Executive Committee Meeting Schedule</b><br><i>The Committee will be asked to take action to set the Committee’s next meetings.</i>  | A | p. 195 |
| 14. | <b>CSURMA Conflict of Interest Code Reporting</b><br><i>The Committee will be asked to take action designating Program Administrator personnel required to file under CSURMA’s Conflict of Interest Code.</i>    | A | p. 200 |

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|--|---|----------|---|
| <p>15.</p> <p><b>TIME<br/>CERTAIN</b></p> <p>Friday,<br/>September<br/>13, 2013<br/>9:00 a.m.</p>  | <p><b>Recommendation of Proposed Amendment to the Joint Exercise of Powers Agreement and Adoption of Investment Policy</b></p> <p><i>The Committee will be asked to recommend amendments to the JEPA to the Board and take action to adopt revised investment policies.</i></p>   | <p>A</p> | <p>p. 206</p>   |
| <p>16.</p> <p><b>TIME<br/>CERTAIN</b></p> <p>Friday,<br/>September<br/>13, 2013<br/>9:30 a.m.</p>  | <p><b>Fiscal Year 2014/2015 Campus Risk Pool Program Funding</b></p> <p>a. <b>Review and acceptance of the Campus Programs Actuarial Reports for General Liability, Workers' Compensation and Athletic Injury Medical Expense (AIME) Programs</b> <i>Staff will review the actuaries' findings and projections with the Committee.</i></p> <p>b. <b>Campus Pooled Programs Funding Status at June 30, 2013</b> <i>The Committee will receive a report on the pooled program funding status at June 30, 2013.</i></p> <p>c. <b>Recommendation for Campus Pool Programs FY 2014/2015 Rates and Gross Funding</b> <i>The Committee will be asked to recommend to the Board of Directors the campus program rates for the upcoming fiscal year.</i></p> <p>d. <b>Evaluation of Potential Campus Risk Pool Dividends and Assessments</b> <i>The Committee will consider whether to declare a dividend or assessment from the Campus Risk Pool.</i></p> | <p>A</p> | <p>p. 220</p> <p>p. 222</p> <p>p. 236</p> <p>p. 246</p> |
| <p>17.</p>   | <p><b>Resolution Adopting Administrative Policies &amp; Procedures</b></p> <p><i>The Committee will review the proposed resolution adopting CSU administrative policies and procedures and may take action or provide direction as necessary.</i></p>   | <p>A</p> | <p>p. 254</p>   |
| <p>18.</p> <p><b>TIME<br/>CERTAIN</b></p> <p>Friday,<br/>September<br/>13, 2013<br/>10:00 a.m.</p> | <p><b>Adoption of Policy &amp; Procedure for OCIP and BRIP Programs</b></p> <p><i>The Committee will review the draft policy &amp; procedure for the OCIP and BRIP Programs and may take action or provide direction as necessary.</i></p>  | <p>A</p> | <p>p. 258</p>   |
| <p>19.</p>   | <p><b>Schools Excess Liability Fund Excess Workers' Compensation Program Assessment</b></p> <p><i>The Committee will receive a report on the Schools Excess Liability Fund excess workers' compensation program assessment of CSU and may take action or provide direction as necessary.</i></p>  | <p>A</p> | <p>p. 270</p>   |
| <p>20.</p>   | <p><b>Foreign Travel Software</b></p> <p><i>The Committee will be asked to review the Foreign Travel Software options available and may take action or provide direction as necessary.</i></p>  | <p>A</p> | <p>p. 283</p>   |
| <p>21.</p>   | <p><b>Program Administration Request for Proposal</b></p> <p><i>The Committee will be asked to take action on the Program Administration and Brokerage Agreement RFP process.</i></p>   | <p>A</p> | <p>p. 284</p>   |



California State University Risk Management Authority

- E. AUXILIARY ORGANZIATIONS INSURANCE PROGRAMS**
1. **AORMA Programs Update** I p. 285  
*The Committee will receive a verbal report on the AORMA programs.*
  2. **2014 AOA Annual Conference Update** I p. 286  
*The Committee will receive a report on the AOA Annual Conference.*
- F. CLOSED SESSION Pursuant to Cal. Gov. Code Sec. 11126(e)(1), 11126(f)(1) & 11126(a)(1);– Action may be taken per Government Code Section 11126(e)(1), 11126(f)(1) and/or 11126(a)(1). The claims and matters listed below may be discussed. The Committee may take action or provide direction to Staff regarding the litigation discussed.** A
1. **Sanchez-Graves v. CSU, Northridge**
  2. **CSU v. Schools Excess Liability Fund**
  3. **Personnel matters**
- G. INFORMATION ITEMS**
1. **Review of FY 2013/2014 Long Range Planning Goals** I p. 287  
*The Committee will be asked to review and discuss the FY 2013/2014 Long Range planning items.*
  2. **Public Safety Crowd Control Project Update** I p. 292  
*The Committee will receive a report on the status of the project.*
  3. **CSURMA Website and other technology** I p. 303  
*The Committee will receive a report on the relaunched csurma.org website and other new technologies on the horizon.*
  4. **Update on Concussive Injuries** I p. 307  
*The committee will receive a verbal report on systemwide efforts related to concussive injuries.*
  5. **Listing of CSURMA Policies and Procedures** I p. 308  
*The Committee will receive a list of CSURMA’s current policies and procedures.*
  6. **CSURMA Administrative Service Calendar** I p. 310  
*The Committee will review the CSURMA Administrative Service Calendar.*
  7. **CSURMA Executive Committee & Staff Contact List** I p. 315
- H. ADJOURNMENT** A

**TELECONFERENCE LOCATIONS**

CSU Chancellor’s Office – 401 Golden Shore, Long Beach, CA



California State University Risk Management Authority

*The next CSURMA Executive Committee meeting is scheduled for November 6, 2013, please contact Myron Leavell at (415) 403-1404 or via email at [mleavell@alliant.com](mailto:mleavell@alliant.com).*

*A Public Entity Joint Powers Authority*

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c/o Alliant Insurance Services, Inc. • 100 Pine Street, 11th Floor, San Francisco, CA 94111-5101 • Phone: 415-403-1400 Fax: 415-402-0773

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## **APPROVAL OF THE AGENDA**

**ISSUE:** Approval of the order of agenda items.

**RECOMMENDATION:** The Executive Committee is asked to review and approve the proposed agenda before discussion of any business.

**FISCAL IMPACT:** None.

**BACKGROUND:** None.

**ATTACHMENT(S):** None.

**APPROVAL OF MINUTES –  
JUNE 25, 2013**

**ISSUE:** Acceptance of the Executive Committee draft meeting minutes.

**RECOMMENDATION:** The Executive Committee is asked to review and accept the June 25, 2013 draft meeting minutes with corrections as necessary.

**FISCAL IMPACT:** None.

**BACKGROUND:** The minutes reflect the actions taken by the Executive Committee at its last meeting.

**ATTACHMENT(S):** Draft Minutes of the June 25, 2013 Executive Committee meeting

**MINUTES OF THE CSURMA  
EXECUTIVE COMMITTEE TELECONFERENCE  
JUNE 25, 2013  
LONG BEACH, CALIFORNIA**

**MEMBERS PRESENT**

George V. Ashkar, CSU Office of the Chancellor, Treasurer (Arrived at 1:36 PM)  
 Kurt Borsting, Associated Students, CSU Fullerton  
 Dwayne Brummett, California Polytechnic State University  
 Linda Hawk, CSU San Marcos  
 Tom McCarron, CSU Northridge  
 Mary Ann Rodriguez, CSU Dominguez Hills Vice-Chair  
 Cynthia Teniente-Matson, CSU Fresno, Chair  
 Michael Thorpe, CSU Chico

**MEMBERS ABSENT**

Lori Gentles, San Francisco State University

**STAFF, GUESTS & CONSULTANTS**

Kelly Cox, CSU Office of the Chancellor  
 Zachary Gifford, CSU Office of the Chancellor  
 Daniel Howell, Alliant Insurance Services, Inc.  
 William Hsu, CSU Office of General Counsel  
 Myron Leavell, Alliant Insurance Services, Inc.  
 Robert Leong, Alliant Insurance Services, Inc.  
 Rebecca Skidmore, CSU Office of the Chancellor  
 Rima Tanuwidjaja, CSU Office of the Chancellor

**A. CALL TO ORDER**

The meeting was called to order at 1:31 p.m. by Chair, Dr. Cynthia Teniente-Matson.

**A.1. Approval of the Agenda**

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

**Approved by Affirmation**

<b>NAME</b>	<b>AYES</b>	<b>ABSTAIN</b>	<b>NAYS</b>	<b>ABSENT</b>
George Ashkar				<b>X</b>
Kurt Borsting	<b>X</b>			
Dwayne Brummett	<b>X</b>			

Lori Gentles				<b>X</b>
Linda Hawk	<b>X</b>			
Cynthia Matson	<b>X</b>			
Tom McCarron	<b>X</b>			
Mary Ann Rodriguez	<b>X</b>			
Michael Thorpe	<b>X</b>			

**B. PUBLIC COMMENTS**

None.

**C. CONSENT CALENDAR**

**C.1 Approval of Minutes – May 9, 2013**

A motion was made to approve the consent calendar as discussed at today’s meeting.

**Approved by Affirmation**

<b>NAME</b>	<b>AYES</b>	<b>ABSTAIN</b>	<b>NAYS</b>	<b>ABSENT</b>
George Ashkar				<b>X</b>
Kurt Borsting	<b>X</b>			
Dwayne Brummett	<b>X</b>			
Lori Gentles				<b>X</b>
Linda Hawk	<b>X</b>			
Cynthia Matson	<b>X</b>			
Tom McCarron	<b>X</b>			
Mary Ann Rodriguez	<b>X</b>			
Michael Thorpe	<b>X</b>			

**D. GENERAL ADMINISTRATION**

**D.1 Update on Status of University Auditor’s Report**

Chair Teniente-Matson reviewed the item with the Executive Committee. CSURMA’s Chair, Vice Chair, Treasurer and Secretary-Auditor, as well as the CSU’s Executive Vice Chancellor/CFO met with the auditors. The version of the responses as presented was attached to the agenda item for review. On June 24, a final copy of the audit response was sent to Executive Vice Chancellor/CFO Quilliams for his review before returning to the Audit Team.

The travel-related findings will be taken up as appropriate.

**D.2 Amendment to Policy and Procedure No. 15 – Appointment of Acting Secretary-Auditor**

Daniel Howell introduced the item to the Executive Committee. As the CSURMA Secretary-Auditor is on leave for an undetermined duration, to facilitate the smooth operation of the Authority during the Secretary-Auditor’s absence, CSURMA Chair Cynthia Teniente-Matson is recommending that the Executive Committee appoint the Vice Chair, Mary Ann Rodriguez as Acting Secretary-Auditor. Because CSURMA Policy and Procedure No. 15 precludes a member of the Executive Committee from serving as Secretary-Auditor, it is recommended that the Policy and Procedure be amended by striking “not serve as a member of the Executive Committee and” from the Secretary-Auditor section of Policy & Procedure No. 15.

There was discussion on the length of time for the temporary appointment.

A motion was made to approve Resolution No. 04-13 (EC) amending Policy & Procedure No. 15 appointing Mary Ann Rodriguez as Interim Secretary-Auditor

**MOTION:** George Ashkar      **SECOND:** Dwayne Brummett      **MOTION CARRIED**

<b>NAME</b>	<b>AYES</b>	<b>ABSTAIN</b>	<b>NAYS</b>	<b>ABSENT</b>
George Ashkar	X			
Kurt Borsting	X			
Dwayne Brummett	X			
Lori Gentles				X
Linda Hawk	X			
Cynthia Matson	X			
Tom McCarron	X			
Mary Ann Rodriguez	X			
Michael Thorpe	X			

**D.3 Re-Delegation of Authorities Related to Secretary-Auditor Duties**

Daniel Howell reviewed this item with the Executive Committee. In addition, the Executive Committee had previously delegated the following authorities that need to be reassigned:

1. Authority to negotiate and engage risk control consultants for theater arts safety and minors on campus projects as budgeted;
2. Authority to negotiate and execute service agreement with e-Group for AORMA employment practices consulting agreement renewal;
3. Authority to negotiate and bind renewal of the AORMA and Campus Risk Pool insurance program insurance and reinsurance renewals;
4. Authority to negotiate and execute the workers’ compensation claims administration service agreement; and,
5. Representation of CSURMA at various claims settlement negotiations.

A motion was made to re-delegate authority to the Acting CSURMA Secretary-Auditor for Items 1, 2, 4 and 5 listed above; and to the Executive Committee Chair Teniente-Matson for Item 3.

**MOTION:** Michael Thorpe      **SECOND:** Thomas McCarron      **MOTION CARRIED**

NAME	AYES	ABSTAIN	NAYS	ABSENT
George Ashkar	X			
Kurt Borsting	X			
Dwayne Brummett	X			
Lori Gentles				X
Linda Hawk	X			
Cynthia Matson	X			
Tom McCarron	X			
Mary Ann Rodriguez	X			
Michael Thorpe	X			

#### **D.4 Insurance Renewals**

Daniel Howell reviewed the item with the Executive Committee. CSURMA’s insurance and reinsurance programs renew on July 1. Daniel Howell and Chair Teniente-Matson met with New York and Bermuda underwriters with good outcomes.

- Property Insurance Program - Renewal good with pricing down; purchasing reinsurance to skip the taxes and fees.
- Workers’ Compensation Program – Securing a new two year rate guarantee for 2013 with a 5% increase in 2014
- Liability (XS GL, EPL and Professional Liability) – Lexington offered \$25M x \$25M excluding concussive injuries and adding an annual aggregate. Program Administrators could find better terms in another market; Lexington looking again but still with exclusion in place.
- Medical Malpractice – This has been a self-insurance program since inception with no coverage for doctors

No action was taken at today’s meeting.

#### **D.5 Adoption of Meeting Dates and Locations**

The Executive Committee reviewed the 2013 Calendar that was included in the agenda packet. There was discussion on the Fitting the Pieces Together conference dates as these would ultimately affect the CSURMA Executive Committee and Board of Directors meeting schedule.

Additionally, there was discussion on the expense cap for hotel rooms of \$175, exclusive of taxes. There are exceptions to the rule, but there must be an acceptable business reason – need, meeting held at a specific hotel, etc. - which will require prior authorization. Lori, Gentles, San Francisco State University, offered their new library facility as a meeting location as there is no facility use charge; the only drawback being that it is not located in downtown San Francisco.

The Program Administrators were directed to find alternative meeting locations & accommodations for its September 2013 meeting and to move the October Executive Committee Meeting to the Fitting the Pieces Together Conference in Sacramento on November 6, 2013.

A motion was made to adopt the proposed changes to the CSURMA 2013 Meeting Calendar.

**MOTION:** Mary Ann Rodriguez    **SECOND:** Linda Hawk                    **MOTION CARRIED**

NAME	AYES	ABSTAIN	NAYS	ABSENT
George Ashkar	X			
Kurt Borsting	X			
Dwayne Brummett	X			
Lori Gentles				X
Linda Hawk	X			
Cynthia Matson	X			
Tom McCarron	X			
Mary Ann Rodriguez	X			
Michael Thorpe	X			

**D.6 Program Administration Request for Proposal**

Alliant attendees were excused from the room for this item discussion at 2:41 p.m. Cynthia Teniente-Matson confirmed that the task force for the Program Administration Request for Proposal process is Michael Thorpe, Mary Ann Rodriguez, Kurt Borsting (who will remain on this task force) and George Ashkar as alternate.

The group discussed that the existing timeframe to interview and put the new agreement in place by July 1, 2013, was feeling too rushed. The Current contract expires June 30, 2013. Cynthia Teniente-Matson, Mary Ann Rodriguez and Zachary Gifford have been discussing extending the current agreement not to exceed the next 6 months to allow time for proper review. Zachary Gifford has been working with Contracts and Procurement to revise the proposed schedule as follows:

- Interviews to be scheduled around July 29, 2013
- Notice to award by August 5, 2013
- New contract on October 1, 2013

A motion was made to extend the current contract with Alliant not to exceed the next 6 months.

**Motion:** George Ashkar    **Second:** Tom McCarron                    **MOTION CARRIED**

NAME	AYES	ABSTAIN	NAYS	ABSENT
George Ashkar	X			
Kurt Borsting	X			
Dwayne Brummett	X			
Lori Gentles				X
Linda Hawk	X			
Cynthia Matson	X			
Tom McCarron	X			

Mary Ann Rodriguez	<b>X</b>			
Michael Thorpe	<b>X</b>			

**E. AUXILIARY ORGANIZATIONS INSURANCE PROGRAMS**

**E.1 AORMA Programs Update**

Kurt Borsting expressed his appreciation of his experience on the Executive Committee and stated that Dwayne Brummett will be the new AORMA Chair with Robert de Wit serving as Co-Chair. No other items to report.

**F. CLOSED SESSION**

NONE

**G. INFORMATION ITEMS**

**G.1 CSURMA Executive Committee & Staff Contact List**

The Executive Committee reviewed the Contact List was advised to inform the Program Administrators of any needed updates or corrections.

**H. ADJOURNMENT**

This will be Tom McCarron’s last meeting before he moves to San Diego. Mike Lee will complete his term and Cynthia Teniente-Matson will issue a memo to that effect.

A motion was made to adjourn the meeting.

The meeting adjourned at 2:53 PM.

**DRAFT FINANCIAL STATEMENTS AT JUNE 30, 2013**

**ISSUE:** The Chancellor's Office Financial Services Accounting prepares Financial Statements for CSURMA. The Draft Financial Statements at June 30, 2013 are provided as an attachment to this item. The Executive Committee is asked to review the Draft Financial Statements as part of the Consent Calendar. The Chancellor's Office Finance Services Accounting will be on hand to answer questions.

**RECOMMENDATION:** It is recommended that the Executive Committee review and accept the Draft Financial Statements at June 30, 2013 as part of the Consent Calendar.

**FISCAL IMPACT:** None.

**BACKGROUND:** Financial Statements provide a status of CSURMA's financial position and relied upon for decision making by the Executive Committee.

**ATTACHMENT(S):** Draft Financial Statements at June 30, 2013.

**California State University Risk Management Authority**  
**Member Aged Accounts Receivable**  
As of August 21st, 2013

Client Name	Current	31 - 60	Over 61	Balance
Associated Students Inc, CSU Northridge	27,553.00	0.00	0.00	27,553.00
Associated Students Inc. CSU Stanislaus	1,636.00	0.00	0.00	1,636.00
Associated Students of San Diego State University	77,755.00	0.00	0.00	77,755.00
Associated Students, CSU Fullerton	85,726.00	0.00	0.00	85,726.00
Associated Students, CSU Los Angeles	8,332.00	0.00	0.00	8,332.00
Associated Students, Inc.of Sonoma State University	23,377.00	0.00	0.00	23,377.00
Associated Students, San Luis Obispo	128,146.00	0.00	0.00	128,146.00
Cal Poly Pomona Foundation, Inc.	405,283.00	0.00	0.00	405,283.00
Cal State Los Angeles University Auxiliary Svcs Inc	33,669.00	0.00	0.00	33,669.00
California Maritime Academy Associated Students	4,008.00	0.00	0.00	4,008.00
California Maritime Academy Foundation	4,240.00	0.00	0.00	4,240.00
Cesar Chavez Student Center, San Francisco State University	61,205.00	0.00	0.00	61,205.00
Channel Islands Associated Students	1,808.00	0.00	0.00	1,808.00
CPSU San Luis Obispo	38,819.00	0.00	0.00	38,819.00
CSU Bakersfield	8.00	0.00	0.00	8.00
CSU Bakersfield Associated Students Inc	7,162.00	0.00	0.00	7,162.00
CSU Bakersfield Foundation	34,425.00	0.00	0.00	34,425.00
CSU Bakersfield, Auxiliary for Sponsored Programs Administration	6,212.00	0.00	0.00	6,212.00
CSU Channel Islands Site Authority	172,263.00	0.00	0.00	172,263.00
CSU Channel Islands University Glen	26,160.00	0.00	0.00	26,160.00
CSU East Bay Foundation	55,997.00	0.00	0.00	55,997.00
CSU Fresno Association	27,380.00	0.00	0.00	27,380.00
CSU Fresno Athletic Corporation	259,429.00	0.00	0.00	259,429.00
CSU Fresno Foundation	72,265.00	0.00	0.00	72,265.00
CSU Long Beach	48,175.00	0.00	0.00	48,175.00
CSU Northridge Foundation	14,430.00	0.00	0.00	14,430.00
CSU Office of the Chancellor	3,867.50	0.00	0.00	3,867.50
CSU Office of the Chancellor - Financing and Treasury	340.00	0.00	0.00	340.00
CSU Office of the Chancellor-Systemwide	2,489,726.00	0.00	0.00	2,489,726.00
CSU San Bernardino	127.50	0.00	0.00	127.50
CSU Stanislaus	6,927.50	0.00	0.00	6,927.50
CSU Stanislaus Stockton Site Authority	56,156.00	0.00	0.00	56,156.00
CSU, Long Beach Research Foundation	316,262.00	0.00	0.00	316,262.00
CSUSB Philanthropic Foundation	13,854.00	0.00	0.00	13,854.00
Forty-Niner Shops Incorporated, CSU Long Beach	100,464.00	0.00	0.00	100,464.00
Humboldt State Univ Sponsored Programs Foundation	51,073.00	0.00	0.00	51,073.00
San Diego State University Research Foundation	695,155.00	0.00	0.00	695,155.00
San Francisco State University	322.00	0.00	0.00	322.00
San Jose State University Research Foundation	192,198.00	0.00	0.00	192,198.00
Santos Manuel Student Union, CSU San Bernardino	36,428.00	0.00	0.00	36,428.00
Spartan Shops Inc., San Jose State University	182,847.00	0.00	0.00	182,847.00
Student Union Inc., San Jose State University	161,865.00	0.00	0.00	161,865.00
Student Union of CSU Bakersfield	25,952.00	0.00	0.00	25,952.00
The Tower Foundation, San Jose State University	5,692.00	0.00	0.00	5,692.00
The University Corporation at Monterey Bay	103.00	0.00	0.00	103.00
The University Corporation, CSU Northridge	133,802.00	0.00	0.00	133,802.00
The University Corporation, San Francisco State	77,935.00	0.00	0.00	77,935.00
Univ Enterprises Inc. CSU Sacramento	36,424.00	0.00	0.00	36,424.00
University Auxiliary and Research Svcs Corp, CSU San Marcos	67,713.00	0.00	0.00	67,713.00
University Enterprises Corporation at CSUSB	80,783.00	0.00	0.00	80,783.00
University Student Union, CSU Stanislaus	8,117.00	0.00	0.00	8,117.00
<b>Totals:</b>	<b>6,369,596.50</b>	<b>0.00</b>	<b>0.00</b>	<b>6,369,596.50</b>

**California State University Risk Management Authority  
Outstanding Member Loan Status  
As of 6/30/2013**

**Loan Pool: 15% of the overall average cash and investment for the preceding 12 months (Jul 2012 - Jun 2013)**

**\$ 25,687,988.04**

Member Name	Maturity Date	Original Issue Date	Original Issue Amount	Outstanding Loan Balance 6/30/2013	Outstanding Loan Balance 6/30/2012
Humboldt State University Advancement Foundation	Oct 2017 (Extension)	Aug 2008	\$ 2,535,000.00	\$ 2,000,000.00	\$ 2,535,000.00
CSU Fresno	Oct 2013	Nov 2008	\$ 4,500,000.00	\$ 2,642,036.88	\$ 3,069,895.88
CSU Northridge	Jun 2015	May 2010	\$ 5,000,000.00	\$ 3,500,000.00	\$ 5,000,000.00
<b>Total Loans</b>			<b>\$ 12,035,000.00</b>	<b>\$ 8,142,036.88</b>	<b>\$ 10,604,895.88</b>
<b>Remaining Amount Available for Member Loans:</b>				<b>\$ 17,545,951.16</b>	

**\*Per CSURMA P&P No. 10:**

A single Member loan and its associated Member's Auxiliary Organizations shall not exceed 5% of the overall average cash and investment for the preceding 12 months (Jul 2012 - Jun 2013)

**\$ 8,562,662.68**

**California State University Risk Management Authority**  
**Balance Sheet - Campus Programs as of 6/30/2013**  
(Unaudited)

	<b>Liability</b>	<b>Workers' Compensation</b>	<b>IDL/NDI/UI</b>	<b>Property</b>	<b>AIME</b>	<b>Auto Liability</b>	<b>Total Campus Programs as of 6/30/2013</b>
<b>Assets:</b>							
Cash and Investments	8,868,043	14,169,662	824,522	1,336,883	465,124	0	25,664,233
Other long-term investments	40,171,374	63,638,315	3,523,706	5,869,294	2,093,403	0	115,296,091
Accounts receivable	198,266	6,057	336	14,145	200	0	219,004
Loan receivable	0	0	0	0	0	0	0
Reinsurance receivable	0	716,738	0	0	0	0	716,738
Accrued interest receivable	963	1,640	200	148	80	0	3,033
Prepaid insurance	11,858	0	0	64,076	2,492	0	78,426
Prepaid expense	17,903	2,115,668	5,466	13,772	94,450	0	2,247,259
Fixed asset	3,138	7,404	2,209	2,767	644	0	16,162
Accumulated Depreciation	(1,098)	(2,592)	(773)	(968)	(225)	0	(5,657)
<b>Total assets:</b>	<b>49,270,446</b>	<b>80,652,894</b>	<b>4,355,665</b>	<b>7,300,117</b>	<b>2,656,166</b>	<b>0</b>	<b>144,235,289</b>
<b>Liabilities:</b>							
Accounts payable	80,071	900,002	2,480,563	16,187	4,806	0	3,481,630
Unearned revenue	10,500	0	0	0	0	0	10,500
SELF assessment liability	0	13,632,062	0	0	0	0	13,632,062
Reported claims	8,105,014	36,703,615	0	0	143,450	0	44,952,079
Claims incurred but not reported	9,938,159	17,863,429	0	0	1,912,662	0	29,714,250
<b>Total liabilities:</b>	<b>18,133,744</b>	<b>69,099,108</b>	<b>2,480,563</b>	<b>16,187</b>	<b>2,060,918</b>	<b>0</b>	<b>91,790,521</b>
Fund balance	31,136,702	11,553,786	1,875,102	7,283,930	595,249	0	52,444,768
<b>Total liabilities and fund balance</b>	<b>49,270,446</b>	<b>80,652,894</b>	<b>4,355,665</b>	<b>7,300,117</b>	<b>2,656,166</b>	<b>0</b>	<b>144,235,289</b>

# California State University Risk Management Authority

## Balance Sheet - AORMA Programs as of 6/30/2013

(Unaudited)

	AORMA Liability	AORMA Workers' Comp	AORMA Property	AORMA Crime	AORMA UIP	Total AORMA Programs as of 6/30/2013
<b>Assets:</b>						
Cash and Investments	1,607,827	2,582,052	133,197	20,963	483,232	4,827,271
Other long-term investments	7,220,246	11,619,450	616,585	90,227	2,156,412	21,702,919
Accounts receivable	55,431	1,107	351	9	205	57,102
Loan receivable	0	0	0	0	0	0
Reinsurance receivable	0	0	0	0	0	0
Accrued interest receivable	181	275	18	3	65	543
Prepaid insurance	0	0	0	0	0	0
Prepaid expense	243,753	251,149	1,324	127	838	497,191
Fixed asset	965	931	759	0	0	2,656
Accumulated Depreciation	(338)	(326)	(266)	0	0	(930)
<b>Total assets:</b>	<b>9,128,064</b>	<b>14,454,638</b>	<b>751,969</b>	<b>111,329</b>	<b>2,640,752</b>	<b>27,086,752</b>
<b>Liabilities:</b>						
Accounts payable	1,073,001	797,732	4,398	421	726,784	2,602,336
Unearned revenue	2,989	0	13	153	0	3,155
SELF assessment liability	0	0	0	0	0	0
Reported claims	2,045,034	3,725,705	0	0	0	5,770,739
Claims incurred but not reported	817,895	4,493,819	0	0	0	5,311,714
<b>Total liabilities:</b>	<b>3,938,919</b>	<b>9,017,256</b>	<b>4,411</b>	<b>574</b>	<b>726,784</b>	<b>13,687,944</b>
Fund balance	5,189,145	5,437,382	747,557	110,755	1,913,968	13,398,808
<b>Total liabilities and fund balance</b>	<b>9,128,064</b>	<b>14,454,638</b>	<b>751,969</b>	<b>111,329</b>	<b>2,640,752</b>	<b>27,086,752</b>

# California State University Risk Management Authority

## Balance Sheet - Miscellaneous Programs as of 6/30/2013

(Unaudited)

	Misc Purchased	OCIP	Club Sports	Loans	Total Misc Programs as of 6/30/2013	Grand Total All Programs as of 6/30/2013
<b>Assets:</b>						
Cash and Investments	687	(1,048,043)	6,229	(1,460,988)	(2,502,115)	27,989,389
Other long-term investments	3,182	(4,926,601)	28,193	(6,681,049)	(11,576,275)	125,422,735
Accounts receivable	14,115	(469)	3	0	13,648	289,754
Loan receivable	0	0	0	8,142,037	8,142,037	8,142,037
Reinsurance receivable	0	0	0	0	0	716,738
Accrued interest receivable	0	(156)	1	0	(155)	3,420
Prepaid insurance	0	1,640,396	10,352	0	1,650,748	1,729,174
Prepaid expense	0	184,091	1,169	0	185,259	2,929,709
Fixed asset	0	0	0	0	0	18,818
Accumulated Depreciation	0	0	0	0	0	(6,586)
<b>Total assets:</b>	<b>17,984</b>	<b>(4,150,782)</b>	<b>45,945</b>	<b>0</b>	<b>(4,086,853)</b>	<b>167,235,188</b>
<b>Liabilities:</b>						
Accounts payable	0	15,341	0	0	15,341	6,099,307
Unearned revenue	0	0	450	0	450	14,105
SELF assessment liability	0	0	0	0	0	13,632,062
Reported claims	0	0	0	0	0	50,722,818
Claims incurred but not reported	0	0	0	0	0	35,025,964
<b>Total liabilities:</b>	<b>0</b>	<b>15,341</b>	<b>450</b>	<b>0</b>	<b>15,791</b>	<b>105,494,256</b>
Fund balance	17,984	(4,166,123)	45,495	0	(4,102,644)	61,740,932
<b>Total liabilities and fund balance</b>	<b>17,984</b>	<b>(4,150,782)</b>	<b>45,945</b>	<b>0</b>	<b>(4,086,853)</b>	<b>167,235,188</b>

# California State University Risk Management Authority

## Income Statement - Campus Programs as of 6/30/2013

(Unaudited)

	Liability	Workers' Compensation	IDL/NDI/UI	Property	AIME	Auto Liability	Total Campus Programs
<b>OPERATING REVENUES:</b>							
Contributions	15,006,637	29,652,429	15,216,515	11,165,197	2,955,384	683,336	74,679,498
Reinsurance premiums	(165,000)	(2,014,509)	0	0	0	0	(2,179,509)
<b>Total operating revenues:</b>	<b>14,841,637</b>	<b>27,637,920</b>	<b>15,216,515</b>	<b>11,165,197</b>	<b>2,955,384</b>	<b>683,336</b>	<b>72,499,989</b>
<b>OPERATING EXPENSES:</b>							
<b>DIRECT PROGRAM EXPENSES:</b>							
Claims payment & legal expenses	7,301,945	18,045,268	13,530,038	1,323,255	3,030,713	0	43,231,217
Deductible recoveries	(3,059,668)	0	0	0	0	0	(3,059,668)
Claims administrators	81,908	3,634,911	60,456	0	115,000	0	3,892,275
Claims management information system	30,290	0	0	0	0	0	30,290
Program administrator	194,332	395,396	166,680	198,145	9,636	0	964,189
Brokerage commissions	2,336	19,881	4	422,610	315	0	445,146
Insurance premiums	3,953,942	2,642,420	0	8,708,739	23,445	683,336	16,011,882
Taxes, assessments & fees	188,015	0	0	0	0	0	188,015
Actuarial services	4,750	10,500	0	0	2,750	0	18,000
Claims audit	2,250	0	0	0	8,123	0	10,373
Miscellaneous program services	20,749	4,183	0	0	0	0	24,932
Workshops/training	1,875	2,407	441	384	103	0	5,210
Loss control	116,984	2,147	0	0	0	0	119,131
Reinsurance recovery	0	(12,384,683)	0	0	0	0	(12,384,683)
Program committee	0	0	0	0	2,616	0	2,616
Dividend distributions	0	7,504,717	0	0	0	0	7,504,717
Change in claims losses and loss adj. exp.	(5,526,036)	14,338,723	0	0	14,446	0	8,827,133
<b>Total direct program expenses:</b>	<b>3,313,672</b>	<b>34,215,868</b>	<b>13,757,620</b>	<b>10,653,133</b>	<b>3,207,147</b>	<b>683,336</b>	<b>65,830,777</b>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES:</b>							
Financial audit	8,173	16,629	7,010	6,113	1,635	0	39,560
Executive committee & board expenses	2,722	5,538	2,334	2,036	544	0	13,174
JPA insurance	2,659	5,410	2,281	1,989	532	0	12,871
Memberships, associations & dues	1,224	2,491	1,050	916	245	0	5,926
Chancellor's office accounting services	50,118	101,972	42,988	37,486	10,023	0	242,587
Risk management expenses	177,664	361,480	152,387	132,882	35,530	0	859,943
Miscellaneous indirect services	5,739	10,269	4,178	3,821	991	0	24,999
<b>Total general &amp; administrative expenses:</b>	<b>248,300</b>	<b>503,789</b>	<b>212,229</b>	<b>185,242</b>	<b>49,500</b>	<b>0</b>	<b>1,199,060</b>
<b>Total operating expenses:</b>	<b>3,561,972</b>	<b>34,719,658</b>	<b>13,969,848</b>	<b>10,838,376</b>	<b>3,256,647</b>	<b>683,336</b>	<b>67,029,836</b>
<b>NON-OPERATING REVENUES:</b>							
Investment income	55,957	265,005	117,718	(3,172)	34,564	0	470,071
<b>Total non-operating revenues:</b>	<b>55,957</b>	<b>265,005</b>	<b>117,718</b>	<b>(3,172)</b>	<b>34,564</b>	<b>0</b>	<b>470,071</b>
<b>BEGINNING RETAINED EARNINGS</b>	<b>19,801,080</b>	<b>18,370,519</b>	<b>510,717</b>	<b>5,185,396</b>	<b>861,948</b>	<b>0</b>	<b>44,729,659</b>
<b>ADJUSTMENTS TO RETAINED EARNINGS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,774,885</b>	<b>0</b>	<b>0</b>	<b>1,774,885</b>
<b>TOTAL ADJUSTED RETAINED EARNINGS</b>	<b>19,801,080</b>	<b>18,370,519</b>	<b>510,717</b>	<b>6,960,281</b>	<b>861,948</b>	<b>0</b>	<b>46,504,544</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>11,335,622</b>	<b>-6,816,733</b>	<b>1,364,385</b>	<b>323,649</b>	<b>-266,699</b>	<b>0</b>	<b>5,940,224</b>
<b>ENDING RETAINED EARNINGS</b>	<b>31,136,702</b>	<b>11,553,786</b>	<b>1,875,102</b>	<b>7,283,930</b>	<b>595,249</b>	<b>0</b>	<b>52,444,768</b>

# California State University Risk Management Authority

## Income Statement - AORMA Programs as of 6/30/2013

(Unaudited)

	AORMA Liability	AORMA Workers' Comp	AORMA Property	AORMA Crime	AORMA UIP	Total AORMA Programs
<b>OPERATING REVENUES:</b>						
Contributions	3,549,873	4,322,516	4,100,162	282,321	2,205,684	14,460,556
Reinsurance premiums	(825,000)	0	0	0	0	(825,000)
<b>Total operating revenues:</b>	<b>2,724,873</b>	<b>4,322,516</b>	<b>4,100,162</b>	<b>282,321</b>	<b>2,205,684</b>	<b>13,635,556</b>
<b>OPERATING EXPENSES:</b>						
<b>DIRECT PROGRAM EXPENSES:</b>						
Claims payment & legal expenses	1,496,640	1,801,262	69,276	20,000	3,058,554	6,445,731
Deductible recoveries	(274,650)	0	0	0	0	(274,650)
Claims administrators	12,600	207,089	0	0	20,000	239,689
Claims management information system	0	0	0	0	0	0
Program administrator	567,500	334,692	242,548	23,256	45,000	1,212,996
Brokerage commissions	37,956	(3,476)	177,822	(3,091)	1	209,213
Insurance premiums	344,515	440,999	2,539,426	186,793	0	3,511,733
Taxes, assessments & fees	0	39,985	0	0	0	39,985
Actuarial services	4,000	5,500	0	0	0	9,500
Claims audit	2,500	0	0	0	0	2,500
Miscellaneous program services	0	0	0	0	0	0
Workshops/training	5,050	5,951	4,313	413	2,730	18,457
Loss control	97,178	114,078	0	0	0	211,256
Reinsurance recovery	0	0	0	0	0	0
Program committee	7,282	8,566	6,205	594	3,927	26,574
Dividend distributions	1,061,712	640,445	0	0	0	1,702,157
Change in claims losses and loss adj. exp.	294,446	337,229	0	0	0	631,675
<b>Total direct program expenses:</b>	<b>3,656,728</b>	<b>3,932,321</b>	<b>3,039,589</b>	<b>227,966</b>	<b>3,130,212</b>	<b>13,986,815</b>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES:</b>						
Financial audit	1,989	2,344	1,699	163	1,075	7,269
Executive committee & board expenses	662	780	566	54	358	2,421
JPA insurance	647	763	553	53	350	2,365
Memberships, associations & dues	17	20	14	1	9	62
Chancellor's office accounting services	12,197	14,371	10,416	998	6,594	44,577
Risk management expenses	42,103	49,609	35,956	3,444	22,762	153,874
Miscellaneous indirect services	1,257	1,430	1,038	91	607	4,423
<b>Total general &amp; administrative expenses:</b>	<b>58,873</b>	<b>69,317</b>	<b>50,241</b>	<b>4,804</b>	<b>31,756</b>	<b>214,991</b>
<b>Total operating expenses:</b>	<b>3,715,601</b>	<b>4,001,637</b>	<b>3,089,830</b>	<b>232,770</b>	<b>3,161,968</b>	<b>14,201,806</b>
<b>NON-OPERATING REVENUES:</b>						
Investment income	20,531	(3,111)	27,342	533	14,151	59,447
<b>Total non-operating revenues:</b>	<b>20,531</b>	<b>(3,111)</b>	<b>27,342</b>	<b>533</b>	<b>14,151</b>	<b>59,447</b>
<b>BEGINNING RETAINED EARNINGS</b>	<b>6,159,342</b>	<b>5,119,614</b>	<b>1,484,769</b>	<b>60,671</b>	<b>2,856,101</b>	<b>15,680,497</b>
<b>ADJUSTMENTS TO RETAINED EARNINGS</b>	<b>0</b>	<b>0</b>	<b>(1,774,885)</b>	<b>0</b>	<b>0</b>	<b>(1,774,885)</b>
<b>TOTAL ADJUSTED RETAINED EARNINGS</b>	<b>6,159,342</b>	<b>5,119,614</b>	<b>(290,116)</b>	<b>60,671</b>	<b>2,856,101</b>	<b>13,905,612</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>(970,197)</b>	<b>317,768</b>	<b>1,037,673</b>	<b>50,084</b>	<b>(942,133)</b>	<b>(506,804)</b>
<b>ENDING RETAINED EARNINGS</b>	<b>5,189,145</b>	<b>5,437,382</b>	<b>747,557</b>	<b>110,755</b>	<b>1,913,968</b>	<b>13,398,808</b>

**California State University Risk Management Authority**  
**Income Statement - Miscellaneous Programs as of 6/30/2013**

(Unaudited)

	Misc Purchased	OCIP	Club Sports	Total Misc Programs	Grand Total All Programs
<b>OPERATING REVENUES:</b>					
Contributions	322,903	1,378,726	183,187	1,884,816	91,024,870
Reinsurance premiums	0	0	0	0	(3,004,509)
<b>Total operating revenues:</b>	<b>322,903</b>	<b>1,378,726</b>	<b>183,187</b>	<b>1,884,816</b>	<b>88,020,361</b>
<b>OPERATING EXPENSES:</b>					
<b>DIRECT PROGRAM EXPENSES:</b>					
Claims payment & legal expenses	0	0	0	0	49,676,949
Deductible recoveries	0	0	0	0	(3,334,318)
Claims administrators	0	0	0	0	4,131,964
Claims management information system	0	0	0	0	30,290
Program administrator	0	266,250	0	266,250	2,443,435
Brokerage commissions	17,995	24,909	13,743	56,647	711,006
Insurance premiums	279,894	3,031,851	123,516	3,435,262	22,958,876
Taxes, assessments & fees	0	0	0	0	228,000
Actuarial services	0	0	0	0	27,500
Claims audit	0	0	0	0	12,873
Miscellaneous program services	0	0	0	0	24,932
Workshops/training	0	776	0	776	24,444
Loss control	0	0	0	0	330,387
Reinsurance recovery	0	0	0	0	(12,384,683)
Program committee	0	0	0	0	29,190
Dividend distributions	0	0	0	0	9,206,874
Change in claims losses and loss adj. exp.	0	0	0	0	9,458,808
<b>Total direct program expenses:</b>	<b>297,889</b>	<b>3,323,786</b>	<b>137,259</b>	<b>3,758,934</b>	<b>83,576,526</b>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES:</b>					
Financial audit	0	6,170	0	6,170	53,000
Executive committee & board expenses	0	2,055	0	2,055	17,649
JPA insurance	0	2,008	0	2,008	17,244
Memberships, associations & dues	0	52	0	52	6,040
Chancellor's office accounting services	0	37,836	0	37,836	325,000
Risk management expenses	0	130,607	0	130,607	1,144,424
Miscellaneous indirect services	0	2,976	0	2,976	32,398
<b>Total general &amp; administrative expenses:</b>	<b>0</b>	<b>181,704</b>	<b>0</b>	<b>181,704</b>	<b>1,595,755</b>
<b>Total operating expenses:</b>	<b>297,889</b>	<b>3,505,490</b>	<b>137,259</b>	<b>3,940,639</b>	<b>85,172,281</b>
<b>NON-OPERATING REVENUES:</b>					
Investment income	(1)	5,234	(433)	4,801	534,319
<b>Total non-operating revenues:</b>	<b>(1)</b>	<b>5,234</b>	<b>(433)</b>	<b>4,801</b>	<b>534,319</b>
<b>BEGINNING RETAINED EARNINGS</b>	<b>(7,030)</b>	<b>(2,044,593)</b>	<b>0</b>	<b>(2,051,623)</b>	<b>58,358,534</b>
<b>ADJUSTMENTS TO RETAINED EARNINGS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL ADJUSTED RETAINED EARNINGS</b>	<b>(7,030)</b>	<b>(2,044,593)</b>	<b>0</b>	<b>(2,051,623)</b>	<b>58,358,534</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>25,013</b>	<b>(2,121,530)</b>	<b>45,495</b>	<b>(2,051,022)</b>	<b>3,382,398</b>
<b>ENDING RETAINED EARNINGS</b>	<b>17,984</b>	<b>(4,166,123)</b>	<b>45,495</b>	<b>(4,102,644)</b>	<b>61,740,932</b>

**California State University Risk Management Authority**  
**Income Statement as of 6/30/2013**  
(Unaudited)

	Budget vs. Actual		Variance	Percent of Budget
	FY 2012/2013 Budget	Year-to-Date Ending 6/30/2013		
<b>OPERATING REVENUES:</b>				
Contributions	90,030,846	91,024,870	(994,024)	101.10%
Reinsurance premiums	(3,004,509)	(3,004,509)	0	100.00%
<b>Total operating revenues:</b>	<b>87,026,337</b>	<b>88,020,361</b>	<b>(994,024)</b>	<b>101.14%</b>
<b>OPERATING EXPENSES:</b>				
<b>DIRECT PROGRAM EXPENSES:</b>				
Claims payment & legal expenses	59,249,626	49,676,949	9,572,677	83.84%
Deductible recoveries	(4,050,000)	(3,334,318)	(715,682)	82.33%
Claims administrators	4,639,795	4,131,964	507,831	89.05%
Claims management information system	100,000	30,290	69,710	30.29%
Program administrator	2,449,686	2,443,435	6,251	99.74%
Brokerage commissions	1,258,407	711,006	547,401	56.50%
Insurance premiums	19,305,370	22,958,876	(3,653,506)	118.92%
Taxes, assessments & fees	235,000	228,000	7,000	97.02%
Actuarial services	26,000	27,500	(1,500)	105.77%
Claims audit	22,000	12,873	9,127	58.52%
Coverage counsel	16,000	0	16,000	0.00%
Program legal	12,500	0	12,500	0.00%
Miscellaneous program services	11,905	24,932	(13,027)	209.42%
Workshops/training	35,000	24,444	10,556	69.84%
Loss control	558,125	330,387	227,738	59.20%
Reinsurance recovery	(11,830,493)	(12,384,683)	554,190	104.68%
Program committee	30,688	29,190	1,498	95.12%
Dividend distributions	9,723,907	9,206,874	517,033	94.68%
Change in claims losses and loss adj. exp.	0	9,458,808	(9,458,808)	0.00%
<b>Total direct program expenses:</b>	<b>81,793,516</b>	<b>83,576,526</b>	<b>(1,783,010)</b>	<b>102.18%</b>
<b>GENERAL &amp; ADMINISTRATIVE EXPENSES:</b>				
Financial audit	55,000	53,000	2,000	96.36%
Executive committee & board expenses	34,000	17,649	16,351	51.91%
JPA insurance	27,500	17,244	10,256	62.71%
Memberships, associations & dues	5,250	6,040	(790)	115.05%
Chancellor's office accounting services	325,000	325,000	0	100.00%
Risk management expenses	1,116,000	1,144,424	(28,424)	102.55%
JPA legal	5,000	0	5,000	0.00%
Miscellaneous indirect services	15,000	32,398	(17,398)	215.99%
<b>Total general &amp; administrative expenses:</b>	<b>1,582,750</b>	<b>1,595,755</b>	<b>(13,005)</b>	<b>100.82%</b>
<b>Total operating expenses:</b>	<b>83,376,266</b>	<b>85,172,281</b>	<b>(1,796,015)</b>	<b>102.15%</b>
<b>NON-OPERATING REVENUES:</b>				
Investment income	5,000,000	534,319	4,465,681	10.69%
<b>Total non-operating revenues:</b>	<b>5,000,000</b>	<b>534,319</b>	<b>4,465,681</b>	<b>10.69%</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>8,650,071</b>	<b>3,382,398</b>	<b>5,267,673</b>	<b>39.10%</b>

**FINANCIAL REPORT**  
**TREASURER'S REPORT**  
**AT JUNE 30, 2013**

**ISSUE:** California Government Code Section 53646(b)(1) requires that the CSURMA Treasurer submit a Quarterly Investment Report stating that all investments are in compliance with the current investment policy and that CSURMA has sufficient funds to meet its expenditure requirements for the next six months. The CSURMA Treasurer will be on hand to address questions.

**RECOMMENDATION:** It is recommended that the Executive Committee review the Treasurer's Report ending June 30, 2013 as part of the Consent Calendar.

**FISCAL IMPACT:** None.

**BACKGROUND:** The objective of ensuring that CSURMA has sufficient funds is to assure that policies and procedures are in effect and followed to protect and preserve the JPA's financial assets.

**PUBLICATION:** None.

**ATTACHMENT(S):**

- a. Certification of Funds Letter dated September 13, 2013
- b. CSURMA Investment Report



California State University Risk Management Authority

**Officers**

**Cynthia Teniente-Matson**  
Chair

**Mary Ann Rodriguez**  
Vice Chair

**George V. Ashkar**  
Treasurer

**Charlene M. Minnick**  
Secretary

To: Executive Committee  
CSU Risk Management Authority

From: George V. Ashkar  
Treasurer of CSU Risk Management Authority

Re: Quarterly Investment Report  
Ending June 30, 2013

Date: August 29<sup>th</sup>, 2013

Government Code Section 53646(b)(1) requires the Authority's Treasurer to submit to the legislative body (Executive Committee), a quarterly investment report. Attached is the quarterly investment report ending June 30<sup>th</sup>, 2013. The report contains a portfolio summary which includes market value, return, yield, weighted average to maturity (WAM), and duration for each of CSURMA investment Portfolios; Fixed Income Portfolio with Morgan Stanley-Smith Barney, and CSU's Consolidated Investment Pool.

It is the belief of the Treasurer that the funds held in investments are sufficient to meet the Authority's cash flow needs for the following six (6) months, and the investments are in accordance with the investment policy of the Authority, as duly authorized by the Executive Committee.

George V. Ashkar, Treasurer

# CSURMA Quarterly Investment Report

April 1, 2013 – June 30, 2013

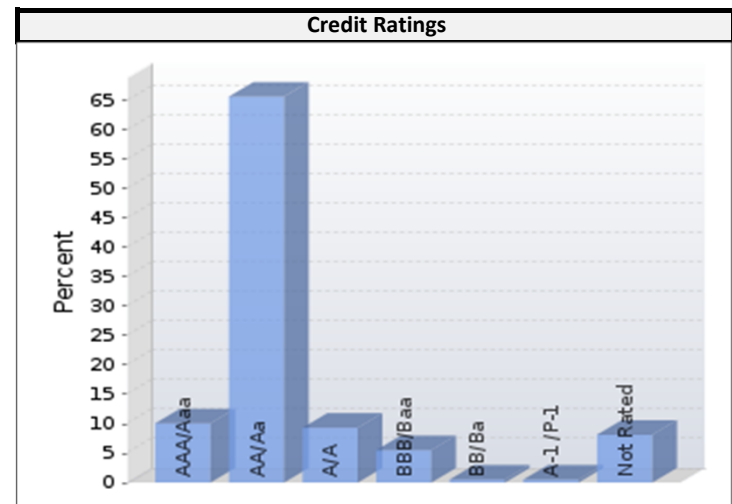
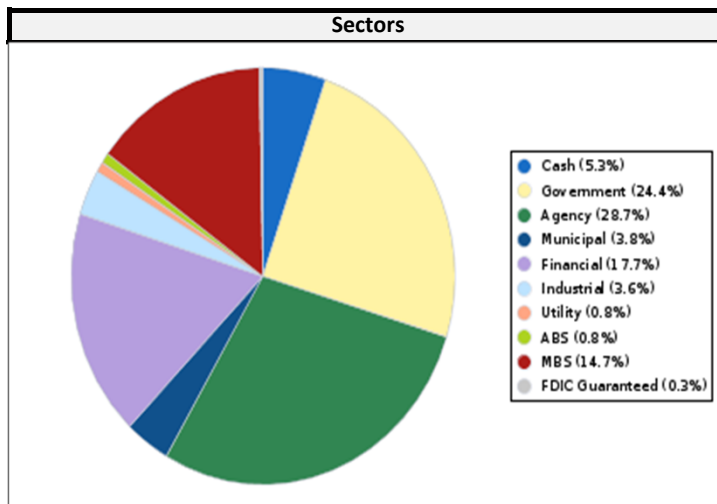
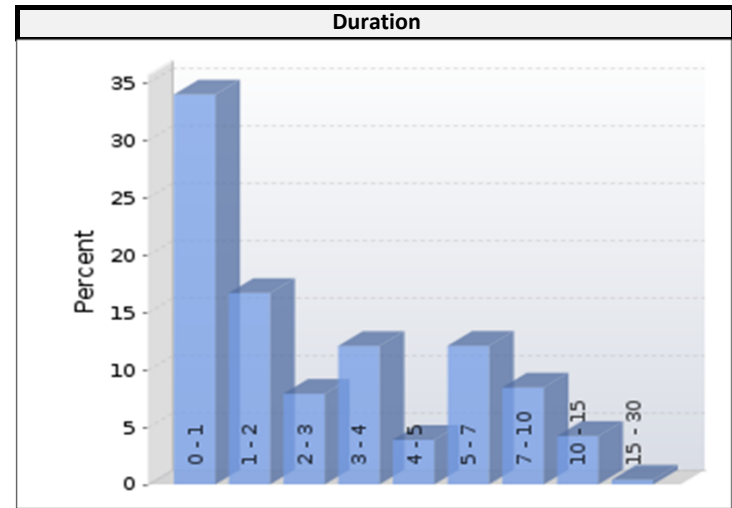
Prepared by the Office of Financing and Treasury

# California State University Risk Management Authority

## Fixed Income Portfolio (Auxiliary Investment Platform)

As of 6/30/2013

Portfolio Summary Total	
Total Assets	125,422,735
Duration	3.048
Yield	1.180%
Avg Credit Rating	AA-/Aa3
QE Performance	-1.738%

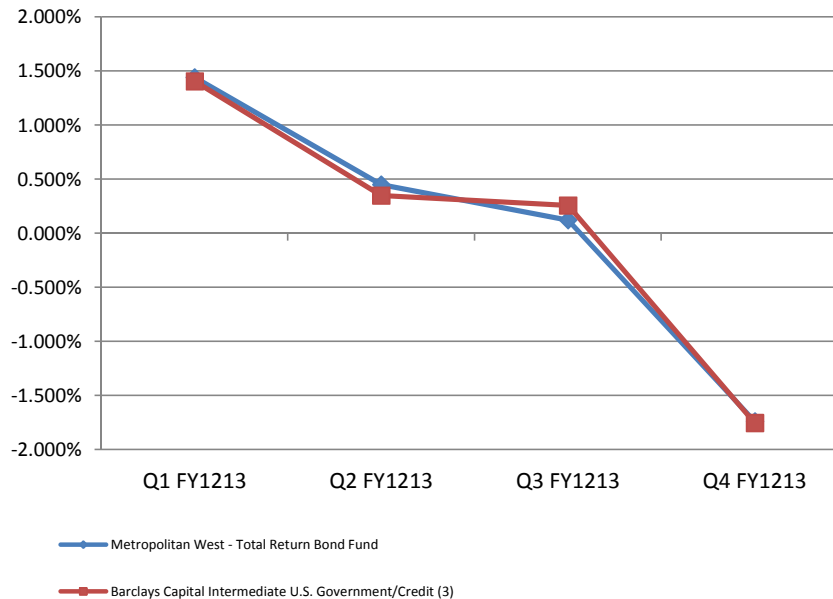


**California State University Risk Management Authority**  
**Fixed Income Portfolio (Auxiliary Investment Platform)**  
**Performance Summary**

Period Ended 6/30/13

Account / Index	Market Value	3 Month <sup>(1)</sup>	Trailing 12 Month <sup>(1)</sup>	Trailing 3 Year <sup>(1)</sup>	Trailing 5 Year <sup>(1)</sup>	Since Inception <sup>(1)</sup>	Yield	WAM <sup>(2)</sup>	Duration
	06/30/13	04/01/13 - 06/30/13	07/01/12 - 06/30/13	07/01/10 - 06/30/13	07/01/08 - 06/30/13	04/01/08 - 06/30/13			
Metropolitan West - Total Return Bond Fund	125,422,735	-1.738%	0.250%	2.864%	4.443%	5.156%	1.180	6.411	3.048
Barclays Capital Intermediate U.S. Government/Credit <sup>(3)</sup>		-1.754%	0.275%	3.121%	4.582%	4.042%	1.538	4.265	3.920

Account / Index	Q1 FY1213	Q2 FY1213	Q3 FY1213	Q4 FY1213	12 Month Return <sup>(1)</sup>
	07/01/12 - 09/30/12	10/01/12 - 12/31/12	01/01/13 - 03/31/13	04/01/13 - 06/30/13	07/01/12 - 06/30/13
Metropolitan West - Total Return Bond Fund	1.441%	0.449%	0.122%	-1.738%	0.250%
Barclays Capital Intermediate U.S. Government/Credit <sup>(3)</sup>	1.404%	0.348%	0.258%	-1.754%	0.275%



(1) Represents Total Return on the portfolio (Income Return plus Price Return)

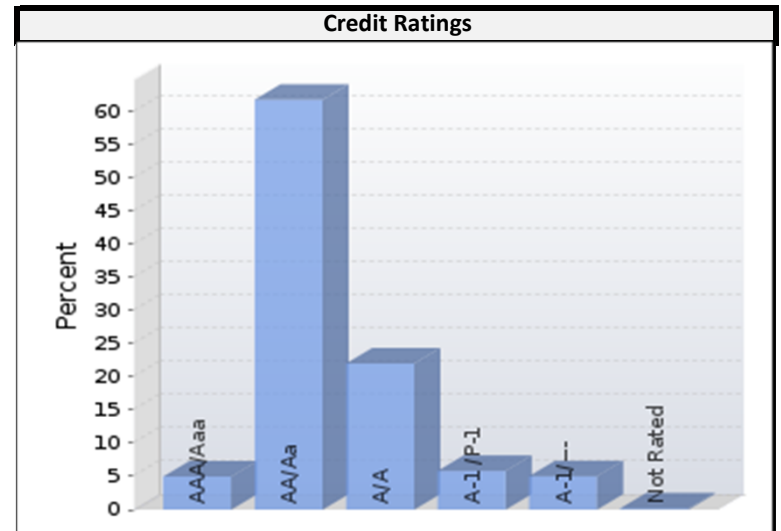
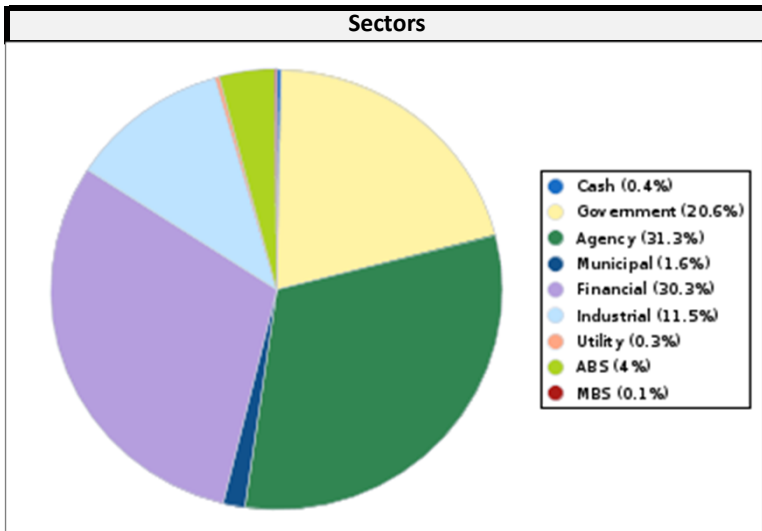
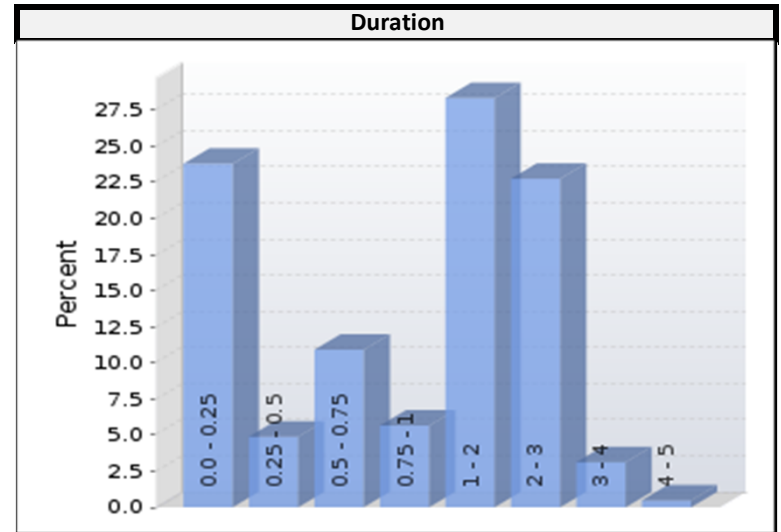
(2) Weighted Average Maturity

(3) Portfolio Benchmark

# California State University SWIFT Portfolio

As of 6/30/2013

Portfolio Summary Total	
Total Assets	27,720,428
Duration	1.298
Yield	0.515%
Avg Credit Rating	AA-/Aa3
QE Performance	-0.151%



# California State University Risk Management Authority

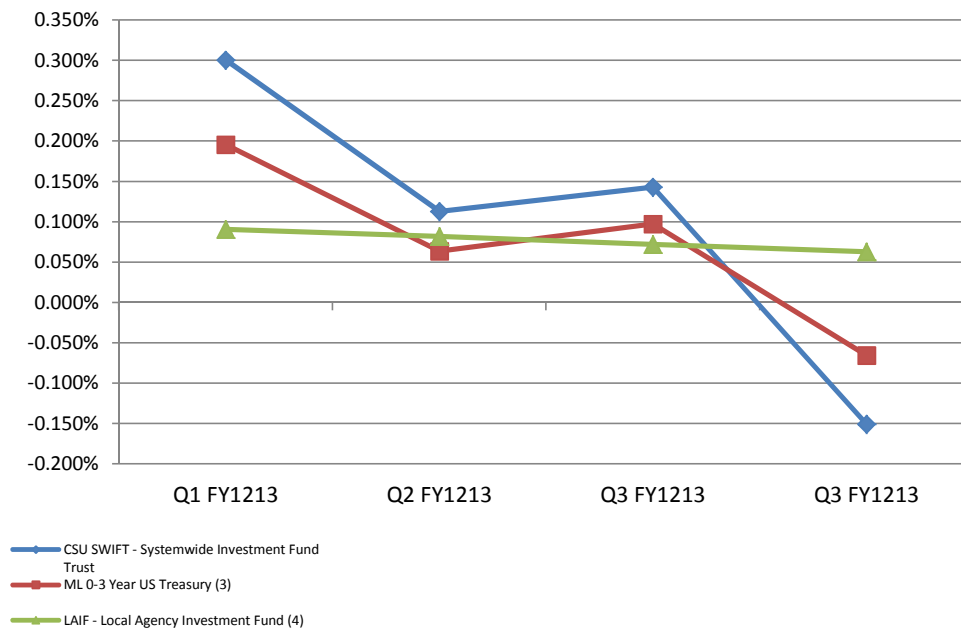
## SWIFT Portfolio

### Performance Summary

Period Ended 6/30/13

Account / Index	Market Value	3 Month <sup>(1)</sup>	Trailing 12 Month <sup>(1)</sup>	Trailing 3 Year <sup>(1)</sup>	Trailing 5 Year <sup>(1)</sup>	Since Inception <sup>(1)</sup>	Yield	WAM <sup>(2)</sup>	Duration
	06/30/13	04/01/13 - 06/30/13	07/01/12 - 06/30/13	07/01/10 - 06/30/13	07/01/08 - 06/30/13	07/01/07 - 06/30/13			
CSU SWIFT - Systemwide Investment Fund Trust	27,720,428	-0.151%	0.406%	0.574%	0.993%	1.573%	0.515	1.688	1.298
BofA ML 0-3 Year US Treasury <sup>(3)</sup>		-0.066%	0.292%	0.647%	1.486%	2.267%	0.295	1.476	1.450
LAIF - Local Agency Investment Fund <sup>(4)</sup>		0.063%	0.308%	0.395%	0.806%	n/a	0.251		

Account / Index	Q1 FY1213	Q2 FY1213	Q3 FY1213	Q3 FY1213	12 Month Return <sup>(1)</sup>
	07/01/12 - 09/30/12	10/01/12 - 12/31/12	01/01/13 - 03/31/13	04/01/13 - 06/30/13	07/01/12 - 06/30/13
CSU SWIFT - Systemwide Investment Fund Trust	0.300%	0.113%	0.143%	-0.151%	0.406%
ML 0-3 Year US Treasury <sup>(3)</sup>	0.196%	0.064%	0.097%	-0.066%	0.292%
LAIF - Local Agency Investment Fund <sup>(4)</sup>	0.091%	0.082%	0.072%	0.063%	0.308%



(1) Represents Total Return on the portfolio (Income Return plus Price Return)

(2) Weighted Average Maturity

(3) Portfolio Benchmark

(4) LAIF quarterly return calculated by CSUCO Financing & Treasury

**Trustee's Audit Status Report**

**ISSUE:** The CSU Office of the University Auditor has completed its report on CSURMA and management's response has been accepted. The audit was published in July and is attached to this item. The Chair and Vice Chair had participated in review of the preliminary findings and the CSURMA Executive Committee has taken action at prior meetings to address expected findings from the preliminary report. Attached to this item is staff's report on the status of the progress to close out audit findings.

**RECOMMENDATION:** The Executive Committee may take action or provide direction as necessary as respects the Audit findings.

**FISCAL IMPACT:** No direct fiscal impact is expected from action on this item at today's meeting.

**BACKGROUND:** None.

**ATTACHMENT(S):** a) Office of the University Auditor Report 12-65  
b) Matrix of Response Item Status

**CALIFORNIA STATE UNIVERSITY  
RISK MANAGEMENT AUTHORITY**

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

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**Members, Committee on Audit**

Henry Mendoza, Chair  
Lupe C. Garcia, Vice Chair  
Rebecca D. Eisen Steven M. Glazer  
William Hauck Hugo Morales

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**Staff**

University Auditor: Larry Mandel  
Senior Director: Michelle Schlack  
Manager of Investigations: Cindy Sanford  
Audit Manager: Wendee Shinsato  
Senior Auditor: Linda Rathfelder

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**BOARD OF TRUSTEES  
THE CALIFORNIA STATE UNIVERSITY**

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## APPENDICES

APPENDIX A:	Personnel Contacted
APPENDIX B:	Management Response
APPENDIX C:	Chancellor's Acceptance

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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

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## **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.

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## 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.

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## **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.<sup>1</sup> 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

<sup>1</sup> 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 amounts<sup>2</sup> 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

<sup>2</sup> 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.

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## 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



*Business and Finance*  
401 Golden Shore, 5th Floor  
Long Beach, CA 90802-4210

[www.calstate.edu](http://www.calstate.edu)

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

562-951-4600  
Fax 562-951-4971  
[bquillian@calstate.edu](mailto:bquillian@calstate.edu)

## 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

RECEIVED  
UNIVERSITY AUDITOR

JUL 19 2013

THE CALIFORNIA STATE  
UNIVERSITY

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 23<sup>rd</sup> 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

#	Recommendation	Open Items	Response / Comments
1a	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.	4c provided the memorandums that document campus representatives, however was missing some campuses. We will need all 23 campuses to close this item.	<ul style="list-style-type: none"> <li>▶ We now have received all responses from the 23 campuses.</li> </ul> <p>Item ready for close request.</p>
1b	Develop a written policy for nominating and electing EC members.	None.	Item ready for close request.
2	We recommend that the CO update systemwide policies relating to the CSURMA.	Just need finalized version of the EO to clear.	<ul style="list-style-type: none"> <li>▶ Revisions in review at C.O.</li> </ul> <p>Expect ready for close request in September.</p>
3	We recommend that CSURMA define and document which CSU policies are relevant to program administration and formally adopt a travel policy.	<ul style="list-style-type: none"> <li>▶ Please provide the May 2013 Resolution that adopted ICSUAM 3601.01 – Travel Policy.</li> <li>▶ Please provide a copy of Policy and Procedure 17, the Travel Reimbursement procedure.</li> <li>▶ Will need the finalized September 2013 resolution to clear.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Please refer to attached <i>Item 3. Policy &amp; Procedure No. 17</i></li> <li>▶ Once approve &amp; finalize at the CSURMA EC meeting on 9/13/13, a signed resolution will be forwarded upon receipt</li> </ul> <p>Expect ready for close request in September.</p>
4a	Update the conflict-of-interest code to ensure that information included is current.	None.	Item ready for close request.
4b	Require all key personnel at the CSURMA program administrator to complete Form 700 conflict-of-interest filing statements.	Please provide the March 2013 EC minutes, which discussed which Alliant personnel were appropriate to fill out COI forms.	<ul style="list-style-type: none"> <li>▶ Discussed 12/7/12 in agenda item.</li> <li>▶ Confirmation on EC 9/13/13 agenda.</li> </ul> <p>Expect ready for close request in September.</p>
4c	Ensure that the CSURMA program administrator maintains all conflict-of-interest statements on file.	Please provide the internal Alliant procedure that was developed to show how Form 700s will be tracked and maintained.	<ul style="list-style-type: none"> <li>▶ Alliant Item will be submitted in September.</li> </ul> <p>Expect ready for close request in September.</p>

5	We recommend that the CSURMA perform audits of the CSURMA and AORMA general liability claims programs in accordance with CSURMA policy.	None.	Item ready for close request.
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.	Please provide a signed version of the EC Resolution 03-13.	<ul style="list-style-type: none"> <li>▶ Please refer to attached <i>Item 6. Resolution 03-13 EC</i></li> </ul> <p>Item ready for close request.</p>
7	We recommend that the CSURMA <ul style="list-style-type: none"> <li>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.</li> <li>b. Document the delegation of authority from the Board to the EC to approve changes to the CSURMA budget.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Please provide a signed copy of the BOT Resolution 01-13.</li> <li>▶ Please provide signed copies of the MOUs for Financial Services Overhead Costs, OGC, and Risk Management.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Please refer to attached <i>Item 7. Resolution No. 01-13 (BOD)</i></li> <li>▶ Please refer to attached <i>Item 7. MOU's (3 Total)</i></li> </ul> <p>Item ready for close request.</p>
8	We recommend that the CSURMA ensure that AG Administrators provides bank statements and bank account reconciliations for CSURMA funds held in trust.	<ul style="list-style-type: none"> <li>▶ Discussed review of contracts for the three vendors holding program funds and either amending or requiring going forward that monthly statements and reconciliations are provided.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Please refer to attached contracts for Sedgwick and AG Administrators that comply with requirement.</li> <li>▶ Attached amendment to Carl Warren &amp; Co agreement expected in September.</li> </ul> <p>Expect ready for close request in September.</p>
9	We recommend that the CSURMA: <ul style="list-style-type: none"> <li>a. Update the CSURMA investment policy and ensure that it is reviewed and approved on an annual basis by the EC.</li> <li>b. Document the delegation of authority from the CSURMA treasurer to the CO</li> </ul>	<p>Please provide approved CSURMA investment policy (Dan indicated there was a version approved March 2013.)</p> <p>Also, a copy of the finalized September 2013 resolution adopting the approved</p>	<ul style="list-style-type: none"> <li>▶ Please refer to attached document.</li> <li>▶ Additional changes to be adopted by EC at September 13, 2013 meeting.</li> </ul> <p>Expect ready for close request in September.</p>

	administrator assigned the responsibility of overseeing CSURMA investments.	investment policy.	
10	Travel Expenses		<ul style="list-style-type: none"> <li>▶ EVC/CFO to address items a, b, c</li> <li>▶ CSURMA EC to address item d regarding quarterly report at 9/13/13 meeting</li> </ul> <p>Expect ready for close request in September.</p>
11	We recommend that the CSURMA document policies on information security systems access for the iVOS claims processing system.	Please provide a copy of the policy.	<ul style="list-style-type: none"> <li>▶ Please refer to attached <i>Item 11. IVOS User Policy</i></li> </ul> <p>Item ready for close request.</p>
12	<p>We recommend that the CSURMA:</p> <ul style="list-style-type: none"> <li>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.</li> <li>b. Develop and document a policy or procedure to address the CSURMA claims settlement process for campus pooled programs.</li> <li>c. Maintain a central repository of CO and campus settlement authorities for workers' compensation and general liability claims.</li> </ul>	Please provide the confirmations from the campuses on the settlement authorities, once received.	<ul style="list-style-type: none"> <li>▶ As of __ we have received __ of 23 responses from the Campuses. Please refer to attached <i>Item 12. CSU Claims Settlement Authority Responses</i></li> </ul> <p>Expect ready for close request in September.</p>

**Appointment of Secretary-Auditor**

**ISSUE:** At the June 25, 2013 meeting the CSURMA Executive Committee appointed Mary Ann Rodriguez to serve as Secretary-Auditor while the Associate Director of Risk Management and Public Safety was on leave. Mary Ann agreed to serve through the month of July and the CSURMA Chair extended the appointment until today's meeting.

The CSURMA Joint Exercise of Powers Agreement provides in Section 11:

(c) The Secretary-Auditor shall be the person who serves as the University's Systemwide Director of Risk Management at the Chancellor's Office or such other person as the Executive Committee appoints.

**RECOMMENDATION:** It is recommended that the Executive Committee evaluate the situation at today's meeting and take action as appropriate

**FISCAL IMPACT:** No direct fiscal impact is expected from action on this item at today's meeting.

**BACKGROUND:** None.

**ATTACHMENT(S):** Extension of Appointment Letter dated August 9, 2013.



California State University Risk Management Authority

**Officers**

**Cynthia Teniente-Matson**  
Chair 559.278.2083

**Mary Ann Rodriguez**  
Vice Chair 310.243.3750

**George V. Ashkar**  
Treasurer 562.951.4671

**Charlene M. Minnick**  
Secretary-Auditor 562.951.4580

August 9, 2013

Mary Ann Rodriguez  
VP, Administration and Finance  
CSU Dominguez Hills  
1000 East Victoria Street  
Carson, CA 90747

Dear Mary Ann:

At their June 25, 2013 meeting, the CSURMA Executive committee appointed you to serve as Acting Secretary-Auditor through the month of July and delegated authority to me as CSURMA Chair to extend that appointment as necessary and upon your agreement to continue to serve as Acting Secretary-Auditor.

Please accept this letter as confirmation of your appointment to continue to serve as CSURMA Secretary-Auditor through September 12, 2013 and we will reconsider the matter at the Executive Committee's meeting on September 13, 2013.

Thank you for your continued service.

Sincerely,

Dr. Cynthia Teniente-Matson, Chair  
CSURMA Executive Committee

**Resolution Establishing Periodic Review of CSURMA Policies and Procedures**

**ISSUE:** The CSURMA has established certain policies and procedures for the purpose of guiding the operation of CSURMA and its programs. While these policies and procedures are drafted with a long term vision, it is appropriate that they be reviewed periodically to ensure they remain valid and effective. Staff is recommending that all policies and procedures be reviewed at least biennially with odd numbered P&P's reviewed in odd calendar years and even numbered P&P's reviewed in even years at the EC's Long Range Planning Meeting. The AORMA Committee is being asked to adopt the same review period and timing for their P&Ps.

**RECOMMENDATION:** It is recommended that the Executive Committee adopt resolution number 04-13 (EC).

**FISCAL IMPACT:** The CSURMA Board has established a budget for the insurance programs. Renewal costs are expected to be within the budgeted amounts.

**BACKGROUND:** None.

**ATTACHMENT(S):** Resolution No. 04-13 (EC)

**EXECUTIVE COMMITTEE  
RESOLUTION NO. 04-13 (EC)**

**Resolution to Review CSURMA Policies and Procedures**

The Executive Committee of the California State University Risk Management Authority (“CSURMA”) finds and determines as follows:

1. CSURMA has adopted various policies and procedures necessary and beneficial to the operation of the Authority.
2. Periodic review of CSURMA’s adopted policies and procedures is necessary to ensure they remain current and appropriate.
3. The Executive Committee and AORMA Committees each hold annual Long Range Planning Meetings at which a review of policies and procedures would be appropriate.

In consideration of the foregoing findings and determinations,

IT IS RESOLVED by the Executive Committee of the California State University Risk Management Authority as follows:

1. The CSURMA Executive Committee and AORMA Committees shall each conduct an annual review of their respective policies and procedures at each Committee’s annual Long Range Planning Meeting.
2. In the absence of other reasons to review a policy and procedure more frequently, odd numbered policies and procedures shall be reviewed in odd calendar years and even numbered policies and procedures shall be reviewed in even calendar years.
3. The CSURMA Program Administrator shall schedule the reviews in the annual administrative service calendar which shall be included in each Committee’s agenda materials for regularly scheduled meetings, and cause the reviews required under this resolution to be included in the Long Range Planning agendas.

\* \* \* \* \*

I hereby certify that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted and passed at a meeting of the Executive Committee of the California State University Risk Management Authority held on September 12-13, 2013 which was approved by the following votes:

AYES, and in favor thereof, members:

NOES, members: None.

ABSTAIN, members:

ABSENT, members:

ATTEST: \_\_\_\_\_  
Cynthia Teniente-Matson, Chair

\_\_\_\_\_  
\_\_\_\_\_, Secretary-Auditor

### **Insurance Renewal Report**

**ISSUE:** At the June 25, 2013 meeting, the CSURMA Executive Committee delegated to the Chair the authority to direct the Program Administrator in renewal of the insurance and reinsurance programs. The overall results were positive for the Campus Risk Pool and AORMA programs. The Program Administrator believes that these results continue to outperform the market due to CSURMA's overall excellent loss experience and the ongoing investment of CSU's senior management in fostering direct and professional relationships with CSURMA's underwriters. The Chair and Program Administrator will be present at today's meeting to comment on the discussion below.

**RECOMMENDATION:** This item is for information only. The Executive Committee may provide direction as necessary as respects future action in the placement of CSURMA's coverages.

**FISCAL IMPACT:** Excluding the addition of Physician's Professional Liability coverage, the renewal of CSURMA's insurance and reinsurance programs cost \$19,393,181 which represents a \$549,545 increase (+2.9%) from the prior year. When the cost of the Foreign Travel Insurance Program is excluded from results, the cost change is a \$54,309 increase (+0.3%) from the prior year.

**BACKGROUND:** Following is a brief report on each of the major renewals:

#### Campus Programs:

1. Liability – The major challenge this year was a demand from Lexington Insurance Company (an AIG Company, provider of \$25 million excess of \$25 million limits) to add a concussive injury exclusion and an annual aggregate limit to their layer. These demands were concerning as it was expected that the excess carriers would desire to follow suit and it would also have implications for FY 14/15 renewals. The Program Administrator marketed the layer and, with the assistance of the Chair, was able to replace Lexington's capacity with a combination of CV Starr (SILC), Allied World (AWAC) and WR Berkley (Gemini). The replacement of the layer was accomplished at a savings of \$137,915 (21%) from expiring. In addition, a sister company Lexington, AIRCO, provider of \$50 million xs of \$200 million limits, also asked for a concussive injury exclusion. AIRCO was replaced by XL at the same cost as expiring without the exclusion. Staff believes the addition of new supporting underwriters will strengthen the program and provide flexibility during market changes.

Also, the Chair elected to add Physician's Medical Malpractice coverage with limits of \$10 million xs of \$5 million at a cost of \$77,400. CSURMA had previously not purchase reinsurance for professional liability arising from acts of CSU's physicians.

2. Workers' Compensation – The University has partnered with Safety National the past few years for coverage attaching excess of the \$2.5 million self-insured retention of the Campus Risk Pool. Safety National has agreed to a new two year rate guarantee that locks in a 5% rate increase for FY 14/15 that staff believes is an preferable position as the excess workers' compensation market has been steadily hardening with ongoing medical cost inflation.
3. Property – Despite a higher than usual year of losses last year, staff negotiated an overall rate and premium reduction due to the University's excellent results over the past several years. The net savings is \$159,409 (2%). In addition, the program underwriters have agreed to a multi-year progressive rate reduction if the University can continue to achieve historically low loss results.
4. FTIP – The Foreign Travel Insurance Program experienced a premium increase for the Accident and Health coverage due to a substantial loss during the prior fiscal year. Due to increased participation, the program is able to maintain the same trip rates as expiring.

**AORMA Programs:**

1. Liability - the primary reinsurer, Genesis, for the \$4.65 million xs \$350,000 layer agreed to a flat renewal due to overall good performance. The AORMA program benefited from the premium reduction in the \$25 million xs \$25 million layer described above.
2. Workers' Compensation – Like the University, the AORMA excess workers' compensation coverage is placed with Safety National. The program was renewed with a 5% increase which is favorable to overall market trends; however, Safety National would not offer a two year rate agreement due to the AORMA program's smaller size and lower self-insured retention (\$500,000).
3. Property – The AORMA program property underwriter agreed to a rate reduction plan similar to the one implemented for the campus program.

**ATTACHMENT(S):** Chair Teniente-Matson's Underwriter Meeting Notes, June 14-19, 2013

CSURMA Underwriter Meetings, June 14-18, 2013  
Meeting notes of Chair, Cynthia Matson

**June 14<sup>th</sup>:** I arrived at LGA at approximately 9:30 a.m. Met with Susan Kostro and Sandi Oster representatives from Ironshore and Brian Frost from AmWINS. Meeting lasted approximately 2 hrs 15 minutes. We discussed several key points regarding CSURMA Long Range Plan and the current state of the CSU and responded to underwriter questions. We engaged in questions and conversations regarding (1) renewal of excess liability layers (2) concussion coverage and current class actions regarding this emerging issues and (3) outstanding claims and strategy for settlement.

Arrived at AWAC at approximately 2:30 meeting. Met with Sam Carcucci, Joseph Cellura and Sarah Doran (mgr of investor relations) and X (via teleconference). Purpose of meeting was to discuss state of the CSURMA, CSU fiscal and educational outlook. Insurance renewals for excess liability layers were discussed to maximize coverage for the CSU. Additionally there was significant discussion regarding management of concussion liability for all CSU sports programs. It is recommended that Samuel participate in a Fitting the Pieces presentation regarding concussion injuries as an emerging risk issue. Additionally there was significant discussion regarding a feasible strategy for the CSU Northridge claim. Proposals have been submitted for renewals and additional excess coverage.

Dinner meeting with Nick Fearon and Daniel Howell.

**June 15<sup>th</sup>:** Meeting with Michael Giambra began at approximately noon to approximately 2:00 pm. Rate renewals were proposed with a 5% increase to builders risk coverage. All insurance coverage will be renewed at a flat rate. There are some CSU process challenges we agreed to resolve: (1) timing and advance notice of construction work to be initiated in advance of a 12 month period, (2) timely review and approval of invoices for quarterly payments. There appear to be ongoing challenges between Alliant and CPDC that have led to delays in payment as well as delinquent submittals of job starts. The underwriter has indicated there have been cases, although isolated, where claims are submitted for job sites that have never been on the construction start for insurance coverage. Internal review will occur on these process, Michael G. would like to address facilities managers at some future conference or training opportunity.

**June 16<sup>th</sup>:** Nick Fearon: Review of policy forms. Discussion about strategies for various insurance coverage on the fidelity programs specifically maintaining a flat rate on SPLIP and securing medical malpractice gaps for physicians. Also discussed strategies of combining a broker/underwriter meeting with various CSU providers at Yosemite after 2014 RIMS Conference.

**June 17<sup>th</sup>:** National holiday, no day meetings possible. Dinner strategy meeting with Alan Mooney and Rukiya O'Connor (Crump International, Bermuda intermediaries) explained the CSURMA EC structure, provided an overview of program structure, operations and administration. Explained relationship with Chancellor's Office program staff in its current contractual form for risk, accounting and legal services and the AORMA committee structures. Reviewed the current program strategy and operational risk of dropping Lexington coverage and replacing it with other carriers either downstream or upstream. Securing quotes for \$10M from Starr and \$5M from AWAC (both as a result of NY meeting) then looking for gap coverage at 10X \$40M or higher layer at \$90M+.

**June 18<sup>th</sup>:** Morning meetings began at 8:30 am – approximately 2:00 p.m. with four different carriers: (Hiscox, Iron-Starr, AIRCO and Aspen). All meetings involved the following:

- Overview and formal presentation of the CSURMA EC governance.
- An overview of program structure, operations and administration.
- The JPA contractual relationship with Chancellor's Office program staff in its current form for risk management services, accounting services, legal services and the AORMA committee structures. Explained all areas overseen by Dr. Quillian.
- Explained the CSUs aggressive approach towards cost containment and implementing best business practices vertically and horizontally across the CSU.
- The types of situations we have that may involve catastrophic loss (high-rise dormitories, campus wide infrastructure challenges, seismic concerns, large scale campus evacuations, active shooters in an event-filled stadium).
- Reviewed the current program strategy and operational risk of dropping Lexington coverage and replacing it with other carriers either downstream or upstream. Securing quotes for \$10M from Starr and \$5M from AWAC (both as a result of NY meeting) then looking for gap coverage at 10X \$40M or higher layer at \$90M+.

A critical issue that arose with Iron-Starr was a series of questions related to the CSU's ability to manage terrorism, business continuity and cyber security. I explained the CSU's campus perspective towards managing public safety, the CSU police presence (roles and responsibilities); 3rd party threat assessment, training and table top protocols.



Many of the other underwriters had some similar concerns as it relates to exposure for catastrophic loss.

**June 19th:** Meeting with Endurance Worldwide insurance. The meeting format and dialogue was identical to that stated on the 18th. However, Endurance was probed for rate inquiries and submittals to support an excess layer of coverage at \$90M+ to address the Lexington challenges. Theresa Vinales-Tatem had many questions about high-rise dormitories, facilities with a potential seismic control problem and terrorism threats. As mentioned above, I addressed these concerns throughout the course of the meeting. Anticipate approval to secure a price quotation.

**Property Coverage for State Houses**

**ISSUE:** At many campuses, CSU owns State Houses which serve as gathering places for campus events and residences for the campus Presidents. A recent review of the funding for state houses indicated that there would be difficulty funding the deductible for a major loss. The cost to reduce the deductible to a maximum of \$10,000 via the “Campus 99” location schedule was \$2,596 for all the houses systemwide and the chair directed the Program Administrator to effect the reduced deductible.

Because the deductible change was effected late in the renewal process, staff was not able to amend the previously approved campus renewal invoices.

**RECOMMENDATION:** Staff recommends that the additional cost of \$2,596 be charged to the Campus Property Insurance Program fund without invoicing of the members for the current FY 2013/14 and with the cost of the lower deductible allocated to the campuses and Chancellor’s Office at future renewals.

**FISCAL IMPACT:** If the premium cost of \$2,596 is not recovered by the members, the Campus Property Fund reserves will be reduced by that amount. The Campus Property Fund holds sufficient reserves to absorb this charge and ultimately in the event of a loss the lower deductible will be beneficial to the affected campus and CSURMA.

**BACKGROUND:** None.

**ATTACHMENT(S):** Listing of State Houses

Campus / Auxiliary	Building Description	City	Total Values
CSU CHANCELLOR'S OFFICE	CHANCELLORS RESIDENCE AND COTTAGE	LONG BEACH	1,759,779
CSU LONG BEACH	PRESIDENTS HOME PROJECT	LONG BEACH	1,704,813
CSU DOMINGUEZ HILLS FOUNDATION	PRESIDENT'S RESIDENCE	CARSON	2,522,460
CSU FRESNO	PRESIDENT'S RESIDENCE	FRESNO	1,420,587
CSU FULLERTON	EL DORADO RANCH MAIN HOUSE	LAKE FOREST	930,275
CSU FULLERTON	EL DORADO RANCH GUEST HOUSE	LAKE FOREST	120,540
CSU FULLERTON	EL DORADO RANCH GARAGE	LAKE FOREST	35,199
CSU FULLERTON	EL DORADO RANCH STORAGE	LAKE FOREST	44,718
CSU FULLERTON	EL DORADO RANCH MAINTENANCE GARAGE	LAKE FOREST	16,715
CALIFORNIA MARITIME ACADEMY	STAFF HOUSING COMPLEX	VALLEJO	1,620,401
THE UNIVERSITY CORP AT MONTEREY BAY	UNIVERSITY HOUSE (PRESIDENT)	MARINA	496,496
CSPU, POMONA	MANOR HOUSE (PRESIDENT HOUSE)	POMONA	814,800
CSPU, POMONA	MANOR HOUSE GARAGE	POMONA	19,482
SAN DIEGO STATE UNIVERSITY	PRESIDENT'S HOUSE	SAN DIEGO	0
CPSU, SAN LUIS OBISPO	UNIVERSITY PRESIDENT HOUSE	SAN LUIS OBISPO	1,032,934
			<b>10,779,420</b>
<b>NOTE: BELOW ARE STATE HOUSES ALREADY SCHEDULED AT A REDUCED DEDUCTIBLE</b>			
SAN JOSE STATE UNIVERSITY	SJSU PRESIDENT HOUSE	SAN JOSE	2,229,530
			<b>2,229,530</b>

**Member Loan Extension**

**ISSUE:** CSURMA Policy and Procedure No. 10 – Member Loans allows for the JPA to offer member loans provided certain requirements are met. Upon the CSURMA Treasurer’s recommendation and the Executive Committee’s approval, the policy and procedure allows for an extension beyond an initial maximum term of five years. CSU, Fresno has requested an extension of five years for repayment of an existing loan. The CSURMA Treasurer has reviewed the background, finds that the request meets the requirements of the Policy and Procedure, and recommends approval of the extension.

**RECOMMENDATION:** The CSURMA Treasurer recommends that the Executive Committee approve extension of the CSU, Fresno loan for five years at the terms described in the attached documents.

**FISCAL IMPACT:** The remaining loan balance will be \$2,542,000. The loan will be partially amortized, with a balloon payment due upon maturity in five years. CSURMA will earn interest based on the rate of return on CSURMA investments.


**BACKGROUND:** None.

**ATTACHMENT(S):** 1) Request for Loan Extension – Fresno State Swimming Pool Loan  
2) CSURMA Treasurer’s Recommendation of Approval and Terms  
3) CSURMA Policy and Procedure No. 10 – Member Loans

## MEMORANDUM

Date: July 23, 2013

To: Cynthia Teniente-Matson  
Vice President for Administration and Chief Financial Officer, Fresno State

From: George V. Ashkar   
Treasurer, California State University Risk Management Authority

Re: Request for Loan Extension – Fresno State Swimming Pool - Revised

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After careful review, I approve of your plan to refinance the existing CSURMA loan for the Fresno State swimming pool. At their September meeting, I will recommend to the Executive Committee that they approve your request for a 5-year loan, refinanced based on a 10-year amortization schedule, with a balloon payment of \$1,121,019 due on September 30, 2018.

Attached for your review and comment is the new note and amortization schedule. Please contact Kelly Cox at [kcox@calstate.edu](mailto:kcox@calstate.edu) or (562) 951-4611 with any suggested changes.

Thank you.

California State University, Fresno Loan

In consideration of granting a loan from the California State University Risk Management Authority (CSURMA), the California State University, Fresno hereby agrees to repay CSURMA the loan in accordance with the following terms and conditions:

1. The loan shall be refinanced in the amount of Two Million Five Hundred Forty-Two Thousand Dollars (\$2,542,000), of which proceeds will be used to provide financing for the construction of a swimming pool complex in order to bring the sports facility up to current Title IX standards as well as mitigate risk for all sports due to lack of access to equitable facilities.
2. Interest and principal will be paid from funds available to the campus president that are unrestricted in nature. If future State capital outlay funds become available for this project in an amount sufficient to repay this loan, then this loan will become due and payable immediately.
3. The interest rate charged on this loan will be equal to the rate of interest paid to CSURMA for funds invested with Systemwide Investment Fund Trust (SWIFT). Interest shall accrue on the outstanding loan balance at the rate in effect during the period being accrued.
4. The loan term will be for a 5-year period that will amortize based on a 10-year amortization schedule, with principle and interest due and payable quarterly, payable thirty days following the end of each calendar quarter. Principal may be prepaid at any time during the term of this loan. All funds, principal, and any remaining unpaid interest, will be due and payable on September 30, 2018.

California State University, Risk Management Authority

California State University, Fresno

By:

\_\_\_\_\_  
George V. Ashkar, Treasurer

By:

\_\_\_\_\_  
Cynthia Teniente-Matson, Vice President for Administrative Affairs

Date:

\_\_\_\_\_

Date:

\_\_\_\_\_

California State University, Risk Management Authority

By:

\_\_\_\_\_  
Cynthia Teniente-Matson, Chair

Date:

\_\_\_\_\_

Loan Payment - 10-year Amortization Schedule - Revised

Loan Date: 9/15/2013 Original Loan Amount: \$ 2,642,038.00  
 Quarterly Principal: \$ 66,050.95

	Number of Days Outstanding	Monthly Period Return *	Loan Balance	Principal payoff (based on 10 Years)	Interest	Est. Quarterly Payments
6/30/2013	0.00	0.000%	\$ 2,542,038.00	\$ 100,000.00	\$ 2,539.00	\$ 102,539.00
9/30/2013	92.00	0.093%	\$ 2,442,038.00	\$ 66,050.95	\$ 6,964.69	\$ 73,015.64
12/31/2013	92.00	0.093%	\$ 2,375,987.05	\$ 66,050.95	\$ 6,776.32	\$ 72,827.27
3/31/2014	90.00	0.093%	\$ 2,309,936.10	\$ 66,050.95	\$ 6,444.72	\$ 72,495.67
6/30/2014	91.00	0.093%	\$ 2,243,885.15	\$ 66,050.95	\$ 6,330.00	\$ 72,380.95
9/30/2014	92.00	0.093%	\$ 2,177,834.20	\$ 66,050.95	\$ 6,211.18	\$ 72,262.13
12/31/2014	92.00	0.093%	\$ 2,111,783.25	\$ 66,050.95	\$ 6,022.81	\$ 72,073.76
3/31/2015	90.00	0.093%	\$ 2,045,732.30	\$ 66,050.95	\$ 5,707.59	\$ 71,758.54
6/30/2015	91.00	0.093%	\$ 1,979,681.35	\$ 66,050.95	\$ 5,584.68	\$ 71,635.63
9/30/2015	92.00	0.093%	\$ 1,913,630.40	\$ 66,050.95	\$ 5,457.67	\$ 71,508.62
12/31/2015	92.00	0.093%	\$ 1,847,579.45	\$ 66,050.95	\$ 5,269.30	\$ 71,320.25
3/31/2016	91.00	0.093%	\$ 1,781,528.50	\$ 66,050.95	\$ 5,025.69	\$ 71,076.64
6/30/2016	91.00	0.093%	\$ 1,715,477.55	\$ 66,050.95	\$ 4,839.36	\$ 70,890.31
9/30/2016	92.00	0.093%	\$ 1,649,426.60	\$ 66,050.95	\$ 4,704.16	\$ 70,755.11
12/31/2016	92.00	0.093%	\$ 1,583,375.65	\$ 66,050.95	\$ 4,515.79	\$ 70,566.74
3/31/2017	90.00	0.093%	\$ 1,517,324.70	\$ 66,050.95	\$ 4,233.34	\$ 70,284.29
6/30/2017	91.00	0.093%	\$ 1,451,273.75	\$ 66,050.95	\$ 4,094.04	\$ 70,144.99
9/30/2017	92.00	0.093%	\$ 1,385,222.80	\$ 66,050.95	\$ 3,950.66	\$ 70,001.61
12/31/2017	92.00	0.093%	\$ 1,319,171.85	\$ 66,050.95	\$ 3,762.28	\$ 69,813.23
3/31/2018	90.00	0.093%	\$ 1,253,120.90	\$ 66,050.95	\$ 3,496.21	\$ 69,547.16
6/30/2018	91.00	0.093%	\$ 1,187,069.95	\$ 66,050.95	\$ 3,348.72	\$ 69,399.67
9/30/2018	92.00	0.093%	\$ 1,121,019.00	\$ 66,050.95	\$ 3,197.15	\$ 69,248.10
12/31/2018	92.00	0.093%	\$ 1,054,968.05	\$ 66,050.95	\$ 3,008.77	\$ 69,059.72
3/31/2019	90.00	0.093%	\$ 988,917.10	\$ 66,050.95	\$ 2,759.08	\$ 68,810.03
6/30/2019	91.00	0.093%	\$ 922,866.15	\$ 66,050.95	\$ 2,603.41	\$ 68,654.36
9/30/2019	92.00	0.093%	\$ 856,815.20	\$ 66,050.95	\$ 2,443.64	\$ 68,494.59
12/31/2019	92.00	0.093%	\$ 790,764.25	\$ 66,050.95	\$ 2,255.26	\$ 68,306.21
3/31/2020	91.00	0.093%	\$ 724,713.30	\$ 66,050.95	\$ 2,044.42	\$ 68,095.37
6/30/2020	91.00	0.093%	\$ 658,662.35	\$ 66,050.95	\$ 1,858.09	\$ 67,909.04
9/30/2020	92.00	0.093%	\$ 592,611.40	\$ 66,050.95	\$ 1,690.13	\$ 67,741.08
12/31/2020	92.00	0.093%	\$ 526,560.45	\$ 66,050.95	\$ 1,501.75	\$ 67,552.70
3/31/2021	90.00	0.093%	\$ 460,509.50	\$ 66,050.95	\$ 1,284.82	\$ 67,335.77
6/30/2021	91.00	0.093%	\$ 394,458.55	\$ 66,050.95	\$ 1,112.77	\$ 67,163.72
9/30/2021	92.00	0.093%	\$ 328,407.60	\$ 66,050.95	\$ 936.62	\$ 66,987.57
12/31/2021	92.00	0.093%	\$ 262,356.65	\$ 66,050.95	\$ 748.24	\$ 66,799.19
3/31/2022	90.00	0.093%	\$ 196,305.70	\$ 66,050.95	\$ 547.69	\$ 66,598.64
6/30/2022	91.00	0.093%	\$ 130,254.75	\$ 66,050.95	\$ 367.45	\$ 66,418.40
9/30/2022	92.00	0.093%	\$ 64,203.80	\$ 64,203.80	\$ 183.11	\$ 64,386.91
12/31/2022	92.00	0.093%	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

\* Estimated Return for projection purposes only

July 1, 2013

## MEMORANDUM

To: George V. Ashkar  
Treasurer, CSURMA

From: Cynthia Teniente-Matson *Cynthia Matson*  
Vice President for Administration and Chief Financial Officer

Re: **Request for Loan Extension – Fresno State Swimming Pool**

Fresno State has been diligent in investing funds to bring sports facilities up to current Title IX standards to mitigate risk from all sports regarding lack of access to equitable facilities. Unfortunately, the swimming pool project exceeded the proposed budget. As a result of the overage, we do not have sufficient funds to pay off the swimming pool loan at this time. In order to complete the project, other sources of funds had to be used, and a decision was made to eliminate the diving tower.

This serves as a request to refinance the loan for the Fresno State loan swimming pool. We do not have the fiscal resources to make a balloon payment to eliminate the loan and the campus intent is to refinance it for another 5 years. We have been current on all principal/interest payments. We have also made additional principal payments during the life of the loan totaling \$789,213.12. The loan balance at 6/30/2013 is \$2,642,036.88. We have requested that the Chancellor's Office issue a CPO in July 2013 for an additional principal reduction of \$100,000 against the swimming pool loan. We are requesting the July 2013 loan balance of \$2,542,036.88 be refinanced with a 10 year amortization with a balloon payment at the end of 5 years.

I am available to address any questions, comments or concerns at 559.278.2083 or at [cmatson@csufresno.edu](mailto:cmatson@csufresno.edu). I greatly appreciate your consideration of this request and I look forward to hearing from you.

CTM:nlp

**ADOPTED:** MAY 13, 2011 (AMENDED)  
**EFFECTIVE:** JULY 1, 2011  
**SUBJECT:** MEMBER LOANS

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*Should there be any discrepancy between this document and either the JOINT POWERS AGREEMENT or BYLAWS, the JOINT POWERS AGREEMENT and BYLAWS will govern.*

**POLICY:**

It is the policy of CSURMA that, upon recommendation of the Treasurer, the Executive Committee may approve a loan to a Member pursuant to the procedures described herein. No new Member Loan shall be granted without a finding by the Executive Committee that CSURMA has sufficient funds such that the proposed member loan would not impair CSURMA's ongoing operations. Member Loans shall only be granted upon a finding by the Treasurer that the Member has exhausted alternative sources of funding and that a Member Loan is in the best interests of the University.

**PROCEDURE:**

The following procedures shall be followed in administration of the CSURMA Member Loan program:

- 1. Amount Available for Member Loans** – The amount available for Member Loans shall not exceed 15% of the overall average fund balance for the preceding 12 months and no new Member Loan shall be initiated by the Treasurer without determining that the proposed Member Loan will fall within the 15% limit and that CSURMA will maintain adequate funds to cover its cash needs following the loan. In the interest of fairness, Member Loans to a single Member Campus (and its associated Member Auxiliary Organizations) shall not exceed 5% of the overall average fund balance for the preceding 12 months.
- 2. Member Loan Request** – A member seeking a CSURMA Member Loan shall submit to the Treasurer a written request describing the amount, purpose, proposed terms, and repayment for the requested Member Loan. The request shall describe what steps the Member has taken to secure the requested funds through alternate sources and why the Member is seeking the proposed loan from CSURMA. The Member shall describe the collateral and source of repayment funds for the proposed Member Loan. If a general obligation pledge is proposed by an Auxiliary Organization Member, then that Member must also show adequate cash flow from a specific funding source or adequate reserves to make the debt service payments during the term of the loan. Proposed Member Loans for the acquisition of real estate by an Auxiliary organization may not pledge the real estate as collateral for the loan.

- 3. Treasurer's Review and Recommendation** - The Treasurer shall review the Member Loan request and seek additional information as necessary to make a determination. If a favorable determination is made, the Treasurer shall recommend to the Executive Committee the proposed Member Loan including the Treasurer's recommended terms and conditions. Recommended terms shall require that the frequency of interest payments shall be at least quarterly in arrears and at an interest rate at least equivalent to the investment income rate that CSURMA would have earned if the funds had instead been invested during the same calculation period.
- 4. Executive Committee Action** – At duly noticed meeting, the Executive Committee shall take action on the Treasurer's recommendation. If the proposed Member Loan is to be approved, such approval shall be memorialized by resolution directing the Treasurer to prepared the loan note for review and approval by CSURMA's General Counsel.
- 5. Administration of Member Loans** – The Treasurer shall direct the CSURMA Accountant to transfer funds, calculate interest, collect repayment proceeds and prepare reports on the status of outstanding loans. Any failure to make timely payments or proposed change in terms or conditions shall be reported by the Treasurer to the Executive Committee for review and action.

**Student Insurance Programs Coverage and Rating Plans Task Group**

**ISSUE:** CSURMA operates various programs that directly impact students. Among them are:

- Foreign Travel Insurance Program
- Athletic Injury Medical Expense (AIME) and Club Sports Programs
- Travel Accident Coverage Program
- Student Professional Liability Insurance Program (SPLIP)
- Student Academic Field Experiential for Credit Liability Insurance Program (SAFECLIP)

As the programs mature, the foundations of coverages and rating plans should be reviewed to make sure the programs are fully meeting the needs of the CSU community.

**RECOMMENDATION:** The Chair recommends that Michael Thorpe lead a task group to review coverage and rating plans for the CSURMA programs that impact students.

**FISCAL IMPACT:** The cost of conducting the task group activity is expected to be less than \$2,500.

**BACKGROUND:** None.

**ATTACHMENT(S):** None.

### **Student Health Insurance Program**

**ISSUE:** The CSURMA Board of Directors has approved the development of a Student Health Insurance Program (SHIP). CSURMA staff attempted to gather the underwriting information necessary to evaluate options but was stymied by efforts of the incumbent broker. The Chancellor has requested that the Executive Vice Chancellor Business and Finance/CFO evaluate the student health program called MHECare offered by the Western Interstate Compact for Higher Education (WICHE) in association with the Midwest Higher Education Compact (MHEC). Staff will be present at today's meeting to describe the status of efforts.

**RECOMMENDATION:** The Executive Committee may take action or provide direction as necessary as respects development of a student health program.

**FISCAL IMPACT:** No direct fiscal impact is expected from action taken on this item at today's meeting.

**BACKGROUND:** CSU's students are offered healthcare coverage through a variety of plans and providers. Each campus makes its own arrangements and the administration of the plan may be handled by the campus or an auxiliary organization. There is no systemwide insurance brokerage agreement or appointment. Over a decade ago, the Systemwide Office of Risk Management assisted many campuses in obtaining coverage through a firm now owned by Wells Fargo Insurance Services.

With the implementation of the Affordable Care Act, the domestic CSU students have mostly left the program since they could extend coverage under their parent's plans until age 26. Effective January 1, 2014, many students will benefit from subsidized coverage offered under the California Health Benefits Exchange, called "Covered California." Incoming foreign national students will not be eligible for subsidized coverage through Covered California. For academic year 2012-13 there were approximately 1,000 domestic students and 10,000 international students covered under campus/auxiliary organization offered plans.

There are expected benefits to a systemwide approach to marketing student health coverage. Currently, most campus plans are placed with Anthem. MHECare is placed with United Healthcare. Another competitive provider would likely be Aetna.

**ATTACHMENT(S):** MHECare Presentation dated July 29, 2013



# The California State University

July 29, 2013



# Agenda

- Introductions
- The California State University (CSU)
  - Current state of student health insurance
- The future of student health
- About the Compacts
  - Midwestern Higher Education Compact (MHEC)
  - Western Interstate Commission for Higher Education (WICHE)
- About MHECare
  - Genesis of program
  - Value proposition
- UnitedHealthcare Student Resources



# CSU: Current state of student health insurance

- Each of the 23 campuses offers student health insurance
- Basis of enrollment
  - All campuses have hard waiver enrollment for international students
  - 1 campus (Maritime Academy) has hard waiver for *all* students
- 20 campuses have coverage exclusively through Anthem
  - Northridge and San Diego offer Health Net for domestic students only
  - Los Angeles and Long Beach offer a plans underwritten by UHCSR

# CSU: Current state of student health insurance

- Plan design – Domestic students
  - Deductible: Most common is \$250 (70%)
  - Coinsurance: Most common is 20% (83%); out-of-network ranges from 30% - 50%
  - In-network office visit copay: Most common is \$25 (65%)
  - Emergency room copay: Most common is \$100 (83%)
  - Pharmacy: Most common plan is coinsurance (87%); others have copays
- Plan design – International students
  - With the exception of Maritime Academy, international plans offered have lower deductibles, coinsurance and copays than domestic students



# CSU: Current state of student health insurance

- General observations
  - Domestic plans offered are generally comparable to what we see in the student health market. Typically, deductibles have been lower than employer-sponsored plans
  - It is more typical for domestic plans to have copays rather than coinsurance for pharmacy
  - Most of the campus information available (19) was for the upcoming 2013/14 plan year. Information for the other campuses was for 2012/13 and there could be plan changes that are not addressed in our summary



# CSU: Questions for consideration

- Has CSU consider hard waiver enrollment for domestic students, similar to University of California?
- Are the campuses with Anthem in a single risk pool or rated separately?
- What was the rationale for separate international benefits?
- Do international students subsidize domestic students from a claim/rate standpoint?
- Has CSU considered a strategy to educate students about the Affordable Care Act?



# The future of student health insurance

- Student retention
- Community relations
- Campus safety and oversight
- Coordination with campus health center and other campus services, such as counseling center
- Separate risk pool for underwriting
- Marketing tool (particularly graduate students)
- Required for international students
- Financial aid eligible
- Tailored towards student population
- Simplified purchasing of health insurance for students



# The future of student health insurance

## Impact of PPACA

- The Patient Protection and Affordable Care Act (PPACA), also known as ACA increased rates on student health plans due to benefit expansion and PPACA fees
- Plans that are totally voluntary plans may not be available in the marketplace
- Some institutions may not continue to offer coverage
- Options for students
  - Student health insurance plan
  - Parents' coverage (up to age 26)
  - Medicaid expansion (see map)
  - State exchanges: possible subsidy
  - Go without coverage and pay penalty (\$95 single in 2014)



# The future of student health insurance

## State exchanges

- Exchanges (including Covered California) will conduct open enrollment from October 1, 2013 – February 28, 2014
- Federal subsidies may be available to students\*
  - 138% of FPL = \$16,353 single; \$33,746 family
  - 400% of FPL = \$47,401 single; \$97,815
- “Average” rate published for a Silver Plan under Covered California is \$304 monthly = \$3,648 annually. Actual rates will be age-rated so premium for students could be lower. However, under the 3-1 rule, the older individuals cannot pay more than 3 times the premium of a younger individual, resulting in a subsidy

\* 2014 estimates



# About MHEC

- Serves all sectors of public and independent, not-profit higher education institutions, as well as state and local governments, K-12 school districts and non-profit organizations
- MHEC mission: Advancing education through cooperation
- As a body corporate of the compacting states, MHEC contracts are state contracts
- MHEC follows competitive bid procedures as required by all the states



# Genesis of MHECARE

- Under grant from Lumina Foundation, established committee to investigate reducing student health insurance costs
- Established Student Health Benefits Advisory Committee (SHBAC) that recommended establishing region-wide program
- SHBAC selected Mercer as program administrator
- Mercer lead competitive bid process, resulting in selection of UHCSR as the insurer
- Program launched for 2012/13 plan year with 18 campuses participating. For 2013/14 25 campuses will participate with a total of 20,000 insured students

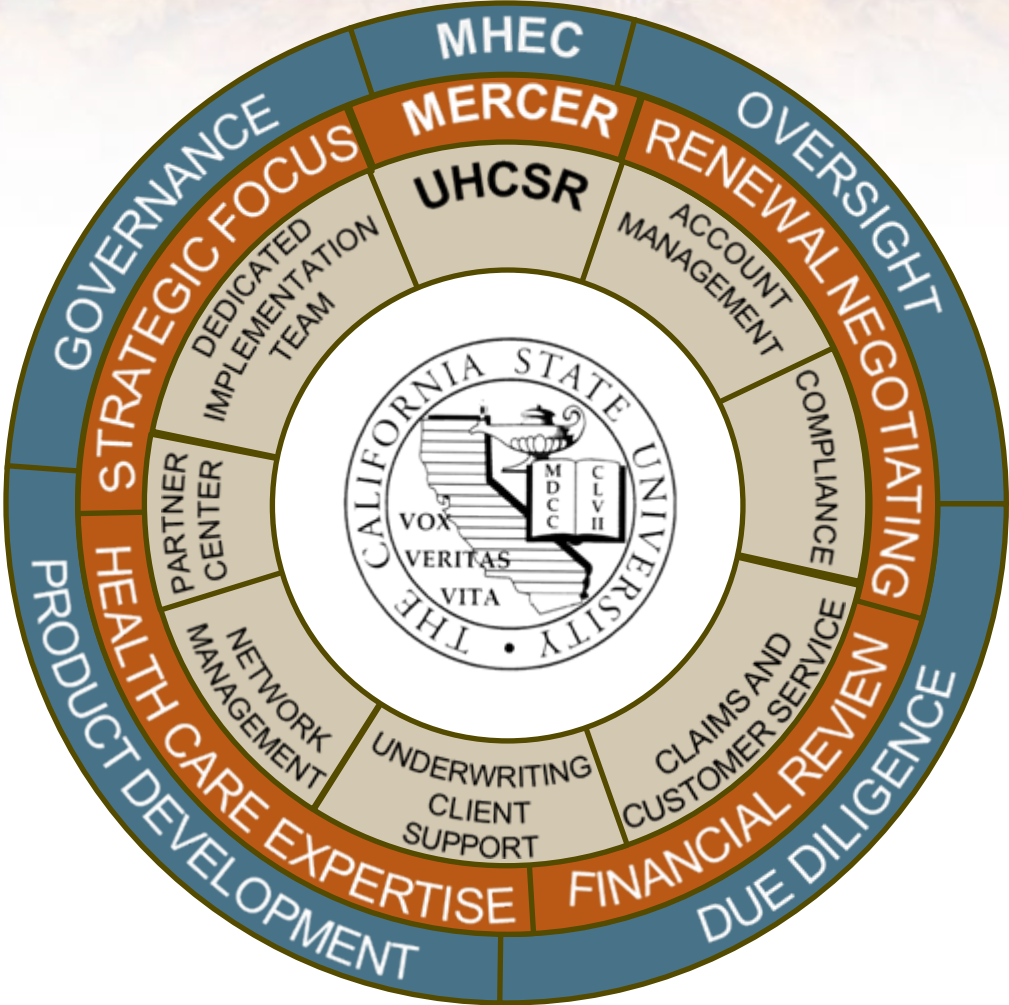


# About WICHE

- California has been a member of WICHE since 1955
- WICHE is governed by 48-member commission. California's commissioners, appointed by the Governor, are:
  - Dianne Harrison, president, California State University Northridge and vice chair, WICHE
  - Christopher Cabaldon, principal, Capitol Impact, and mayor, City of West Sacramento
  - Michael Kirst, president, State Board of Education
- California students have saved \$410 million in tuition since 1997 through just one of WICHE's student exchange programs (WUE) that expands access to higher education



# MHECare partnership



# UnitedHealthcare Student Resources (UHCSR)



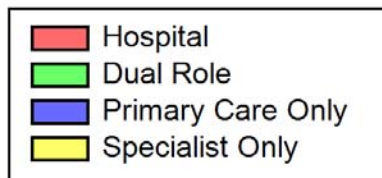
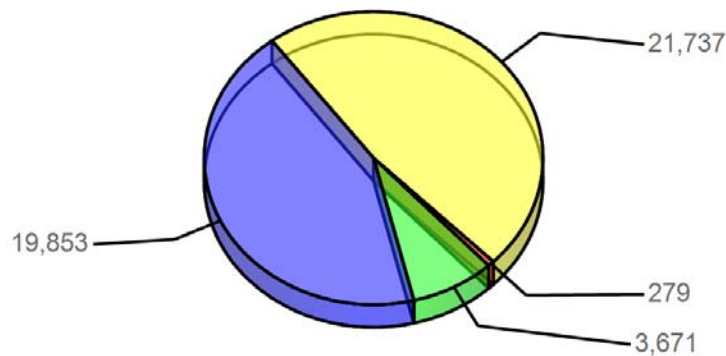
- Division of UnitedHealthcare headquartered in Plano, TX
- Specialist in student health insurance
- Access to UnitedHealthcare national PPO network



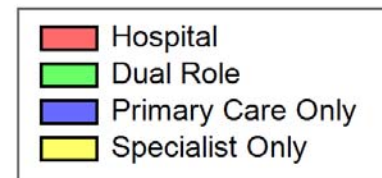
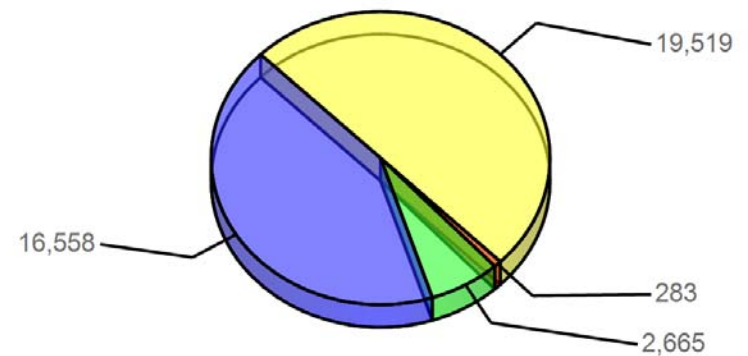
# Network access comparison



UHC Choice Plus



Blue Cross CA PPO (Prudent Buyer)



# UHCSR Partner Center Online administration



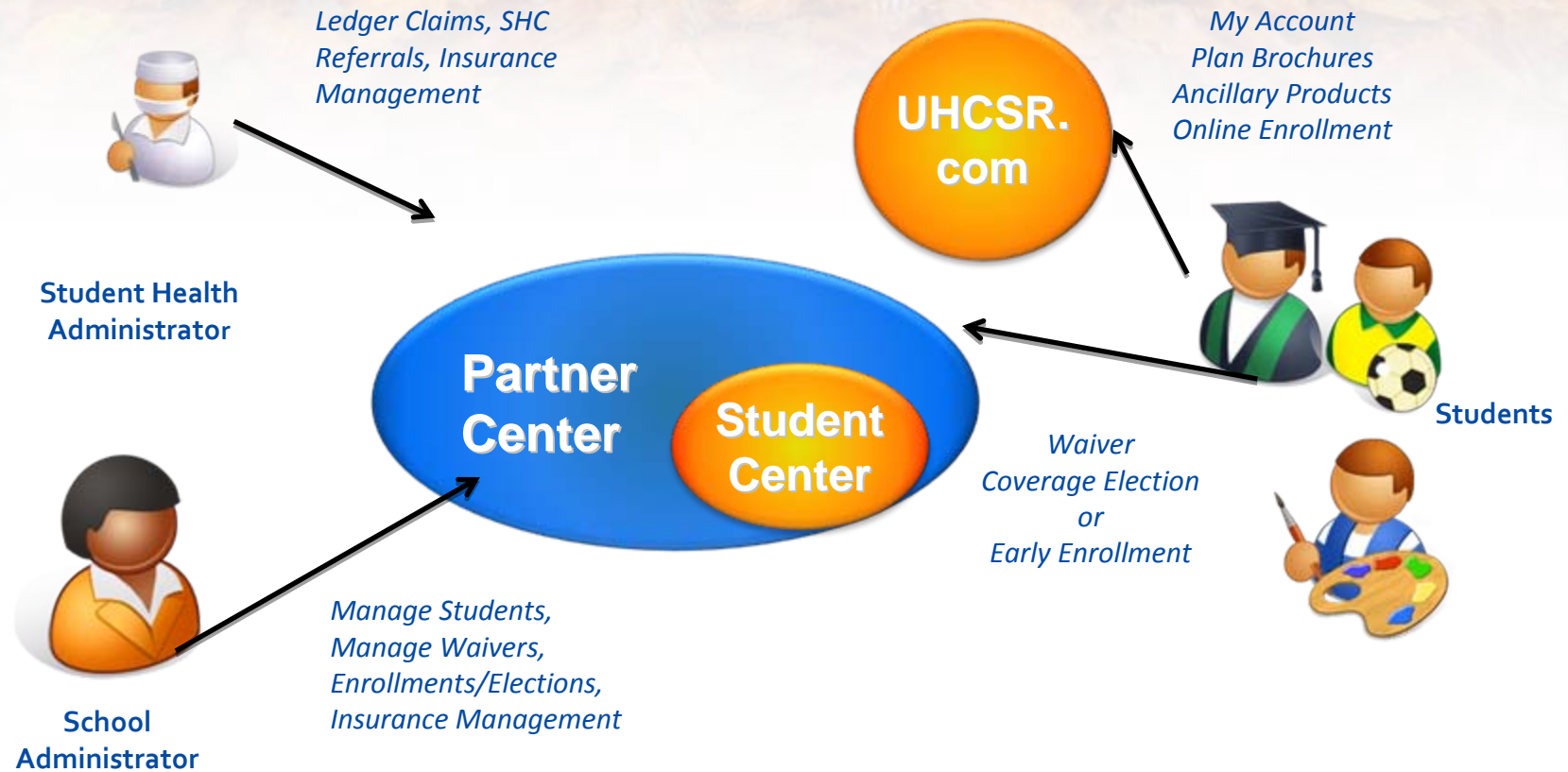
CSU can delegate enrollment/premium administration

- Waiver management
- Insurance management
- Student Management
- Ledger Billing
- Referrals

Coverage election and early enrollment options also supported through Partner Center.



# UHCSR enrollment waiver process



# Key strategic considerations

- Understand importance of student health coverage to CSU
- Consider all stakeholders
  - Students – domestic, undergraduate and graduate, international students
  - Campus health centers
  - Role of Chancellor's office
- Decide how much you want to communicate about health care reform
- Be aware of what's happening with employer plans
- Begin thinking about 2014/15 strategy now



**Review of Policy and Procedure No. 16 for Use of CSURMA Equipment**

**ISSUE:** CSURMA Policy and Procedure No. 16 – Use of CSURMA Equipment was adopted when the Executive and AORMA Committee members were offered the opportunity to utilize CSURMA issued electronic tablets to conduct committee business. Two issues are presented for consideration at today’s meeting:

1. Status of holders of equipment since the inception of the electronic tablet program (current holder, former holder and disposition of assets); and,
2. Discussion of refresh rate (every 3 years as per Paragraph 5 of P&P No. 16) and whether multiple kinds of devices should be supported

**RECOMMENDATION:** Staff recommends that the Executive Committee discuss the policy and procedure, whether it has been administered effectively, and whether changes are needed.

**FISCAL IMPACT:** The current replacement rate is approximately 4 electronic tablets per year at a cost of less than \$5,000.00 annual. Executive Committee action may affect this cost.

**BACKGROUND:** None.

**ATTACHMENT(S):** 1) Listing of CSURMA Equipment Holders and status of disposition  
2) Policy and Procedure No. 16 – Use of CSURMA Equipment

## CURRENT USERS OF CSURMA BOARD TABLETS

George Ashkar
Kurt Borsting
Dwayne Brummett
Guy Dalpe
Leslie Davis
Robert de Wit
Lori Gentles
Linda Hawk
Gigi Kiama
Keith Kompsi
Cindy Matson
Tom McCarron
Charlene Minnick
Peter Neville
David Prenovost
Mary Ann Rodriguez
Mike Thorpe
Pat Worley

**ADOPTED:** MARCH 22, 2012  
**EFFECTIVE:** MARCH 22, 2012  
**SUBJECT:** USE OF CSURMA EQUIPMENT

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**PURPOSE:**

This policy and procedure outlines the usage policy of Electronic Communication Equipment for the CSURMA Executive Committee members and the CSURMA AORMA Committee members. This policy and procedure addresses the desire of the CSURMA to control access to end users who have legitimate business requirements to access the hardware, the data contained therein and ensure responsible use.

**POLICY:**

It is the policy of the CSURMA that, in accordance with the Bylaws, the CSURMA shall adopt the procedure outlined in this document for purposes of granting access to Electronic Communication Equipment to facilitate the sharing of vital information related to the business of CSURMA while promoting continuity of leadership, encouraging opportunity for diverse committee representation and participation and continuing effective administration of established insurance programs and services.

**PROCEDURE:**

The following steps will be taken to affect this policy:

1. If desired by the individual Committee Member, the CSURMA Executive Committee Members and CSURMA AORMA Committee Members will be issued Electronic Communication Equipment for their exclusive use during their term on the Committee for the purpose of accessing information related to the business of the Committee.
2. The CSURMA Executive Committee Member and CSURMA AORMA Committee Member will return the CSURMA owned Electronic Communication Equipment within forty-five (45) days of the end of their term on the Committee. Electronic Communication Equipment will remain the property of the CSURMA unless the Committee Member exercises his/her option to purchase the used equipment at fair market value at the end of his/her term on the Committee.

3. Each CSURMA Executive Committee Member and CSURMA AORMA Committee Member must employ reasonable physical security measures. Users of the Electronic Communication Equipment are expected to secure all such devices used for this activity whether or not they are actually in use and/or being carried. This includes, but is not limited to, passwords, encryption, and physical control of such devices whenever they contain enterprise data. Any non-business computers used to synchronize with these devices will have installed anti-virus and anti-malware software deemed necessary by CSURMA. Anti-virus signature files on any additional client machines – such as a home PC – on which this media will be accessed, must be up to date.
4. Each CSURMA Executive Committee Member and CSURMA AORMA Committee Member agrees to responsible usage of the Internet to further the goals and objectives of the Committee. Individual Internet use shall not interfere with others' productive use of Internet resources. Users will not violate the network policies of any network accessed through their account. Usage of Electronic Communication Equipment will comply with all Federal and State laws, all CSU and CSURMA policies.

The types of activities that are encouraged include:

- a. Communicating with colleagues within the context of an individual's assigned responsibilities;
  - b. Acquiring or sharing information necessary or related to the performance of an individual's assigned responsibilities; and
  - c. Participating in educational or professional development activities.
5. Equipment will be reviewed and refreshed on a three (3) year schedule, contingent upon resources available.

### **Reporting of Travel Expenditures**

**ISSUE:** The University Auditor recommended that CSURMA consider regular reporting to the committee of the administrative travel expenses incurred by CSURMA for Chancellor's Office personnel providing services to CSURMA under the established memoranda of understanding. The attached draft memorandum requests that the Executive Vice Chancellor and CFO arrange for the CSURMA Accountant to include travel expense reporting as a part of the financial information package.

**RECOMMENDATION:** It is recommended that the Executive Committee review the proposed memorandum, and take action or provide direction as appropriate.

**FISCAL IMPACT:** The cost for CSURMA accounting to prepare the proposed additional summary report should be minimal considering the information is already captured in CSURMA's accounting system. No additional cost to CSURMA is expected.

**BACKGROUND:** None.

**ATTACHMENT(S):** Proposed Draft Memorandum from CSURMA Chair to CSU EVC & CFO



## MEMORANDUM

Date: September 16, 2013

To: Dr. Benjamin F. Quillian,  
CSU Executive Vice Chancellor and CFO

From: Dr. Cynthia Teniente-Matson  
CSURMA Chair

Re: Reporting of CSURMA Administrative Travel Expenses

At their September 12, 2013 meeting, the CSURMA Executive Committee took action to request regular reporting to the committee of the administrative travel expenses incurred by CSURMA for Chancellor's Office personnel providing services to CSURMA under the established memoranda of understanding. The applicable service memoranda are:

- CSURMA Accounting Services provided by the Department of Financial Services;
- CSURMA General Counsel Services provided by the Office of General Counsel; and,
- CSURMA Risk Management and Public Safety Services by the Department of Risk Management and Public Safety.

The CSURMA Executive Committee discussed that a summary reporting format could be developed by the Department of Financial Services and included in their quarterly financial reports to the Executive Committee.

The CSURMA Executive Committee hopes you agree that this reporting request is acceptable and prudent.

**CLAIM AUDIT REPORTS**  
**RESPONSES FROM CLAIMS SERVICE PROVIDERS**

**ISSUE:** At its meeting on May 9-10, 2013, the Executive Committee reviewed the claims audit report completed for Campus Liability. The Athletic Injury Medical Expense (AIME) claims audit report was reviewed by Systemwide Risk Management on May 28, 2013, and to be reviewed by the AIME Committee at its next meeting on November 4, 2013. The audits were performed by Bickmore Risk Services for Campus Liability claims, and Strategic Claims Direction for AIME claims. Staff was directed to forward copies of the audit reports to the claims service providers; specifically to the Chancellor's Office for Campus Liability claims and to A-G Administrators for AIME claims. The claims service providers were asked to respond to the auditors' findings and recommendations.

**RECOMMENDATION:** This item is to inform the Executive Committee on the service providers' response to the claims audit reports. The Executive Committee is asked provide further direction as it deems appropriate.

**FISCAL IMPACT:** None. The cost for each of the claim audits were within the amounts budgeted in FY 2012/13.

**BACKGROUND:** CSURMA engaged Bickmore Risk Services to conduct a claims audit at the Chancellor's Office Risk Management for the self-administered Campus Liability Risk Pool. The field work was completed during the week of April 15, 2013 and the draft report was completed on April 25, 2013. CSURMA also engaged Strategic Claims Direction to review the performance of A-G Administrators for AIME claims. The auditor's draft report for AIME was completed on May 20, 2013.

**PUBLICATION:** None.

**ATTACHMENT(S):**

- a. Chancellor's Office Response to Campus Liability Claims Audit Report
- b. Campus Liability Claims Audit Report, dated May, 23, 2013 (Final)
- c. A-G Administrator's Response to AIME Claims Audit Report
- d. AIME Claims Audit Report, dated May 20, 2013 (Draft)

***RESPONSE TO CSURMA General Liability and Errors and Omissions Claims  
Audit***

I have reviewed the findings and recommendations of the April 2013 CSURMA claims audit performed by Bickmore. I concur with the report dated May 16, 2013.

I am pleased that Bickmore found an overall performance at 96%, indicating a Superior performance level.

Our office has addressed the 4 areas identified as opportunities for improvement. We have incorporated the recommendations into our claims process and will continue to look for new ways to improve our methods.

We appreciate the comments from Bickmore and will use the information from the audit to continually improve our documentation and claims process going forward.



Zachary Gifford  
Associate Director,  
Systemwide Risk Management and Public Safety



August 26, 2013

Mr. Robert Leong  
Alliant Insurance Services, Inc.  
100 Pine Street, 11<sup>th</sup> Floor  
San Francisco, CA 94111-5101

### **CSURMA-AIME Claims Audit Report: A-G Commentary**

A-G Administrators, Inc. is proud to be in our 20<sup>th</sup> year of partnering with CSU system as the claims administrator of the AIME program. As this program continues to expand, we remain committed to serving the needs of the Campuses while achieving the program's primary goal of long-term financial sustainability through continued investment in our staff and process. Accordingly, we welcome the dialogue and reflection this external review invites and heed the recommendations that result from it.

A-G appreciates the report's acknowledgement of our role in cost containment and the creative, multi-layered effort we put into keeping the claim payments as low as possible, while still satisfying billed charges in full. Regarding the specific categories the audit evaluated, we feel that the quality of the work performed by A-G is strong in the most important of categories and perhaps could use some improvement in others. The staff qualifications, adjuster caseloads, communication, coverage/benefit review and analysis, medical cost control and claims payment procedures are all areas we excel in. In terms of reporting potential claims to the NCAA for benefits in excess of \$90,000, we are always on the lookout for potentially catastrophic claims, or claims that would satisfy the deductible for the NCAA catastrophic program. The nature of the injury as well as the presence, or lack of presence, of primary insurance are both additional triggers for A-G to report a claim to the NCAA. As for the reserves section, perhaps this is more relevant in the workers compensation space than excess accident medical expense. We do not set reserves for any of our excess accident accounts.

It was noted that several of the audited claims had not satisfied the requirement that treatment commence within 120 days of the injury; however, in line with the industry standard, treatment in the athletic training room does satisfy this requirement. From an auditing standpoint, this will not be reflected in the claims files as these treatments do not generate bills; rather, they are documented through communication with the campus contacts in the training room environment. In the claim review and analysis section, we understand the challenges that our campus contacts face in working in the fast-paced, dynamic environment of collegiate athletic training. As part of our service to the program, we remain committed to balancing our role as facilitators in the claims process versus performing our due diligence in investigating claims by following up on incomplete or vague claim forms through our direct communication with specific contacts on campus. The signature on a claim form of a campus representative validates a claim. If the cause of accident or injury appears unclear, our team will investigate appropriately.

We are very critical of ourselves. One area where we need to make improvements is the documentation inside the claim. We will be including emails, summaries of phone calls and other relevant documentation in the claim files as we move forward. This is a formal aspect of the process and something we do more regularly in the fully insured programs we administer. This is a change we will be making for the AIME program. The communication section of the Audit Report was barely commented on. This is likely because the documentation of our communication was missing



from the files. We feel communication is an area that we go above and beyond the necessary requirements to operate the program smoothly. Needs vary from campus to campus. We adjust to that accordingly and do our best to provide service to match or accommodate whatever the needs may be. This may not get documented in the file, but very much is part of our assumed role.

We are constantly audited by our Carrier partners and have always received high scores. Even with consistently positive results, the nature and tone of the audits do vary. In reviewing this Claims Audit report we have the opportunity to reflect on the outside perspective offered by the Mr. Jennings. We will continue to discuss the various points highlighted in the report with our staff and use this as a tool to help our company continue to improve and elevate the level of accuracy and service we provide.

Sincerely,

A handwritten signature in black ink that reads 'Jake Gillis'. The signature is written in a cursive style.

Jake Gillis  
Vice-President

## **RISK MANAGEMENT INNOVATION FUNDING GRANTS**

**ISSUE:** At its Long Range Planning session on March 21-22, 2013, the Executive Committee requested Staff to develop a Risk Management Innovation Funding Grant program to supplement cost to campuses for implementing effective risk management controls, and thereby reduce loss exposures. Staff developed two risk management funding grant programs for the Campus Liability and Campus Workers' Compensation Risk Pools. The plans are described in the attached draft applications for Safety & Risk Control and for Employee Health & Wellness funding grants. AORMA has developed and implemented its own risk management and safety incentive plan.

**RECOMMENDATION:** The Executive Committee is asked to approve the draft Policy & Procedure describing the Risk Management Innovation Funding Grant program.

**FISCAL IMPACT:** An initial funding of \$100,000 (\$50,000 each for Safety & Risk Control and Employee Health & Wellness) for Risk Management Innovation Funding Grants is included in the FY 2013/14 operating budget for Campus Liability and Campus Workers' Compensation respectively.

**BACKGROUND:** Members are responsible to effectively manage Liability and Workers' Compensation exposures to mitigate loss costs arising from third-party damages and industrial injuries. To encourage proactive management of Campus Liability and Campus Workers' Compensation exposures to loss, the Executive Committee and Systemwide Risk Management recommend that CSURMA develop and implement a plan to award grants to members. The grants serve to incentivize members to identify, evaluate, and develop innovative risk mitigation strategies with loss prevention and reduction as primary goals, and to supplement member costs for implementing effective risk management strategies.

**PUBLICATION:** None.

**ATTACHMENT(S):**

- a. Draft Policy & Procedure - Risk Management Innovation Funding Grant
- b. Draft Application for Safety & Risk Control Reimbursement Request
- c. Draft Application for Employee Health & Wellness Reimbursement Request

**SUBJECT:** **RISK MANAGEMENT INNOVATION GRANT PROGRAM**

**ADOPTED:** \_\_\_\_\_

**EFFECTIVE:** **JULY 1, 2013**

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**PURPOSE:**

The Risk Management Innovation Grant Program (Program) makes funds available to Campus members (Members) in the Liability and Workers' Compensation programs. It funds specialized training, safety equipment, physical improvements, or other safety related items that will lead to mitigation of risk exposures. The purpose of this *matching grant program* is to encourage Members to facilitate a reduction in claim costs and to enhance existing risk reduction efforts.

**POLICY:**

1. Annually, the Program Administrator and Systemwide Risk Management will:
  - a. Propose to the Executive Committee a budget 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; (2) development of specialized training; or (3) development of risk management programs.
  - c. Identify the focus of the Program for the upcoming fiscal year.
  - d. Draft the Grant Application and recommend a maximum grant amount per Member.
  - e. Send a memo to all Members describing the Program and invite Members to apply for a grant by completing the Grant Application.
2. To access funds under the Program, a Member must complete the Grant Application which is to 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 cost for the proposed risk reduction project.
  - d. Agreement and approval of Grant Application by the Campus VP of Business & Finance or his/her designee; e.g., Environmental Health & Safety Director, Risk Manager, etc.
3. The Program Administrator will review completed Grant Applications, and if found appropriate and consistent with the purpose of the Program, refer the Grant Application to the Executive Committee for approval.

4. The Member will be expected to complete the proposed risk reduction project within the time period described in the Grant Application. The Executive Committee may rescind the grant if the Member has not started, or completed, the risk reduction project within the timeframe proposed.
5. Fifty percent (50%) of the Member's risk reduction project costs (up to the maximum grant amount approved for each Member) may be reimbursed by the Program. The Member will submit to the Program Administrator the final paid receipt(s) to be used to calculate the Program reimbursement amount.
6. After the grant funds are utilized, the Member will provide a brief report providing information that will assist the Executive Committee in monitoring this Program's effectiveness and the merits of future Program funds.
7. The Program Administrator and Systemwide Risk Management will work with the Grant Recipients to develop benchmarks to evaluate the success of the Program. The Program Administrator and Systemwide Risk Management will also provide guidance to future Grant Recipients based on these historical benchmarks.

## FY 2013/14 Campus Safety & Risk Control Reimbursement Program

Please Complete All Fields

<b>Member Campus:</b>		<b>Date:</b>
<b>Member Contact:</b>	<b>Phone:</b>	<b>Email:</b>
<b>Reimbursement Requested For</b> <i>(please describe):</i>		
<b>Date Purchased</b> <i>(Please attach proof of purchase):</i>	<b>Reimbursement Amount Requested</b> <i>(Up to \$2,000 per fiscal year - please see guidelines at the bottom):</i>	
<b>This is a</b> <i>(check all that apply):</i>		
<input type="checkbox"/> <b>Service</b>	<input type="checkbox"/> <b>Software</b>	<input type="checkbox"/> <b>Equipment</b>
<input type="checkbox"/> <b>Training</b>	<input type="checkbox"/> <b>Safety Program Development</b>	<input type="checkbox"/> <b>Safety Program Management</b>
<input type="checkbox"/> <b>Safety Consulting</b>	<input type="checkbox"/> <b>Other</b> <i>(please describe):</i>	
<b>Please explain how this will improve or enhance your safety and risk control efforts:</b>		
<b>Signature</b> <i>(Risk Manager or equivalent):</i> _____		
<b>Date:</b> _____		
<b>Please submit this completed reimbursement request form to Rob Leong at either: (email) <a href="mailto:rleong@alliant.com">rleong@alliant.com</a> or (fax) 415-874-4810</b>		
<ol style="list-style-type: none"> <li>1. The Campus Safety and Risk Control Reimbursement Program is available to members in the CSURMA Liability Risk Pool Program.</li> <li>2. Each member can request reimbursement for up to a total of \$2,000 per fiscal year (7/1-6/30).</li> <li>3. The amount of reimbursement requested cannot exceed the cost of the item(s) purchased.</li> <li>4. Requests must include signed Request Form and copies of receipts, identifying which expenses are qualifying for reimbursements. Email submittals are acceptable.</li> <li>5. Reimbursement requests must be submitted during the same fiscal year that the expense was incurred.</li> <li>6. Equipment, trainings, personal protective equipment, etc. that employers are <u>required</u> by law or regulation to provide are <u>not</u> eligible for reimbursement. This reimbursement program is intended to encourage members to enhance existing risk control efforts. Please feel free to contact the Program Administrator to discuss whether an item or service is eligible for reimbursement prior to submitting a request form.</li> <li>7. It is the member's responsibility to obtain confirmation from CSURMA that all reimbursement requests submitted were received by CSURMA.</li> <li>8. Please contact <b>Rob Leong</b> at 415.403.1441 or <a href="mailto:rleong@alliant.com">rleong@alliant.com</a> if you have any questions.</li> </ol>		

FY 2013/14 Campus Employee Health & Wellness Reimbursement Program

Please Complete All Fields

Member Campus:		Date:
Member Contact:	Phone:	Email:
Reimbursement Requested For <i>(please describe)</i> :		
Date Purchased <i>(Please attach proof of purchase)</i> :	Reimbursement Amount Requested <i>(Up to \$2,000 per fiscal year - please see guidelines at the bottom)</i> :	
This is a <i>(check all that apply)</i> :		
<input type="checkbox"/> Service	<input type="checkbox"/> Software	<input type="checkbox"/> Equipment
<input type="checkbox"/> Training	<input type="checkbox"/> Wellness Program Development	<input type="checkbox"/> Wellness Program Management
<input type="checkbox"/> Wellness Consulting	<input type="checkbox"/> Other <i>(please describe)</i> :	
Please explain how this will improve or enhance your employee health and wellness efforts:		
Signature <i>(Risk Manager or equivalent)</i> : _____		
Date: _____		
<b>Please submit this completed reimbursement request form to Rob Leong at either:</b> (email) <a href="mailto:rluong@alliant.com">rluong@alliant.com</a> or (fax) 415-874-4810		
1. The Campus Employee Health & Wellness Reimbursement Program is available to members of the CSURMA Pooled Workers' Compensation Program only. 2. Each member can request reimbursement for up to a total of \$2,000 per fiscal year (7/1-6/30). 3. The amount of reimbursement requested cannot exceed the cost of the item(s) purchased. 4. Requests must include signed Request Form and copies of receipts, identifying which expenses are qualifying for reimbursements. Email submittals are acceptable. 5. Reimbursement requests must be submitted during the same fiscal year that the expense was incurred. 6. Equipment, trainings, personal protective equipment, etc. that employers are <u>required</u> by law or regulation to provide are <u>not</u> eligible for reimbursement. This reimbursement program is intended to encourage members to enhance existing risk control efforts. Please feel free to contact the Program Administrator to discuss whether an item or service is eligible for reimbursement prior to submitting a request form. 7. It is the member's responsibility to obtain confirmation from CSURMA that all reimbursement requests submitted were received by CSURMA. 8. Please contact <b>Rob Leong</b> at 415.403.1441 or <a href="mailto:rluong@alliant.com">rluong@alliant.com</a> if you have any questions.		

**DRAFT CSURMA PROPERTY COVERAGE PROGRAM**  
**MEMORANDUM OF COVERAGE**

**ISSUE:** CSURMA's Property Coverage Programs for both Campus and AORMA members are provided by a syndicate of commercial insurers known as the Public Entity Property Insurance Program (PEPIP). Beginning July, 1, 2013, the PEPIP underwriters offered CSURMA an option to purchase coverage on a reinsurance form, thereby creating additional savings to members. The resultant savings to CSURMA is approximately \$346,344 principally by the elimination of certain premium taxes and fees that is otherwise payable under the prior insurance structure. CSURMA's Secretary-Auditor and Program Director evaluated the reinsurance terms and found the option to be very favorable for CSURMA members. Under the Executive Committee's delegated authority to negotiate final terms and bind coverage for all of CSURMA's insurance, including the Property programs, the Secretary-Auditor instructed the Program Director to renew CSURMA's Property coverage under the reinsurance proposal. As a result of the new reinsurance structure, CSURMA needs to adopt a Memorandum of Coverage for its Property Program, which is needed for the Reinsurance Agreement to reference as the Property Coverage document for CSURMA. The attached draft CSURMA Property Memorandum of Coverage is modeled from PEPIP's Master Property Program coverage form for higher education.

**RECOMMENDATION:** The Executive Committee is asked to approve the draft CSURMA Property Memorandum of Coverage.

**FISCAL IMPACT:** None. The cost for the reinsurance agreement is included in the FY 13/14 operating budget for Campus Property and AORMA Property.

**BACKGROUND:** Alliant's Public Entity Property Insurance Program (PEPIP) has been providing comprehensive and competitive Property insurance to public entities for years. CSURMA is a member of PEPIP's Master Property Program for higher education, insuring its campuses and auxiliary organizations.

**PUBLICATION:** None.

**ATTACHMENT(S):** Draft CSURMA Property Memorandum of Coverage



**PEPIP USA FORM No. 9**  
**MASTER POLICY WORDING**

**COVERAGE INCEPTING**  
**FROM JULY 1, 2013 TO JULY 1, 2014**

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## SECTION I

### GENERAL PROVISIONS

#### A. INSURING AGREEMENT

In consideration of the premium paid by the Insured to the Company, the Company agrees to insure the following per the terms and conditions herein.

#### B. NAME OF INSURED

As per Declaration page and its member(s), entity(ies), agency(ies), organization(s), enterprise(s) and/or individual(s) for whom the Named Insured is required to provide coverage, as so named in the "Named Insured – Member Schedule" attached to this policy and/or on file with Alliant Insurance Services, Inc., as their interests may appear which now exist or which hereafter may be created or acquired and which are owned, financially controlled or actively managed by the herein named interest, all jointly, severally or in any combination of their interests, for account of whom it may concern.

Lessors and other party(ies) of interest in all property of every description covered hereunder are included herein as Insured's for their respective rights and interests, it being understood that the inclusion hereunder of more than one covered party shall not serve to increase the Company's limit of liability.

Mortgagees to whom certificates of coverage have been issued are covered hereunder as Insured's in accordance with the terms and conditions of Form 438 BFU NS, CP12 18 1091, or equivalent as required by the mortgagee.

#### C. MAILING ADDRESS OF INSURED

AS PER DECLARATION PAGE

#### D. POLICY PERIOD

AS PER DECLARATION PAGE

#### E. LIMITS OF LIABILITY

Subject to specific exclusions, modifications, and conditions hereinafter provided, the liability of the Company in any one occurrence regardless of whether one or more of the coverages of this Policy are involved shall not exceed:

##### 1. SPECIFIC LIMITS OF LIABILITY

The Specific Limits of Liability as described in the Declaration Page apply per occurrence unless indicated otherwise.

##### 2. SUB-LIMITS OF LIABILITY

The following sub-limits of liability are provided as described in the Declaration Page and apply per occurrence unless indicated otherwise. Coverage is provided only if a sub-limit of liability is shown in the Declaration Page for that item, and do not increase the specific limits of liability. The absence of a sub-limit of liability amount in the Declaration Page means that no coverage is provided for that item.

- a. Per occurrence, and in the annual aggregate as respects the peril of flood (for those member(s) / entity(ies) that participate in this optional dedicated coverage);
- b. Per occurrence, and in the annual aggregate as respects the peril of earthquake shock for those member(s) / entity(ies) that participate in this optional dedicated coverage;
- c. Combined Business Interruption, Rental Income, Tax Interruption and Tuition income (and related fees) ;
- d. Extra Expense;
- e. Miscellaneous Unscheduled Property;
- f. Automatic Acquisition. As per policy provisions;
- g. Unscheduled Landscaping, tees, sand traps, greens and athletic fields if specific values for such items have not been reported as part of the member(s) / entity(ies) schedule of values held on file with Alliant Insurance Services, Inc;
- h. Scheduled Landscaping, tees, sand traps, greens and athletic fields if specific values for such items have been reported as part of the Member(s) / Entity(ies) schedule of values held on file with Alliant Insurance Services, Inc;
- i. Errors & Omissions;
- j. Course of Construction and Additions;
- k. Money and Securities for Fire, Wind, Hail, Explosion, Smoke, Lightning, Riot, Civil Commotion, Impact by Aircraft or Objects falling there from, Impact by Vehicles, Water Damage and Theft (other than by an employee of the member(s) / entity(ies));
- l. Prize Giveaways solely as respects member(s) / entity(ies) that participate in this optional coverage;
- m. Unscheduled Fine Arts (as more fully defined herein);
- n. Accidental Contamination including owned land, land values and water owned by the member(s) / entity(ies);
- o. Unscheduled Tunnels, bridges, dams, catwalks (except those not for public use), roadways, highways, streets, sidewalks, culverts, street lights and traffic signals unless specific values for such items have been reported as part of a member(s) / entity(ies) schedule of values held on file in the offices of Alliant Insurance Services, Inc. excluding Federal Emergency Management Agency (F.E.M.A.) and/or any State Office of Emergency Services (O.E.S.) declared disasters;
- p. Increased Cost of Construction due to the enforcement of building codes / ordinance or law. As per policy provisions;
- q. Transit;
- r. Unscheduled Animals;
- s. Unscheduled Watercraft; up to 27 feet. Unscheduled watercraft over 27 feet if held for sale by the insured.
- t. Off premises services interruption including extra expense resulting from a covered peril at non-owned/operated location(s);
- u. Separately as respects Contingent Business Interruption, Contingent Extra Expense, Contingent Rental Value, and Contingent Tuition Income;
- v. Per occurrence and in the annual aggregate as respects the peril of Earthquake Shock for licensed vehicles, unlicensed vehicles, contractors equipment and fine arts combined for all member(s) / entity(ies) of this declaration combined that do not purchase optional dedicated Earthquake Shock coverage, and/or where specific values for such items are not covered for optional dedicated Earthquake Shock coverage as part of the member(s) / entity(ies) schedule of values held on file with Alliant Insurance Services, Inc.;

- w. Per occurrence and in the annual aggregate as respects the peril of Flood for licensed vehicles, unlicensed vehicles, contractors equipment and fine arts combined for all member(s) /entity(ies) of this declaration combined that do not purchase optional Flood coverage, and/or where specific values for such items are not covered for optional dedicated Flood coverage as part of the member(s) / entity(ies) schedule of values held on file with Alliant Insurance Services, Inc.;
- x. Claim Preparation Expenses;
- y. Expediting Expenses;
- z. Separately as respects furs, jewelry, precious metals and precious stones;
- aa. Business Interruption for Power Generation Facilities, which is understood to be part of and not additional to the sublimit of liability set forth in Item 2 c. above;
- ab. Terrorism;
- ac. Personal Property outside the U.S.A.;
- ad. Boiler Explosion and Machinery Breakdown (for those member(s) / entity(ies) that participate in this optional dedicated coverage).

## **F. OPTIONAL COVERAGE PARTICIPATION**

It is understood and agreed that certain Insured's participate in Optional Coverage on this Policy as set forth below.

### OPTIONAL COVERAGES IDENTIFICATION:

1. Earthquake Shock
2. Licensed Vehicles – Off Premises
3. Scheduled Fine Arts
4. Flood
5. Boiler Explosion & Machinery Breakdown
6. Terrorism Risk Insurance Act of 2002

Such participation in the optional coverage(s) by the Insured is indicated in the Declaration Page, and/or by endorsement to this policy.

## **G. DEDUCTIBLE PROVISIONS**

If two or more deductible amounts provided in the Declaration Page apply for a single occurrence the total to be deducted shall not exceed the largest per occurrence deductible amount applicable.

Deductibles are shown on the Declaration Page, or by endorsement and may vary by member of a joint powers authority (JPA) or risk sharing pool (Pool), or the coverage part pertaining to the loss.

Unless a more specific deductible is applicable for a particular loss, the "Basic Deductible" shown in the Declaration Page, shall apply per occurrence. The company will not pay for loss or damage in any one occurrence until the amount of the loss or damage exceeds the applicable deductible.

The "JPA/Pool Basic Deductible" – when applicable will be in excess of a JPA or Pool member's deductible amount. The member's deductible amount will be agreed upon between the JPA or Pool and its members. The "JPA/Pool Basic Deductible" shown in the Declaration Page, shall apply per occurrence. The company will not pay for loss or damage in any one occurrence until the amount of the loss or damage exceeds the applicable constituent members' deductible and the "JPA/Pool Basic Deductible", until the "JPA/Pool Annual Aggregate Amount" is exhausted.

The "JPA/Pool Annual Aggregate Amount" - when applicable is the accumulation of payments made by the JPA or Pool that are categorized as "JPA/Pool Basic Deductibles" above. Once the annual aggregate amount is reached, all subsequent losses in chronological order are subject to the

“JPA/Pool Maintenance Deductible” indicated in the Declaration Page. As with the “JPA/Pool Basic Deductible” this maintenance deductible will be applicable in excess of the applicable JPA or Pool constituent member’s deductible.

“Vehicle Physical Damage deductible” - if Off-Premises coverage is included/purchased, the stated deductible will apply to vehicle physical damage both on and off premises on a per occurrence basis, unless otherwise stated. If “Off-Premises” coverage is not included, On-Premises/In-Yard coverage is subject to the All Risk Basic Deductible.

#### **H. UNIT OF INSURANCE DEFINED**

In the application of the Earthquake Shock, or specified Wind deductibles, in accordance with the provisions of this Policy, each of the following shall be considered a Separate Unit of Insurance:

1. Each Separate Building or Structure;
2. The Contents of each Building or Structure;
3. Applicable Time Element Coverage of each separate Building or Structure; and
4. Property in each Yard.

The Company shall not be liable for loss to any Unit of Insurance covered hereunder unless such loss exceeds the percentages stated in this Policy of the replacement values of such Unit of Insurance at the time when such loss shall happen, and then only for its proportion of such excess.

#### **I. PRIORITY OF PAYMENTS**

In the event of loss caused by or resulting from more than one peril or coverage, the limit of liability of the primary / underlying coverage shall apply first to the peril(s) or coverage(s) not insured by the excess layers and the remainder, if any, to the peril(s) or coverage(s) insured hereunder. Upon exhaustion of the limit of liability of the primary / underlying coverage, the excess layers shall then be liable for loss uncollected from the peril(s) or coverage(s) insured hereunder, subject to the limit of liability and the other terms and conditions as specified.

## SECTION II

### PROPERTY DAMAGE

#### A. COVERAGE

Subject to the terms, conditions and exclusions hereinafter contained, this Policy insures all property of every description both real and personal (including improvements, betterments and remodeling), of the Insured, or property of others in the care, custody or control of the Insured, for which the Insured is liable, or under the obligation to insure.

#### B. EXTENSIONS OF COVERAGE

All coverage extensions are subject to the terms, conditions and exclusions of the policy except insofar as they are explicitly providing additional coverage.

##### 1. PERSONAL EFFECTS

This Policy is extended to cover only such personal effects and wearing apparel of any of the officials, employees, students and personal effects of the Insured named in this Policy for which the Insured may elect to assume liability while located in accordance with the coverage hereof, but loss, if any, on such property shall be adjusted with and payable to the Insured.

##### 2. PROPERTY IN COURSE OF CONSTRUCTION AND ADDITIONS

It is understood and agreed that as respects course of construction projects and additions, this Policy will provide automatic coverage subject to the following conditions:

- a. Project involves only real property on new or existing locations (excluding dams, roads, and bridges).
- b. Value of the project at the location does not exceed USD as per Declaration Page. Projects that exceed this amount are subject to underwriting approval, prior to binding. However, inadvertent failure to report projects within USD as per Declaration Page shall not void coverage of said Project.

**Additional Expenses - Soft Costs:** This extension applies to new buildings or structures in the course of construction up to the time that the new building(s) or structure(s) is initially occupied or put to its intended use whichever occurs first.

The Company will cover the additional expenses (soft costs) of the Insured as defined below for up to 25% of the estimated completed value of the project which results from a delay in the completion of the project beyond the date it would have been completed had no loss or damage occurred. The delay must be due to direct physical loss or damage to property insured and be caused by or result from a peril not excluded by this Policy. The Company will pay covered expenses when they are incurred.

- a. **Additional Interest Coverage** – The Company will pay the additional interest on money the Insured borrows to finance construction or repair.
- b. **Rent or Rental Value Coverage** – The Company will pay the actual loss of net rental income that results from delay beyond the projected completion date. But the

Company will not pay more than the reduction in rental income less charges and expenses that do not necessarily continue.

- c. Additional Real Estate Taxes or Other Assessments – The Company will pay the additional real estate taxes or other assessments the Insured incurs for the period of time that construction is extended beyond the completion date.
- d. Additional Advertising and Promotional Expenses – The Company will pay the additional advertising and promotional expense that becomes necessary as a result of a delay in the completion of the project.
- e. Additional Commissions Expense – The Company will pay the additional expenses, which result from the renegotiating of leases following an interruption in the project.
- f. Additional Architectural and Engineering Fees – The Company will pay the additional architectural and engineering fees that become necessary as a result of a delay in the completion of the project.
- g. Additional License and Permit Fees – The Company will pay the additional license and permit fees that become necessary as a delay in the completion of the project.
- h. Legal and Accounting Fees – The Company will pay the additional legal and accounting fees the Insured incurs as a result of a delay in the completion of the project.

### **3. FIRE FIGHTING EXPENSES**

It is understood and agreed that the Company shall be liable for the actual charges of fire fighting expenses including but not limited to those charged by municipal or private fire departments responding to and fighting fire in / on, and/or protecting property included in coverage provided by this Policy.

### **4. OFF PREMISES SERVICES INTERRUPTION**

It is understood and agreed that coverage under this Policy is extended to include physical damage, business interruption loss and/or extra expense incurred and/or sustained by the Insured as a result of physical damage to or destruction of property, by the perils insured against occurring during the policy period of any suppliers furnishing heat, light, power, gas, water, telephone or similar services to an Insured's premises. The coverage provided by this clause is sublimited to USD as per Declaration Page, and Section 1 (General Provisions) of this form.

### **5. ARCHITECTS AND ENGINEERS FEES AND LOSS ADJUSTMENT EXPENSES**

This Policy also insures as a direct result of physical loss or damage insured hereunder, any of the following:

- a. Architects and engineers fees
- b. Loss adjustment expenses including, but not limited to, auditors, consultants and accountants. However, the expenses of public adjusters are specifically excluded.

### **6. EXPEDITING EXPENSES**

In the event of physical loss or damage insured hereunder, it is understood and agreed that coverage under this Policy includes the reasonable extra cost of temporary repair and of expediting the repair of such damaged property of the Insured, including overtime and the extra costs of express or other rapid means of transportation. This coverage provided by this clause is sublimited to USD as per the Declaration Page.

#### **7. DEBRIS REMOVAL**

This Policy also covers expenses incurred in the removal of debris of the property covered hereunder from the premises of the Insured that may be destroyed or damaged by a covered peril(s). This debris removal coverage does not apply to the cost to extract pollutants from land or water, or to remove, restore or replace polluted land or water.

#### **8. BUILDING LAWS**

This Policy is extended to include physical damage, business interruption loss, loss of interest and/or extra expense incurred and/or sustained by the Insured as a result of physical damage to or destruction of property, by the perils insured against occurring during the policy period and occasioned by the enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures, which is in force at the time such a loss occurs, which necessitates the demolition of any portion of the covered building not damaged by the covered peril(s).

The Company shall also be liable for loss due to the additional period of time required for repair or reconstruction in conformity with the minimum standards of such ordinance or law of the building(s) described in this Policy damaged by a covered peril.

The Company shall not be liable under this clause for more than the limit of liability as shown elsewhere in this Policy.

#### **9. DEMOLITION COST**

In the event of physical damage to property insured by a covered peril, this policy is extended to cover the cost of demolishing any undamaged portion of the covered property including the cost of clearing the site thereof, caused by loss from any covered peril(s) under this Policy and resulting from enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures and in force at the time of loss which necessitates such demolition.

#### **10. INCREASED COST OF CONSTRUCTION**

In the event of physical damage to property insured by a covered peril this Policy is extended to cover the increased cost of repair or replacement occasioned by the enforcement of any local or state ordinance or law including written guidelines used by the department of corrections in any state regulating the construction, repair or demolition of buildings or structures, which is in force at the time such a loss occurs or which comes into force within 6 months after such a loss occurs, which necessitates in repairing or replacing the building covered hereunder which has suffered damage or destruction by the covered peril(s) or which has undergone demolition, limited, however, to the minimum requirements of such ordinance or law.

The maximum amount of additional loss insured by this policy which results from the above referenced 6 month period is not to exceed 20% of the amount of the physical damage loss or USD25,000,000 whichever is greater from which this additional loss results.

## **11. ERRORS & OMISSIONS**

No unintentional errors or unintentional omissions in description, location of property or valuation of property will prejudice the Insured's right of recovery but will be reported to the Company as soon as practicable when discovered. The coverage provided by this clause is sublimited to USD as per Declaration Page, and Section 1 (General Provisions) Clause E of this form. This extension does not increase any more specific limit stated elsewhere in this policy or Declaration.

## **12. ANIMALS**

This policy is extended to cover retraining expenses associated with the loss of specially trained animals. Retraining expenses are included within the sublimit provided, unless otherwise scheduled.

**Notwithstanding the foregoing it is hereby understood and agreed that solely as respects Universities, hospitals, or other institutions of learning the following shall apply:**

This policy is extended to cover physical loss or damage to animals used for research subject to applicable exclusions under Section IV (General Conditions) B. Exclusions.

## **13. VALUABLE PAPERS**

This policy is extended to cover Valuable Papers or the cost to reconstruct valuable papers (including but not limited to research, redrawing or duplicating) physically lost or damaged by a peril insured against during the term of this Policy.

## **14. TRANSIT**

This policy is extended to cover Personal Property of the Insured or property held by the Insured in trust or on commission or on consignment for which the Insured may be held legally liable while in due course of transit, worldwide, against all risks of Direct Physical Loss or Damage not excluded by this Policy to the property insured occurring during the period of this Policy.

The coverage provided by this clause is sublimited to USD as per Declaration Page, and Section 1 (General Provisions) Clause E. of this form.

## **15. VEHICLES WHILE ON INSURED PREMISES**

This policy is extended to cover vehicles while on premises of the Insured against physical loss or damage by a peril insured against during the term of this Policy.

## **16. ASBESTOS CLEAN UP AND REMOVAL**

This policy specifically excludes asbestos materials clean up or removal, unless asbestos is itself damaged by a peril covered by this policy, then asbestos cleanup or removal within the damaged area, and applicable time element coverages, will be covered by this policy.

In no event will coverage be extended to cover undamaged asbestos, including undamaged asbestos in any portion of the building mandated by any governmental direction or request declaring that asbestos material present in any undamaged portion of the Insured's property must be removed or modified, or;

any loss or expense including investigation or defense costs, caused by, resulting from, or arising out of asbestos, exposure to asbestos, or any product containing asbestos, or;

any loss or expense normally provided by demolition, increased cost or building ordinance.

The Insured must report to Underwriters the existence of the damage as soon as practicable after the loss. However, this Policy does not insure any such damage first reported to the Underwriters more than thirty six (36) months after the expiration, or termination, of this policy.

## **17. PROTECTION AND PRESERVATION OF PROPERTY**

In the event of loss likely to be covered by this Policy, the Insured shall endeavor to protect covered property from further damage and shall separate the damaged and undamaged personal property and store in the best possible order, and shall furnish a complete inventory of the destroyed, damaged and undamaged property to the Insurer.

In case of actual or imminent physical loss or damage of the type insured against by this Policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of property insured hereunder shall be added to the total physical loss or damage otherwise recoverable under the Policy and be subject to the applicable deductible and without increase in the limit provisions contained in this Policy.

Due to the unique nature of Health Care Facilities and Jails where it is deemed necessary to evacuate patients or inmates from the premises in order to reduce the physical loss potential from an actual or imminent loss or damage by a peril not excluded herein, all terms and conditions of this clause will apply to the expenses incurred as a result of the evacuation.

## **18. LEASEHOLD INTEREST**

In the event of physical loss or damage of the type insured against by this Policy to real property of the type insured this Policy, which is leased by the Insured, this Policy is extended to cover:

- (1) If as a result of such loss or damage the property becomes wholly un-tenantable or unusable and the lease agreement requires continuation of the rent, the Company shall indemnify the Insured for the actual rent payable for the unexpired term of the lease; or
- (2) If as a result of such loss or damage the property becomes partially untenable or unusable and the lease agreement requires continuation of the rent, the Company shall indemnify the Insured for the proportion of the rent applicable thereto; or
- (3) If as a result of such loss or damage the lease is cancelled by the lessor pursuant to the lease agreement or by operation of law, the Company shall indemnify the Insured for its Lease Interest for the first three months following such loss or damage and for its Net Lease Interest for the remaining unexpired term of the lease;

provided, however, that the Company shall not be liable for any increase in the amount recoverable hereunder resulting from the suspension, lapse or cancellation of any license, or from the Insured exercising an option to cancel the lease; or from any act or omission of the

Insured which constitutes a default under the lease; and provided further that the Insured shall use any suitable property or service owned or controlled by the Insured or obtainable from another source to reduce the loss hereunder.

The following definitions shall apply to this coverage:

- (1) Lease Interest means the excess rent paid for the same or similar replacement property over actual rent payable plus cash bonuses or advance rent paid (including any maintenance or operating charges) for each month during the unexpired term of the Insured's lease.
- (2) Net Lease Interest means that sum which placed at 8% interest compounded annually would equal the Lease Interest (less any amounts otherwise payable hereunder).

## **19. AUTOMATIC ACQUISITION AND REPORTING CONDITIONS**

This Policy is automatically extended to insure additional property and/or interests as described in this Policy, which may be acquired or otherwise become at the risk of the Insured, during the Policy Term, within the United States of America, subject to the values of such additional property and/or interests not exceeding USD25,000,000 or member's Policy Limit of Liability if less than USD25,000,000 any one acquisition excluding licensed vehicles, for which a limit of USD10,000,000 applies or member's Policy Limit of Liability if less than USD10,000,000. Additionally a sublimit of \$2,500,000 applies to Tier 1 wind counties, parishes and independent cities for 60 days for the states of Virginia, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Louisiana, Texas and/or situated anywhere within the states of Florida and Hawaii.

If Flood coverage is purchased for all scheduled locations, this extension will extend to include Flood coverage for any location not situated in Flood Zones A or V. In the event that coverage for Flood for any location situated in Flood Zones A or V is required, it is to be agreed by the Company prior to attachment hereunder.

This coverage extension does not apply to the peril of Earthquake Shock in the States of California, or Alaska except as follows:

- (1) At Policy inception, for those members that purchase the earthquake shock peril, per the sublimit that appears on the Declaration Page, automatic coverage applies for the peril of earthquake shock for a period of 30 days from date of contractual requirement by any bond, certificate of participation or any similar investment, for any new locations where there is such a contractual requirement to provide earthquake shock coverage. Otherwise there is no Automatic Coverage for Earthquake Shock for any other new locations in California and Alaska.

In the event of coverage being required for additional property and/or interest where the value exceeds USD25,000,000 or member's Policy Limit of Liability if less than USD25,000,000 any one acquisition details of said property and/or interest are to be provided to the Company for its agreement not later than ninety (90) days from the date of the said additional property and/or interest have become at the risk of the Insured, this Policy providing coverage automatically for such period of time up to a maximum limit of USD100,000,000 or member's Policy Limit of Liability if less than USD100,000,000. The Company retains the right to determine the acceptability of all such property(ies). Additional premium will be calculated from the date of acquisition.

In the event that the Insured fails to comply with the above reporting provision, then coverage hereunder is sublimited to USD25,000,000 or member's Policy Limit of Liability if less than USD25,000,000 any one occurrence.

Additional, or return premium due for endorsements issued during the policy term, such as those for additions or deletions of values within or greater than as that which is provided in any "Automatic Acquisition sublimit" (including those for existing members, new members to the PEPPI program, or new members to existing JPA members) will be processed on a quarterly basis. Issuance of the endorsements and calculation of pro-rata or return premium, for these changes will be processed as of, and at the time of the transaction.

## **20. MISCELLANEOUS UNNAMED LOCATIONS**

Coverage is extended to include property at location (including buildings or structures, owned, occupied or which the Insured is obligated to maintain insurance). Located within the territorial limitations set by this policy. Coverage provided by this clause is limited to any sublimit noted on the Declaration Page attached to this form, and by terms and conditions of this policy form. This coverage extension does not apply to the peril of Earthquake Shock in the states of California, or Alaska. If Flood coverage is purchased for all scheduled locations, this extension will extend to include Flood coverage for any location not situated in Flood Zones A or V.

## **21. ACCIDENTAL CONTAMINATION**

This Policy is hereby extended to cover Business Interruption and Property Damage loss as a result of accidental contamination, discharge or dispersal from any source to Covered Property, including expenses necessarily incurred to clean up, remove and dispose of contaminated substances so as to restore the Covered Property to the same condition as existed prior to loss. The coverage provided is sublimited to USD as per Declaration page.

If such contamination or dispersal is itself caused by fire, lightning, impact from aircraft, explosion, riot, civil commotion, smoke, collapse, vehicles, windstorm, hail, vandalism, malicious mischief or leakage and accidental discharge from automatic fire protective systems whereupon this extension shall provide coverage up to full limit of liability provided by this Policy.

For the purposes of this Accidental Contamination clause only, the term "Covered Property", as covered by this Policy, is held to include Land (and Land Values) on which Covered Property is located whether or not the same are excluded by this Policy.

It is further understood and agreed that this coverage clause shall not override anything contained in Asbestos Clean Up and Removal in this Policy.

## **22. TERRORISM COVERAGE**

This insurance includes physical loss or damage directly caused by any "act of terrorism".

Coverage is limited to:

- a. USD 100,000,000 per member(s) / entity(ies) of declaration number 1 to 14, 18, 19, 20, 21, 26, 27, 28, 29, 30, 32, 33 and 34 per occurrence subject to USD200,000,000 in the annual aggregate which shared by all member(s) /

entity(ies) of declaration numbers 1 to 14, 18, 19, 20, 21, 26, 27, 28, 29, 30, 32, 33 and 34 combined; and

Upon erosion of the above annual aggregate limit(s), the provisions of exclusion 20 within the General Conditions shall apply.

### **C. PROPERTY NOT COVERED**

Except as for that which may be provided as an Extension of Coverage, this policy does not cover:

1. Aircraft, watercraft over 27 feet in length (other than watercraft held for sale by the insured), and rolling stock, except scheduled watercraft, and rolling stock, light rail vehicles, subway trains and related track maintenance vehicles for light rail and subway lines.
2. Standing timber, bodies of water, growing crops.
3. Land (including land on which covered property is located), and land values (except athletic fields, landscaping, sand traps, tees and greens).
4. Property in due course of ocean marine transit.
5. Shipment by mail after delivery into the custody of the United States Post Office.
6. Power transmission lines, feeder lines and underground pipes more than 1,000 feet from the premises of the Insured unless specifically approved by the Company.
7. Unscheduled tunnels, bridges, dams, catwalks (except those not for public use), roadways, highways, streets, sidewalks, culverts, streetlights, and traffic signals, excess of the sublimit terms provided on the Declaration Page.
8. Offshore property, oilrigs, underground mines, caverns and their contents. Railroad track is excluded unless values have been reported by the Insured.

### **D. LOSS PAYMENT BASIS / VALUATION**

In case of loss to property of an Insured covered hereunder, the basis of adjustment shall be as of the time and place of loss as follows:

1. On all real and personal property, including property of others in the care or control of the Insured at the replacement cost (as defined below) at the time of the loss without deduction for depreciation. If property is not replaced within a reasonable period of time, then the actual cash value shall apply.
2. On improvements and betterments at the replacement cost at time of loss without deduction for depreciation. If property is not repaired or replaced within a reasonable period of time, then the actual cash value shall apply. If replaced or repaired by others for the use of the Insured, there shall be no liability hereunder. The Company agrees to accept and consider the Insured as sole and unconditional owner of all improvements and betterments, any contract or lease the Insured may have made to the contrary notwithstanding.
3. On manuscripts, mechanical drawings, patterns, electronic data processing media, books of accounting and other valuable papers, the full replacement cost of the property at the time of loss (including expenses incurred to recreate the information lost, damaged or destroyed, except as may be limited by any separate policy provision) or what it would then cost to repair, replace or reconstruct the property with other of like kind and quality. If not repaired, replaced or reconstructed within a reasonable period of time, then not to exceed the cost of blank or unexposed material.

4. On antique, restored or historical buildings, the cost of acquisition, relocation to the site and renovation or reconstruction. In the event of a partial loss, replacement cost for antique, restored or historical buildings shall mean the cost of repairing, replacing, constructing or reconstructing (whichever is less) the property on the same site using materials of like kind and quality necessary to preserve or maintain a buildings' historical significance without deduction for depreciation.
5. On property of others for which the Insured is liable under contract or lease agreement the Company's liability in the event of loss is limited to the Insured's obligation as defined in said contract or lease agreement but not to exceed the replacement cost.
6. On library contents, at replacement cost, or as follows, whichever is greater:

<u>Category</u>	<u>Value (per item)</u>	
Juvenile Picture Book	USD	42.76
Juvenile Book	USD	34.78
Juvenile Reference Book	USD	42.76
Pamphlets	USD	5.50
Magazines	USD	11.00
Fiction	USD	20.68
Law Periodical	USD	138.75
Non-Fiction	USD	74.42
Reference	USD	104.06
Law Reference	USD	136.35
Art	USD	56.14
Film (16mm)	USD	1,320.00
Film (8mm)	USD	58.75
Film (Super 8mm)	USD	429.00
Strips	USD	8.80
Cassette Film Strips	USD	94.38
Records	USD	75.00
Videos (Tapes and CDs)	USD	50.00
Audio Cassette	USD	27.50
Computer Software (incl. CDs)	USD	1,558.70
(Law) CD ROM	USD	258.80
Books on Tape	USD	67.26
Law Magazines	USD	144.93
Compact Discs	USD	21.95
Paperback Books	USD	35.17

The above valuation is predicated on the values provided by the Library of Congress Dewey Decimal system and adjusted for inflation.

The figures above do not include the "shelving cost" of each book. Therefore, the formula for adjusting a library contents loss is:

"Number of items in a category that are replaced multiplied by the valuation figure plus associated shelving costs".

The actual cost per item in the final adjustment is to be computed as of the time and place of loss or damage.

7. On Vehicles, on or off premises, where Replacement Cost (New) values are specified, loss or damage shall be based on 100% of the Replacement Cost (New) at the time of loss. Partial losses shall be based on the cost of repairing or replacing the damaged portion, up to the fair market value of the Vehicle and/or Equipment. However, should these costs exceed the fair market value then recovery shall be based upon the Replacement Cost (New).

If the values, provided by the Insured, provides a valuation based on replacement cost, then recovery will be on the same basis, if replaced. If not replaced, the basis of recovery shall be actual cash value.

8. Animals: The stated value as per schedule on file with the Insured.

**Notwithstanding the foregoing it is hereby understood and agreed that solely as respects Universities, hospitals or other institutions of learning the following shall apply:**

The stated value as per schedule on file with the Insured except Research Animals shall be valued at the cost to replace with like kind and quality; including the increased value as a result of prior research or experiments performed on the animal(s), accumulated cost of care and maintenance, and the value of labor expended by research assistants and/or laboratory technicians.

9. Landscaping, sand traps, tees, putting greens and athletic fields; the actual replacement cost of sod, shrubs, sand, plants and trees; however the Company's liability for replacement of trees, plants and shrubs will be limited to the actual size of the destroyed plant, tree or shrub at the time of the loss up to a maximum size of 25 gallons per item but not to exceed USD25,000 per item.

For the purpose of determining coverage under this policy landscaping, trees, plants and shrubs are only insured if their position and planting was undertaken by human agency for cosmetic effect.

The aforementioned valuations shall also be used for the purpose of any minimum earned premium and/or quarterly adjustments incurred.

Wherever the term "actual cash value" is used as respects real property or improvements and betterment's in this clause, or elsewhere herein, it shall mean replacement cost less depreciation.

"Replacement Cost" shall mean the cost of repairing, replacing, constructing or reconstructing (whichever is the least) the property on the same site, using new materials of like kind and quality and for like occupancy without deduction for depreciation, subject to the following:

- (i) Until the property is actually repaired, replaced or reconstructed, the maximum amount recoverable shall be the actual cash value of the lost or damaged property;
- (ii) Replacement shall be effected by the Insured with due diligence and dispatch;
- (iii) Replacement need not be on same site, or of same or similar construction or occupancy provided that the Company shall not be liable for any additional costs that are directly attributable to the inclusion of this provision.
- (iv) For historical buildings as more specifically defined in this Section.
- (v) In no event shall the Company's liability exceed the amount actually and necessarily expended in repairing or replacing (whichever is less) Covered Property or any part thereof.

It is understood and agreed that as respects replacement cost, the Insured shall have the option of replacement with electrical and mechanical equipment having technological advantages and/or representing an improvement in function and/or forming part of a program of system enhancement provided that such replacement can be accomplished without increasing the Company's liability. The Company shall be allowed to dispose of, as salvage, any non-proprietary property deemed unusable by the Named Insured.

In the event the Insured should fail to comply with any of the foregoing provisions settlement shall be made as if this Replacement Cost provision had not been in effect.

## SECTION III

### BUSINESS INTERRUPTION, EXTRA EXPENSE, RENTAL INCOME, TAX INTERRUPTION AND TUITION INCOME

Subject to the terms, conditions and exclusions stated elsewhere herein, this Policy provides coverage for:

#### A. COVERAGE

##### 1. BUSINESS INTERRUPTION

Against loss resulting directly from interruption of business, services or rental value caused by direct physical loss or damage, as covered by this Policy to real and/or personal property insured by this Policy, occurring during the term of this Policy.

In the event of such loss or damage the Company shall be liable for the actual loss sustained by the Insured for gross earnings as defined herein and rental value as defined herein resulting from such interruption of business, services, or rental value; less all charges and expenses which do not necessarily continue during the period of restoration. Due consideration shall be given to the continuation of normal charges and expenses including payroll expenses to the extent necessary to resume operations of the Insured with the same quality of service which existed immediately preceding the loss.

With respect to business interruption for power generation facilities, the coverage provided hereunder is sublimited to USD as per Declaration Page.

**Notwithstanding the foregoing it is hereby understood and agreed that solely as respects Universities, hospitals or other institutions of learning the following shall apply:**

In determining the amount of tuition income and related fees covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to:

- (i) Tuition income and related fees which are prevented from being earned or received.
- (ii) Other income derived from:
  - (a) routine and special services;
  - (b) other operating and non-operating revenues, including but not limited to:
    - (1) research grants
    - (2) income under research contracts all dependent on continued operations.
- (iii) Donations and fund raising proceeds:
  - (a) If a regularly scheduled fund raising drive for the sole benefit of the Insured occurs during the period of interruption of operations, the revenue produced by such drive shall be considered as follows in determining the amount of loss:
    - (1) If the drive fails to produce an amount at least equal to the same drive in the most recent prior solicitation, the shortage, to the extent that it can be attributed to the interruption of the Insured's operations, shall be considered as loss of income;
    - (2) If the drive produces an amount equal to the same drive in the most recent prior solicitation, there shall be considered no loss of income from this source of revenue;
    - (3) If the drive produces an amount larger than the same drive in the most recent prior solicitation, the excess shall be applied to reduce the loss from other sources of revenue;
    - (4) If the drive is cancelled or postponed, such loss of revenue shall not be considered as loss of income.

- (b) The following shall be disregarded in determining the amount of loss:
  - (1) Donations and contributions which are a direct result of the interruption of the Insured's operations and are received by the Insured during the period of interruption.
  - (2) Proceeds for fund raising drives or solicitations which are for the sole benefit of the Insured and occur as a result of interruption of the Insured's operations.

## **2. EXTRA EXPENSE**

This Policy is extended to cover the necessary and reasonable extra expenses occurring during the term of this Policy at any location as hereinafter defined, incurred by the Insured in order to continue as nearly as practicable the normal operation of the Insured's business following damage to or destruction of real or personal property by a covered peril which is on premises owned, leased or occupied by the Insured. In the event of such damage or destruction, the Company shall be liable for such necessary extra expense incurred for only such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such part of the property as has been damaged or destroyed commencing with the date of damage or destruction and not limited by the date of expiration of this Policy (hereinafter referred to as the period of restoration).

## **B. EXTENSIONS OF COVERAGE**

### **1. INGRESS / EGRESS**

This Policy is extended to insure the actual loss sustained during the period of time not exceeding 30 days when, as a direct result of physical loss or damage caused by a covered peril(s) specified by this Policy and occurring at property located within a 10 mile radius of covered property, ingress to or egress from the covered property covered by this Policy is prevented. Coverage under this extension is subject to a 24-hour waiting period.

### **2. INTERRUPTION BY CIVIL AUTHORITY**

This Policy is extended to include the actual loss sustained by the Insured, as covered hereunder during the length of time, not exceeding 30 days, when as a direct result of damage to or destruction of property by a covered peril(s) occurring at property located within a 10 mile radius of covered property, access to the covered property is specifically prohibited by order of a civil authority. Coverage under this extension is subject to a 24-hour waiting period.

### **3. DEMOLITION AND INCREASED TIME TO REBUILD**

The Company shall, in the case of loss covered under this Policy, be liable also for loss to the interest covered by the Policy, occasioned by the enforcement of any local or state ordinance or law regulating the construction, repair or demolition of buildings or structures and in force at the time such loss occurs, which necessitates the demolition of any portion of the described building(s) not damaged by the covered peril(s). The Company shall also be liable for loss due to the additional period of time required for repair or reconstruction in conformity with the minimum standards of such ordinance or law of the building(s) described in this Policy damaged by a covered peril.

THE COMPANY SHALL NOT BE LIABLE UNDER THIS CLAUSE FOR:

- a. More than the limit of liability as shown elsewhere in this Policy.

- b. Any greater proportion of any loss to the interest covered by this Policy than the amount covered under this Policy on said interest bears to the total insurance and coverage on said interest, whether all such insurance contains this clause or not.

#### **4. CONTINGENT TIME ELEMENT COVERAGE**

Business interruption, rental income, tuition income and extra expense coverage provided by this Policy is extended to cover loss directly resulting from physical damage to property of the type not otherwise excluded by this Policy at direct supplier or direct customer locations (whether such location is owned by the Insured or not) that prevents a supplier of goods and/or services to the Insured from supplying such goods and/or services, or that prevents a recipient of goods and/or services from the Insured from accepting such goods and/or services. The coverage provided by this clause separately as respects each of these coverage's is sublimited to USD as per Declaration Page.

#### **5. CONTINGENT TAX REVENUE INTERRUPTION**

Except as hereinafter or heretofore excluded, this Policy insures against loss resulting directly from necessary interruption of sales, property or other tax revenue including, but not limited to Tribal Incremental Municipal Services Payments collected by or due the Insured caused by damage or destruction to property which is not operated by the Insured and which wholly or partially prevents the generation of revenue for the account of the Insured.

The Company shall be liable for the actual loss sustained for only the length of time as would be required with exercise of due diligence and dispatch to rebuild, replace or repair the contributing property commencing with the date of damage to the contributing property, but not limited by the expiration date of this Policy.

If the Insured has reported Revenue Interruption values for which premium has been charged, such loss recovery after deductible shall be limited to whichever is the least of:

1. The limit insured on the Policy;
2. The actual loss sustained;
3. The difference in amount between 97.5% of the anticipated revenue and the actual total revenue after the loss.

If the Insured has not reported Revenue Interruption values for which premium has been charged, such loss recovery after deductible shall be limited to whichever is the least of:

1. The policy sublimit;
2. The latest values for these items declared by the member making the claim or USD5,000,000 per occurrence if no values have been declared by the member making the claim.

**DEDUCTIBLE:** Each loss or series of losses arising out of one event at each location shall be adjusted separately and from the aggregate amount of all such losses 2.50% of the annual revenue value shall be deducted.

#### **6. EXTENDED PERIOD OF INDEMNITY**

Business interruption including rental income, tax interruption, tuition income and extra expense coverage provided by this Policy is extended for the additional length of time

required to restore the business of the Insured to the condition that would have existed had no loss occurred commencing on either;

- a. the date on which the Company's liability would otherwise terminate or;
- b. the date on which rebuilding, repairing or replacement of such property as has been lost, damaged or destroyed is actually completed, whichever is later.

The Company's liability under this extension shall terminate no later than the number of days indicated in the Declaration Page for this item:

## **7. EXPENSES TO REDUCE LOSS**

This Policy also covers such expenses as are necessarily incurred for the purpose of reducing loss under this section (except incurred to extinguish a fire); but in no event to exceed the amount by which loss is thereby reduced.

## **C. EXCLUSIONS**

1. The Company shall not be liable for any increase of loss which may be occasioned by the suspension, lapse, or cancellation of any lease or license, contract or order, unless such suspension, lapse, or cancellation results directly from the interruption of business caused by direct physical loss or damage covered by this policy and, then the Company shall only be liable for such loss as affects the Insured's earnings during and limited to, the period of indemnity covered under this Policy.
2. With respect to loss resulting from damage to or destruction of media for, or programming records pertaining to, electronic data processing or electronically controlled equipment, including data thereon, by the perils insured against, the length of time for which the Company shall be liable hereunder shall not exceed:
  - i. Thirty (30) consecutive calendar days or the time required with exercise of due diligence and dispatch to reproduce the data thereon from duplicates or from originals of the previous generation, whichever is less; or,
  - ii. the length of time that would be required to rebuild, repair or replace such other property herein described as has been damaged or destroyed, but not exceeding eighteen (18) calendar months, whichever is the greater length of time.

**D. CONDITIONS APPLICABLE TO THIS SECTION**

If the Insured could reduce the loss resulting from the interruption of business:

1. by complete or partial resumption of operation of the property whether or not such property be lost or damaged, or;
2. by making use of merchandise or other property at the Insured's location or elsewhere;

such reduction shall be taken into account in arriving at the amount of the loss hereunder.

**E. DEFINITIONS**

**1. GROSS EARNINGS**

"Gross Earnings" is defined as the sum of:

- a. total net sales and;
- b. other earnings derived from the operation of the business  
*less the cost of;*
- c. merchandise sold including packaging materials and;
- d. materials and supplies consumed directly in supplying the service(s) sold by the Insured, and;
- e. service(s) purchased from outside (not employees of the Insured) for resale that does not continue under contract.

No other cost shall be deducted in determining gross earnings.

In determining gross earnings, due consideration shall be given to the experience of the business before the date of loss or damage and the probable experience thereafter, had no loss occurred.

In the event that Real and/or Personal Property that does not normally produce an income, sustains damage covered under this policy, the actual recovery under this policy shall be the continuing fixed charges and expenses directly attributable to such non-productive property.

**2. MERCHANDISE**

Shall be understood to mean, goods kept for sale by the Insured, which are not the products of manufacturing operations conducted by the Insured.

**3. EXTRA EXPENSE**

The term "extra expense", whenever used in this Policy, is defined as the excess (if any) of the total cost incurred during the period of restoration chargeable to the operation of the Insured's business over and above the total cost that would normally have been incurred to conduct the business during the same period had no damage or destruction occurred. Any salvage value of property obtained for temporary use during the period of restoration, which remains after the resumption of normal operations, shall be taken into consideration in the adjustment of any loss hereunder.

#### **4. RENTAL VALUE**

The term “rental value” is defined as the sum of:

- a. the total anticipated gross rental income from tenant occupancy as furnished and equipped by the Insured, and;
- b. the amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be obligations of the Insured, and;
- c. the fair rental value of any portion of said property which is occupied by the Insured, and;
- d. any amount in excess of a., b. and c. (above) which is an obligation due under the terms and conditions of any revenue bond, certificate of participation or other financial instrument.

In determining rental value, due consideration shall be given to the experience before the date of loss or damage and the probable experience thereafter had no loss occurred.

#### **5. PERIOD OF RESTORATION**

The period during which business interruption and or rental interruption applies will begin on the date direct physical loss occurs and interrupts normal business operations and ends on the date that the damaged property should have been repaired, rebuilt or replaced with due diligence and dispatch, but not limited by the expiration of this policy.

## SECTION IV

### GENERAL CONDITIONS

#### A. PERILS COVERED

Subject to the terms, conditions and exclusions stated elsewhere herein, this Policy provides insurance against all risk of direct physical loss or damage occurring during the period of this Policy.

#### B. EXCLUSIONS

This Policy does not insure against any of the following:

1. Loss or damage caused by or resulting from moths, vermin, termites, or other insects, inherent vice, latent defect, faulty materials, error in design, faulty workmanship, wear, tear or gradual deterioration, contamination, rust, corrosion, wet or dry rot, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss or damage.
2. Physical loss or damage by normal settling, shrinkage or expansion in building or foundation.
3. Delay or loss of markets (this exclusion shall be inapplicable to the extent inconsistent with any time element coverage provided elsewhere herein).
4. Breakdown or derangement of machinery and/or steam boiler explosion, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss.
5. Loss or damage caused by or resulting from misappropriation, conversion, inventory shortage, unexplained disappearance, infidelity or any dishonest act on the part of the Insured, its employees or agents or others to whom the property may be entrusted (bailees and carriers for hire excepted) or other party of interest.
6. Loss or damage caused by or resulting from electrical injury or disturbance from artificial causes to electrical appliances, devices of any kind or wiring, unless physical loss or damage not otherwise excluded herein ensues and then only for such ensuing loss. This exclusion does not apply to data processing equipment or media.
7. Loss or damage to personal property resulting from shrinkage, evaporation, loss of weight, leakage, breakage of fragile articles, marring, scratching, exposure to light or change in color, texture or flavor, unless such loss is caused directly by fire or the combating thereof, lightning, windstorm, hail, explosion, strike, riot, or civil commotion, aircraft, vehicles, breakage of pipes or apparatus, sprinkler leakage, vandalism and malicious mischief, theft, attempted theft, flood or earthquake shock (Earthquake Shock, and Flood, in the states of Alaska, or California shall only apply to locations that are scheduled for Earthquake Shock and Flood).
8. Loss or damage caused by rain, sleet or snow to personal property in the open (except in the custody of carriers or bailees for hire).
9. Loss caused directly or indirectly, by:
  - a. War, hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack

- i. by any government or sovereign power (de jure or de facto), or by any Authority maintaining or using military, naval or air forces; or
    - ii. by military, naval or air forces; or
    - iii. by an agent of any such government, power, authority or forces;
  - b. any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
  - c. insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental Authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
10. Nuclear reaction or nuclear radiation or radioactive contamination from any cause, all whether direct or indirect, controlled or uncontrolled, proximate or remote, or is contributed to or aggravated by a Covered Cause of Loss. However:
- a. If fire not otherwise excluded results, the Company shall be liable for the direct physical loss or damage by such resulting fire, but not including, any loss or damage due to nuclear reaction, nuclear radiation, or radioactive contamination, and
  - b. This Policy does insure against physical loss or damage caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted on the Insured premises, provided that, at the time of such loss or damage, there is neither a nuclear reactor nor any new or used nuclear fuel on the Insured premises.
11. As respects course of construction, the following exclusions shall apply:
- a. The cost of making good: faulty or defective workmanship, materials, construction and/or design, but this exclusion shall not apply to damage by a peril not excluded resulting from such faulty or defective workmanship, materials, construction and/or design.
  - b. The cost of non-compliance of, or delay in completion of contract.
  - c. The cost of non-compliance with contract conditions.
  - d. Contractors' equipment or tools not a part of or destined to become a part of the installation.
12. Loss or damage caused by Earthquake Shock unless a limit is shown on the Declarations for Earthquake Shock this exclusion will apply.
13. Loss or damage caused by Flood unless a limit is shown on the Declarations for Flood this exclusion will apply.
14. Loss, damage, cost, claim or expense, whether preventative, remedial or otherwise, directly or indirectly arising out of or relating to:
- a. the recognition, interpretation, calculation, comparison, differentiation, sequencing or processing of data involving one or more dates or times, by any computer system, hardware, program or software, or any microchip, integrated circuit or similar device

in computer equipment or non-computer equipment, whether the property of the Insured or not; or

- b. any change, alteration, correction or modification involving one or more dates or times, to any such computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Insured or not.

Except as provided in the next paragraph, this Electronic Date Recognition Clause shall apply regardless of any other cause or event that contributes concurrently or in any sequence to the loss, damage, cost, claim or expense.

If direct physical loss or damage not otherwise excluded by this Policy results, then subject to all its terms and conditions, this Policy shall be liable only for such resulting loss or damage. Such resulting loss or damage shall not include physical loss or damage to data resulting directly from a) or b) above, nor the cost, claim or expense, whether preventative, remedial, or otherwise, arising out of or relating to any change, alteration, correction or modification relating to the ability of any damaged computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment to recognize, interpret, calculate, compare, differentiate sequence or process any data involving one or more dates or times.

- 15. Loss, damage, claim, cost, expense or other sum directly or indirectly arising out of or relating to:

mold, mildew, fungus, spores or other microorganism of any type, nature, or description, including but not limited to any substance whose presence poses an actual or potential threat to human health.

This exclusion applies regardless whether there is:

- a. any physical loss or damage to covered property;
- b. any insured peril or cause, whether or not contributing concurrently or in any sequence;
- c. any loss of use, occupancy, or functionality; or
- d. any action required, including but not limited to repair, replacement, removal, cleanup, abatement, disposal, relocation, or steps taken to address medical or legal concerns.

This exclusion replaces and supersedes any provision in the policy that provides insurance, in whole or in part, for these matters.

- 16. Loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials regardless of any other cause or event contributing concurrently or in any other sequence thereto.

- 17. The following additional exclusions apply to animals covered under this Policy:

- a. Death of any animal(s) from natural causes.
- b. Death of any animal(s) that dies from an unknown cause unless:

- i. upon the death of such animal a post-mortem examination conducted on the animal by a licensed veterinarian, and if
  - ii. the veterinarian's post-mortem report shows the cause of death to clearly fall within the coverages of this Policy.
- c. Death of any animal(s) as a result of surgical operation, including inoculation, unless the necessity for same arises from a loss otherwise covered by this Policy.
  - d. The death or destruction of any animal(s) caused by, resulting from, or made necessary by physical injury caused by or resulting from the activities of the injured animal or other animals unless such death or destruction is the result of a loss otherwise covered by this Policy.
  - e. The death of any animal(s) caused directly or indirectly by the neglect or abuse of the Insured, his agent, employees or bailees (carriers for hire excepted) unless such death is a result of a loss otherwise covered by this Policy.
  - f. The loss by death of any animal(s) as a result of parturition or abortion.
  - g. Loss resulting from depreciation in value caused by any animal(s) covered hereunder becoming unfit for or incapable of filling the function or duties for which it is kept, employed or intended unless such depreciation is a result of a loss otherwise covered by this Policy.
  - h. Loss by destruction of any animal(s) on the order of the federal or any state government, or otherwise as a result of having contracted or been exposed to any contagious or communicable disease.
  - i. The removal or disposal of the remains of any animal(s) or the expense thereof unless such removal or disposal is the result of a loss otherwise covered by this Policy.
  - j. The loss of any animal(s) that has been unnerved (the term "unnerved" to be considered as meaning the operation of neurotomy for lameness).
  - k. Any claim consequent upon delay, deterioration, or loss of use or loss of market arising from an event covered by this Policy.
18. Loss, damage, costs or expenses in connection with any kind or description of seepage and/or pollution and/or contamination, direct or indirect, arising from any cause whatsoever.

Nevertheless if fire is not excluded from this Policy and a fire arises directly or Indirectly from seepage and/or pollution and/or contamination, any loss or damage covered under this Policy arising directly from that fire shall (subject to the terms, conditions and limitations of the Policy) be covered.

However, if the covered property is the subject of direct physical loss or damage for which the Company has paid or agreed to pay, then this Policy (subject to its terms, conditions and limitations) insures against direct physical loss or damage to the property covered hereunder caused by resulting seepage and/or pollution and/or contamination.

The Insured shall give notice to the Company of intent to claim NO LATER THAN TWELVE (12) MONTHS AFTER THE DATE OF THE ORIGINAL PHYSICAL LOSS OR DAMAGE.

Notwithstanding the provisions of the preceding exclusions or any provision respecting seepage and/or pollution and/or contamination, and/or debris removal and/or cost of clean up

in the Policy, in the event of direct physical loss or damage to the property covered hereunder, this Policy (subject otherwise to its terms, conditions and limitations, including but not limited to any applicable deductible) also insures, within the sum covered:

- (a) expenses reasonably incurred in removal of debris of the property hereunder destroyed or damaged from the premises of the Insured; and/or;
- (b) cost of clean up at the premises of the Insured made necessary as a result of such direct physical loss or damage;

PROVIDED that this Policy does not insure against the costs of decontamination or removal of water, soil or any other substance on or under such premises.

19. Authorities Exclusion:

Fines, penalties or cost incurred or sustained by the Insured or imposed on the Insured at the order of any Government Agency, Court of other Authority, in connection with any kind or description of environmental impairment including seepage or pollution or contamination from any cause.

20. The following exclusion applies to Terrorism:

It is agreed that except for any sublimit of coverage as indicated on the Declaration Page attached to this form, and Section 1 (General Provisions, part E of this form) this insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

This endorsement also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to any act of terrorism.

If the Company allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the Insured.

In the event any portion of this exclusion is found to be invalid or unenforceable, the remainder shall remain in full force and effect. All other terms and conditions remain unaltered.

**C. STATUTES**

If any of the articles of this Policy conflict with the laws or statutes of any jurisdictions in which this Policy applies this Policy is amended to conform to such laws or statutes.

**D. TERRITORIAL LIMITS**

This Policy insures Real and Personal Property within the United States. Personal Property is extended to Worldwide coverage. The coverage provided by this clause for Personal Property is sublimited to USD as per Declaration Page.

**E. REINSTATEMENT**

Any reduction in the amount insured hereunder due to payment of any loss or losses shall be automatically reinstated for the balance of the term of this contract except as respects to the perils of Earthquake Shock and Flood.

## **F. FREE ON BOARD (F.O.B.) SHIPMENTS**

The Company shall be liable for the interest of the Insured at sole option of the Insured, the interest of the consignee in merchandise, which has been sold by the Insured under terms of F.O.B. point of origin or other terms usually regarded as terminating shippers' responsibility short of point of delivery.

## **G. BREACH OF CONDITIONS**

If any breach of a clause, condition or warranty of this Policy shall occur prior to a loss affected thereby under this Policy, such breach shall not void the Policy nor avail the Company to avoid liability unless such breach shall exist at the time of such loss under this contract or Policy, and be a contributing factor to the loss for which claim is presented hereunder, it being understood that such breach of clause or condition is applicable only to the property affected thereby. Notwithstanding the foregoing, if the Insured establishes that the breach, whether contributory or not, occurred without its knowledge or permission or beyond its control, such breach shall not prevent the Insured from recovering under this Policy.

## **H. PERMITS AND PRIVILEGES**

Anything in the printed conditions of this Policy to the contrary notwithstanding, permission is hereby granted:

1. to maintain present hazards and hazards which are consistent with the current operation of insured facilities;
2. to make additions, alterations, extensions, improvements and repairs, to delete, demolish, construct and reconstruct, and also to include all materials, equipment and supplies incidental to the foregoing operations of the property covered hereunder, while in, on and/or about the premises or adjacent thereto;
3. for such use of the premises as usual and/or incidental to the business as conducted therein and to keep and use all articles and materials usual and/or incidental to said business in such quantities as the exigencies of the business require;
4. to be or become vacant or unoccupied. If a building becomes vacant or unoccupied, notice is to be given to the Company prior to the one-hundred twentieth (120th) consecutive day of vacancy or lack of occupancy. The giving, or failure to give such notice will not constitute a condition precedent to the Company's liability, but the Insured shall make a reasonable effort to comply with such requirement.

This Policy shall not be prejudiced by:

1. any error in stating the name, number, street, or location of any building(s) and contents covered hereunder, or any error or omission involving the name or title of the Insured;
2. any act or neglect of the owner of the building, if the Insured hereunder is not the owner, or of any occupant of the within described premises other than the Insured, when such act or neglect is not within the control of the Insured, named herein; or
3. by failure of the Insured to comply with any of the warranties or conditions endorsed hereon in any portion of the premises over which the Insured has no control.

**I. PROTECTIVE SAFEGUARDS**

The Insured shall exercise due diligence in maintaining in complete working order all protective safeguard equipment and services.

**J. NOTICE OF LOSS**

In the event of loss or damage insured against under this Policy, the Insured shall give notice thereof to ALLIANT INSURANCE SERVICES, INC., 100 Pine Street, 11<sup>th</sup> Floor, San Francisco, CA 94111-1073. TEL NO. (877) 725-7695, FAX NO. (415) 403-1466 of such loss. Such notice is to be made as soon as practicable upon knowledge within the risk management or finance division of the insured that a loss has occurred.

**K. ARBITRATION OF VALUE**

In case the Insured and the Company shall fail to agree as to the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraisers selected. The appraiser shall first select a competent and disinterested umpire, and failing to agree upon such umpire, then, on request of the Insured or the Company such umpire shall be selected by judge of a court of record in the state in which the property covered is located.

The appraisers shall as soon as practicable, appraise the loss stating separately the loss of each item and failing to agree, shall submit their differences only to the umpire. An award in writing so itemized, of any two appraisers when filed with the Company shall determine the amount of loss. The party selecting him shall pay each appraiser and the expenses of appraisal and umpire shall be paid by the parties equally.

**L. PROOF OF LOSS**

The Insured shall render a signed and sworn proof of loss as soon as practical after the occurrence of a loss, stating the time, place and cause of loss, the interest of the Insured and of all others in the property, the value thereof and the amount of loss or damage thereto.

**M. SUBROGATION**

In the event of any loss payment under this Policy, the Company, shall be subrogated to all the Insured's rights of recovery thereof against any person or organization and the Insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights.

As respects subrogation it is agreed that, after expenses incurred in subrogation are deducted, the Insured and the Company shall share proportionately to the extent of their respective interests as determined by the amount of their net loss. Any amount thus found to be due to either party from the other shall be paid promptly.

This Policy shall not be prejudiced by agreement made by the Insured releasing or waiving the Insured's right to recovery against third parties responsible for the loss if made before the loss has occurred.

**N. CANCELLATION**

This Policy may be cancelled by the Insured at any time by written notice or surrender of this Policy. This Policy may also be cancelled by or on behalf of the Company by delivering to the Insured or by mailing to the Insured, by registered, certified or other first class mail at the Insured's address as

shown in this Policy, written notice, not less than ninety (90) days prior to the effective date of cancellation. The mailing of such notice as aforesaid shall be sufficient proof and this Policy and shall terminate at the date and hour specified in such notice. Notwithstanding what has been stated above, however, should this Policy be cancelled for non-payment of assessment, the Company shall only be required to give the Insured ten (10) days notice.

If this insurance in total shall be cancelled by the Insured, the Company shall retain the customary short rate proportion of the premium hereon. If the Company elects to cancel coverage mid-term, then such cancellation shall be handled on a pro-rata basis without short rate penalty.

In the event of cancellation the aggregate retention and specific limit amount shall be applied pro rata with the balance, if any, to be paid to the Insured.

Payment or tender of any unearned premium by the Company shall not be condition precedent to the effectiveness of cancellation but such payment shall be made forthwith.

Cancellation shall not affect coverage on any shipment in transit on date of cancellation. Coverage will continue in full force until such property is safely delivered and accepted at place of final destination.

It is understood and agreed that if the Insured cancels this Policy, the Policy is subject to 25% minimum earned premium regardless of the length of time coverage is in force.

**O. ABANDONMENT**

There shall be no abandonment to the Company of any property.

**P. ASSIGNMENT**

Assignment or transfer of this Policy shall not be valid except with the written consent of the Company.

**Q. SALVAGE**

When, in connection with any loss hereunder, any salvage is received prior or subsequent to the payment of such loss, the loss shall be figured on the basis on which it would have been settled had the amount of salvage been known at the time the loss was originally determined. The salvage value will be deducted from the claim or returned to the Company.

**R. OTHER INSURANCE**

Permission is hereby granted to the Insured to carry more specific insurance on any property covered under this Policy. This Policy shall not attach or become insurance upon any property which at the time of loss is more specifically described and covered under any other policy form until the liability of such other insurance has first been exhausted and shall then cover only the excess of value of such property over and above the amount payable under such other insurance, whether collectible or not. This Policy, subject to its conditions and limitations, shall attach and become insurance upon such property as respects any peril not covered by such other insurance and not otherwise excluded herein.

In the event of a loss that is covered by other insurance, wherein this Policy is excess of any amount paid by such other insurer, the other insurance shall be applied to the deductible amount stated elsewhere. Should the amount paid by such other insurance exceed these deductibles, no further deductibles shall be applied under this Policy.

**S. EXCESS INSURANCE**

Permission is granted for the Insured to maintain excess insurance over the limit of liability set forth in this Policy without prejudice to this Policy and the existence of such insurance, if any, shall not reduce any liability under this Policy. Also it is understood and agreed as respects earthquake shock or flood, that in the event of reduction or exhaustion of the aggregate limits of liability under the underlying Policy(s) by reason of loss(es) hereunder, this Policy shall:

1. in the event of reduction, pay out excess of the reduced underlying limit and;
2. in the event of exhaustion, continue in force as the underlying Policy.

**T. RIGHT TO REVIEW RECORDS FOLLOWING AN INSURED LOSS**

The Insured as often as may be reasonably required, shall submit and so far as within their power, cause all other persons interested in the property or employees to submit to examination under oath by any person named by the Company relative to any and all matters in connection with a claim, and produce for examination all books of account, bills, invoices and other vouchers or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Company or their representatives and shall permit extracts and copies thereof to be made.

**U. CONCEALMENT AND FRAUD**

This entire Policy shall be void, if whether before or after a loss, the Insured has willfully concealed or misrepresented any material facts or circumstance concerning this Policy of the subject thereof, or the interest of the Insured therein, or in case of any fraud or false swearing by the Insured relating thereto.

**V. FULL WAIVER**

The terms and conditions of this form and any approved endorsements supersede any policy jacket that may be attached hereto.

**W. SUIT AGAINST COMPANY**

No suit, action or proceeding for the recovery of any claim under this Policy shall be sustainable in any court of law or equity unless the Insured shall have complied with all the requirements of this Policy, nor unless the suit is commenced within twelve (12) months after the date that the Company has made its final offer of settlement or denial of the loss. However, that if under the laws of the jurisdiction in which the property is located such limitation is invalid, then any such claims shall be void unless such action, suit or proceedings be commenced within the shortest limit of time permitted by the laws of such jurisdiction.

**X. JOINT LOSS ADJUSTMENT – BOILER & MACHINERY**

In the event of damage to or destruction of property, at a location designated in this Policy and also designated in a boiler and machinery insurance policy, and there is a disagreement between the Company and the Insured with respect to:

- (1) Whether such damage or destruction was caused by a peril covered against by this Policy or by an accident covered against by such boiler and machinery insurance policy(ies) or;

- (2) The extent of participation of this Policy and of such boiler and machinery insurance policy in a loss that is covered against, partially or wholly, by one or all of said policy(ies).

The Company shall, upon written request of the Insured, pay to the Insured one-half of the amount of the loss which is in disagreement, but in no event more than the Company would have paid if there had been no boiler and machinery insurance policy(ies) in effect, subject to the following conditions:

- (1) The amount of loss which is in disagreement after making provisions for any undisputed claims payable under the said policy(ies) and after the amount of the loss is agreed by the Insured and the Boiler and Machinery Insurer and the Company is limited to the minimum amount remaining payable under either the boiler and machinery insurance policy(ies).
- (2) The boiler and machinery insurer(s) shall simultaneously pay to the Insured, one-half of the said amount, which is in disagreement.
- (3) The payments by the Company and acceptance of the same by the Insured signify the agreement of the Company to submit to and proceed with arbitration within ninety (90) days of such payments:

The arbitrators shall be three (3) in number, one of whom shall be appointed by the boiler insurer(s) and one of whom shall be appointed by the Company hereon and the third appointed by consent of the other two, and the decision by the arbitrators shall be binding on the insurer(s) and the Insured and that judgment upon such award may be entered in any court of competent jurisdiction.

- (4) The Insured agrees to cooperate in connection with such arbitration but not to intervene therein.
- (5) This agreement shall be null and void unless the Policy of the boiler and machinery Insurer is similarly endorsed.

In no event shall an Insurer be obligated to pay more than their total single limit.

## **Y. JOINT LOSS ADJUSTMENT – EXCESS PROPERTY**

In the event of damage to or destruction of property at a location designated in this Policy and also designated in an excess insurance policy(ies) and if there is disagreement between the insurers with respect to:

- (1) whether such damage or destruction was caused by a single event or by multiple events or;
- (2) the extent of participation of this Policy and any excess insurance policy in a loss covered against partially or wholly, by one of said Policy or policy(ies).

The Company shall, upon written request of the Insured, pay to the Insured one-half of the amount of the loss which is in disagreement, but in no event more than the Company would have paid if there had been no excess insurance or policy(ies) in effect, subject to the following conditions:

- (1) the amount of loss which is in disagreement after making provisions for any undisputed claims payable under the said policy(ies) and after the amount of the loss is agreed by the Insured and the Company is limited to the minimum amount remaining payable under either the primary insurance policy or excess insurance policy(ies);

- (2) the excess insurers shall simultaneously pay to the Insured one-half of the said amount which is in disagreement, and;
- (3) the payments by the Company hereunder and acceptance of the same by the member signify the agreement of the Company to submit to and proceed with arbitration within ninety (90) days of such payments.

The arbitrators shall be three (3) in number, one of whom shall be appointed by the excess insurer(s) and one of whom shall be appointed by the Company and the third appointed by consent of the other two, and the decision by the arbitrators shall be binding on the Company and the Insured, and that judgment upon such award may be entered in any court of competent jurisdiction.

- (4) The Insured agrees to cooperate in connection with such arbitration but not to intervene therein.

## **Z. LENDER'S LOSS PAYABLE**

The following provisions (or equivalent) apply as required by "mortgages" and "lenders" to whom certificates of coverage have been issued.

1. Loss or damage, if any, under this policy, shall be paid to the Payee named on the first page of this policy, its successors and assigns, hereinafter referred to as "the Lender", in whatever form or capacity its interests may appear and whether said interest be vested in said Lender in its individual or in its disclosed or undisclosed fiduciary or representative capacity, or otherwise, or vested in a nominee or trustee of said Lender.
2. The insurance under this policy, or any rider or endorsement attached thereto, as to the interest only of the Lender, its successors and assigns, shall not be invalidated nor suspended:
  - (a) by any error, omission, or change respecting the ownership, description, possession, or location of the subject of the insurance or the interest therein, or the title thereto;
  - (b) by the commencement of foreclosure proceedings or the giving of notice of sale of any of the property covered by this policy by virtue of any mortgage or trust deed;
  - (c) by any breach of warranty, act, omission, neglect, or non-compliance with any of the provisions of this policy, including any and all riders now or hereafter attached thereto, by the Named Insured, the borrower, mortgagor, trustor, vendee, owner, tenant, warehouseman, custodian, occupant, or by the agents of either or any of them or by the happening of any event permitted by them or either of them, or their agents, or which they failed to prevent, whether occurring before or after the attachment of this endorsement, or whether before or after a loss, which under the provisions of this policy of insurance or of any rider or endorsement attached thereto would invalidate or suspend the insurance as to the Named Insured, excluding here from, however, any acts or omissions of the Lender while exercising active control and management of the property.
3. In the event of failure of the Insured to pay any premium or additional premium which shall be or become due under the terms of this policy or on account of any change in occupancy or increase in hazard not permitted by this policy, the Company agrees to give written notice to the Lender of such non-payment of premium after sixty (60) days from and within one hundred and twenty (120) days after due date of such premium and it is a condition of the continuance of the rights of the Lender hereunder that the Lender when so notified in writing by this Company of the failure of the Insured to pay such premium shall pay or cause to be paid the premium due within ten (10) days following receipt of the Company's demand in writing therefore. If the Lender shall decline to pay said premium or additional premium, the

rights of the Lender under this Lender's Loss Payable Endorsement shall not be terminated before ten (10) days after receipt of said written notice by the Lender.

4. Whenever the Company shall pay to the Lender any sum for loss or damage under this policy and shall claim that as to the Insured no liability therefore exists, the Company, at its option, may pay to the Lender the whole principal sum and interest and other indebtedness due or to become due from the Insured, whether secured or unsecured, (with refund of all interest not accrued), and the Company, to the extent of such payment, shall thereupon receive a full assignment and transfer, without recourse, of the debt and all rights and securities held as collateral thereto.
5. If there be any other insurance upon the within described property, the Company shall be liable under this policy as to the Lender for the proportion of such loss or damage that the sum hereby insured bears to the entire insurance of similar character on said property under policies held by, payable to and expressly consented to by the Lender. Any Contribution Clause included in any Fallen Building Clause Waiver or any Extended Coverage Endorsement attached to this contract of insurance is hereby nullified, and also any Contribution Clause in any other endorsement or rider attached to this contract of insurance is hereby nullified except Contribution Clauses for the compliance with which the Insured has received reduction in the rate charged or has received extension of the coverage to include hazards other than fire and compliance with such Contribution Clause is made a part of the consideration for insuring such other hazards. The Lender upon the payment to it of the full amount of its claim, will subrogate the Company (pro rata with all other insurers contributing to said payment) to all of the Lender's rights of contribution under said other insurance.
6. The Company reserves the right to cancel this policy at any time, as provided by its terms, but in such case this policy shall continue in force for the benefit of the Lender for ten (10) days after written notice of such cancellation is received by the Lender and shall then cease.
7. This policy shall remain in full force and effect as to the interest of the Lender for a period of ten (10) days after its expiration unless an acceptable policy in renewal thereof with loss there under payable to the Lender in accordance with the terms of this Lender's Loss Payable Endorsement, shall have been issued by some insurance company and accepted by the Lender.
8. Should legal title to and beneficial ownership of any of the property covered under this policy become vested in the Lender or its agents, insurance under this policy shall continue for the term thereof for the benefit of the Lender but, in such event, any privileges granted by this Lender's Loss Payable Endorsement which are not also granted the Insured under the terms and conditions of this policy and/or under other riders or endorsements attached thereto shall not apply to the insurance hereunder as respects such property.
9. All notices herein provided to be given by the Company to the Lender in connection with this policy and this Lender's Loss Payable Endorsement shall be mailed to or delivered to the Lender at its office or branch described on the first page of the policy.

Approved: Board of Fire Underwriters of the Pacific; California Bankers' Association – Committee on Insurance

#### **AA. SEVERAL LIABILITY NOTICE**

The subscribing insurers' obligations under contracts of insurance to which they subscribe are several, not joint and are limited solely to the extent of their individual subscriptions. The

subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligations.

## **AB. LOSS PAYABLE PROVISIONS**

### **A. LOSS PAYABLE**

For covered property in which both insured and a Loss Payee have an insurable interest, the Company will:

1. Adjust losses with the Insured, and;
2. Pay any claim for loss or their damage jointly to the Insured and the Loss Payee, as interests may appear.

### **B. LENDER'S LOSS PAYABLE**

1. The Loss Payee is a creditor, including a mortgage holder or trustee, whose interest in Covered Property is established by such written instruments as:
  - a. Warehouse receipts;
  - b. A contract for deed;
  - c. Bills of lading;
  - d. Financing statements or;
  - e. Mortgages, deeds of trust or security agreements.
2. For Covered Property in which both the Insured and a Loss Payee have an insurable interest:
  - a. We will pay for covered loss or damage to each Loss Payee in their order of precedence, as interests may appear.
  - b. The Loss Payee has the right to receive loss payment even if the Loss Payee has started foreclosure or similar action on the Covered Property.
  - c. If the Company deny the Insured claim because of the insured act or because the Insured have failed to comply with the terms of the Coverage Part, the Loss Payee will still have the right to receive loss payment if the Loss Payee:
    - (1) Pays any premium due under this Coverage Part at our request if the Insured have failed to do so;
    - (2) Submits a signed, sworn proof of loss within sixty (60) days after receiving notice from us of the Insured failure to do so, and;
    - (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the Loss Payee.

All of the terms of this Coverage Part will then apply directly to the Loss Payee.

- d. If the Company pays the Loss Payee for any loss or damage and deny payment to the Insured because of the Insured acts or because the Insured have failed to comply with the terms of this Coverage Part:
  - (1) The Loss Payee's rights will be transferred to us to the extent of the amount the Company pays and;
  - (2) The Loss Payee's rights to recover the full amount of the Loss Payee's claim will not be impaired.

At our option, the Company may pay to the Loss Payee the whole principal on the debt plus any accrued interest. In this event, the Insured will pay the insureds' remaining debt to us.

3. If the Company cancels this policy, the Company will give written notice to the Loss Payee at least:
  - a. Ten (10) days before the effective date of cancellation if the Company cancels for the insured non-payment of premium or;
  - b. Thirty (30) days before the effective date of cancellation if the Company cancels for any other reason.
4. If the Company elects not to renew this policy, the Company will give written notice to the Loss Payee at least ten (10) days before the expiration date of this policy.

#### C. CONTRACT OF SALE

1. The Loss Payee is a person or organization the Insured have entered a contract with for the sale of Covered Property.
2. For Covered Property in which both the Insured and the Loss Payee have an insurable interest the Company will:
  - a. Adjust losses with the Insured and;
  - b. Pay any claim for loss or damage jointly to the Insured and the Loss Payee, as interests may appear.
3. The following is added to the OTHER INSURANCE Condition:

For Covered Property that is the subject of a contract of sale, the word "the Insured" includes the Loss Payee.

#### AC. ELECTRONIC DATA

##### 1. Electronic Data Exclusion

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

- a. This Policy does not insure, loss, damage, destruction, distortion, erasure, corruption or alteration of ELECTRONIC DATA from any cause whatsoever (including but not limited to COMPUTER VIRUS) or loss of use, reduction in functionality, cost, expense of whatsoever nature resulting therefrom, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

ELECTRONIC DATA means facts, concepts and information converted to a form useable for communications, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and includes program, software, and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

COMPUTER VIRUS means a set of corrupting, harmful or otherwise unauthorized instructions or code including a set of maliciously introduced unauthorized instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. COMPUTER VIRUS includes but is not limited to “Trojan Horses”, “worms” and “time or logic bombs”.

- b. However, in the event that a peril listed below results from any of the matters described in paragraph a) above, this Policy, subject to all its terms, conditions and exclusions will cover physical damage occurring during the Policy period to property insured by this Policy directly caused by such listed peril.

Listed Perils  
Fire Explosion

## **2. Electronic Data Processing Media Valuation**

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

Should electronic data processing media insured by this Policy suffer physical loss or damage insured by this Policy, then the basis of valuation shall be the cost to repair, replace or restore such media to the condition that existed immediately prior to such loss or damage, including the cost of reproducing any ELECTRONIC DATA contained thereon, providing such media is repaired, replaced or restored. Such cost of reproduction shall include all reasonable and necessary amounts, not to exceed USD10,000,000 any one loss, incurred by the Insured in recreating, gathering and assembling such ELECTRONIC DATA. If the media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank media. However this Policy does not insure any amount pertaining to the value of such ELECTRONIC DATA to the Insured or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

## **AD. LOSS ADJUSTMENT SERVICES**

McLarens Young, International, 180 Montgomery Street, Suite 2100, San Francisco, California 94104-4231 is hereby authorized to represent the Company in the investigation and adjustment of any loss or damage under this Policy at the expense of the Company and without regard to the amount of loss or damage and/or applicable deductible if any.

However, the Company reserves the right to utilize other adjusting firms at its discretion.

## **AE. SERVICE OF SUIT CLAUSE (USA) APPLICABLE TO EXCESS CARRIERS**

It is agreed that in the event of the failure of the Underwriters hereon to pay any amount claimed to be due hereunder, the Underwriters hereon, at the request of the Insured (or Reinsured), will submit to the jurisdiction of a Court of competent jurisdiction within the United States. Nothing in this Clause constitutes or should be understood to constitute a waiver of Underwriters' rights to commence an action in any Court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another Court as permitted by the laws of the United States or of any State in the United States. It is further agreed that service of process in such suit may be made upon:

1. Messrs Mendes and Mount of 750 Seventh Avenue, New York NY 10019-6829 (applicable to all markets except as noted below)

2. Counsel, Legal Department, Lexington Insurance Company, 100 Summer Street, Boston, Massachusetts, 02110-2103 (applicable to Lexington Insurance Company)
3. Ms. Karen Harris, AXIS Specialty, 2730 Gateway Oaks Drive, Suite 100, Sacramento, CA 95833. In the event the Commissioner of Insurance of the State of California receives service of process on behalf of the Company, said service shall be forwarded to the Company at: AXIS Specialty Europe Limited, Attention Claims Admitter, Mount Herbert Court, 34 Upper Mount Street, Dublin 2, Ireland (applicable to AXIS Specialty Europe Limited)

and that in any suit instituted against any one of them upon this contract, Underwriters will abide by the final decision of such Court or of any Appellate Court in the event of an appeal.

The above-named are authorized and directed to accept service of process on behalf of Underwriters in any such suit and/or upon the request of the Insured (or Reinsured) to give a written undertaking to the Insured (or Reinsured) that they will enter a general appearance upon Underwriters' behalf in the event such a suit shall be instituted.

Further, pursuant to any statute of any state, territory or district of the United States which makes provision therefore, Underwriters hereon hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Insured (or Reinsured) or any beneficiary hereunder arising out of this contract of insurance (or reinsurance), and hereby designate the above-named as the person to whom the said officer is authorized to mail such process or a true copy thereof.

NMA1998 (amended)

## **AF. DEFINITIONS**

### **1. OCCURRENCE**

Each occurrence is defined as a loss, incident or series of losses or incidents not otherwise excluded by this Policy and arising out of a single event or originating cause and includes all resultant or concomitant insured losses. When the term applies to loss or losses from earthquake shock, flood and/or windstorm, the following provisions shall apply:

#### **a. Windstorm**

Each loss by windstorm shall constitute a single claim hereunder; provided, if more than one windstorm shall occur within any period of seventy-two (72) hours during the term of this Policy, such windstorm shall be deemed to be a single windstorm within the meaning thereof. The Insured may elect the moment from which each of the aforesaid periods of seventy-two (72) hours shall be deemed to have commenced but no two such seventy-two (72) hour periods shall overlap. The Company shall not be liable for any loss occurring before the effective date and time of the Policy. The Company will be liable for any losses occurring for a period of up to seventy-two (72) hours after the expiration of this Policy provided that the first windstorm loss or damage within that seventy-two (72) hours occurs prior to the date and time of expiration of this Policy.

In the event of there being a difference of opinion between the Insured and the Company as to whether or not all windstorm losses sustained by the Insured during an elected period of seventy-two (72) hours arose out of, or was caused by a single atmospheric disturbance, the stated opinion of the National Weather Service or comparable Authority in any other country or locality shall govern as to whether or

not a single atmospheric disturbance continued throughout the period at the location(s) involved.

**b. Flood**

Each loss by flood shall constitute a single loss hereunder.

1. If any flood occurs within a period of the continued rising or overflow of any river(s) or stream(s) and the subsidence of same within the banks of such river(s) or stream(s) or;
2. If any flood results from any tidal wave or series of tidal waves caused by any one disturbance;

such flood shall be deemed to be a single occurrence within the meaning of this Policy.

Should any time period referred to above extend beyond the expiration date of this Policy and commence prior to expiration, the Company shall pay all such flood losses occurring during such period as if such period fell entirely within the term of this Policy.

The Company shall not be liable, however, for any loss caused by any flood occurring before the effective date and time of this Policy or commencing after the expiration date and time of this Policy.

Flood shall mean a general condition of partial or complete inundation of normally dry land area from:

1. overflow of inland or tidal water;
2. unusual and rapid accumulation or run off of surface waters from any natural source.

Flood shall also mean mudslide or mudflow, which is a river or flow of liquid mud caused by flooding as defined in 1. or 2. above.

**The definition of flood does not include ensuing loss or damage by fire, explosion, or sprinkler leakage.**

**c. Flood Zone A and V**

Flood zones A and V as referenced in this policy is defined by FEMA as being inclusive of all 100 year high risk flood areas. A one-hundred-year flood is a flood event that has a 1% probability of occurring in any given year.

**d. Earthquake Shock**

With respect to the peril of earthquake shock, any and all losses from this cause within a one hundred sixty-eight (168) hour period shall be deemed to be one loss. The Insured may elect the moment from which each of the aforesaid periods of one hundred sixty eight (168) hours shall be deemed to have commenced but no two such one hundred sixty eight (168) hour periods shall overlap.

The Company shall not be liable for any loss caused by an earthquake shock occurring before the effective date and time of this Policy. The Company will be liable for any losses occurring for a period of up to one hundred sixty eight (168)

hours after the expiration of this Policy provided that the first earthquake shock loss or damage within that one hundred sixty eight (168) hours occurs prior to the date and time of the expiration of this Policy.

In the event of there being a difference of opinion between the Insured and the Company as to whether or not all earthquake shock losses sustained by the Insured during an elected period of one hundred sixty eight (168) hours arose out of, or were caused by a single earthquake shock, the stated opinion of the National Earthquake Shock Information Service of the United States Department of the Interior or comparable Authority in any other country or locality shall govern as to whether or not a single earthquake shock continued throughout the period at the locations involved.

The term earthquake shock is defined as: earth movement meaning natural faulting of land masses, but not including subsidence, landslide, rock slide, earth rising, earth sinking, earth shifting or settling unless as a direct result of such earth movement. The definition of earthquake shock does not include ensuing loss or damage by fire, explosion or sprinkler leakage. Further Earthquake Sprinkler Leakage is covered outside of the "Earthquake Shock" definition and subject to the basic peril deductible.

## **2. PERSONAL PROPERTY OF OTHERS**

Means, any property (other than real property) belonging to others for which an Insured has assumed liability. This includes but is not limited to:

- Articles of Clothing
- Jewelry
- Sound Equipment
- Fine Arts (up to the sub-limit of unscheduled fine arts)
- EDP Media & Hardware
- Valuable Papers
- Portable Electronic Equipment
- Employee Tools

## **3. IMPROVEMENTS AND BETTERMENTS**

Means, additions or changes made by an Insured / lessee at their own expense to a building they are occupying that enhance the building's value.

## **4. VALUABLE PAPERS AND RECORDS**

Means, all inscribed, printed, or written; documents, manuscripts or records; including but not limited to abstracts, books, deeds, drawing, films, maps, or mortgages. Valuable Papers are not money, securities, stamps or converted data program or instructions used in the Insured's data processing operations including the materials on which data is recorded.

## **5. TERRORISM**

An act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

**6. TIER I WINDSTORM COUNTIES**

<u>State</u>	<u>Tier I Counties, Parishes or Independent Cities</u>
Alaba ma	Baldwin, Mobile
Florida	Entire State
Georgia	Bryan, Camden, Chatham, Glynn, Liberty, McIntosh,
Hawaii	Entire State
Louisiana	Calcasieu, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion
Mississippi	Hancock, Harrison, Jackson
North Carolina	Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Columbus, Craven, Currituck, Dare, Hyde, Jones, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrell, Washington
South Carolina	Beaufort, Berkley, Charleston, Colleton, Georgetown, Horry, Jasper
Texas	Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris (entire County), Jackson, Jefferson, Kenedy, Kleberg, Liberty, Matagorda, Newton, Nueces, Orange, Refugio, San Patricio, Victoria, Willacy
Virginia	Accomack, Chesapeake City, Gloucester, Hampton City, Isle of Wight, James City, Lancaster, Mathews, Middlesex, Newport News, Norfolk City, Northampton, Northumberland, Poquoson City, Portsmouth City, Suffolk City, Surry, Virginia Beach City, Westmoreland, Williamsburg City, York

**AG. ADDITIONAL INSURED'S / LOSS PAYEES**

It is hereby understood and agreed that the interest of Additional Insured's and/or Loss Payees is automatically included, as per schedule held on file with Alliant Insurance Services, Inc.

## **SECTION V**

### **FINE ARTS**

#### **A. COVERAGE**

This policy insures against all risks of physical loss of or damage except as hereafter excluded occurring during the policy period to fine arts, which are the property of the Insured or the property of others in the custody or control of the Insured while on exhibition or otherwise within the limits of the United States.

If any of the property covered by this Section is also covered under any other provisions of the Policy of which this Section is made a part, those provisions are hereby amended to exclude such property, the intent being that the coverage under this Section is the sole coverage on such property.

#### **1. PROPERTY COVERED**

Objects of art of every kind and description, and property incidental thereto, which are the property of the Insured, or the property of others in the custody and control of the Insured, or in transit at the Insured's risk, and property in which the Insured shall have a fractional ownership interest which are owned by or have been leased, loaned, rented or otherwise made available to the Insured. "Property" shall mean paintings, drawings, etchings, prints, rare books, manuscripts, rugs, tapestries, furniture, pictures, bronzes, potteries, porcelains, marbles statuary and all other bonafide works of art and other objects of rarity, historic value, cultural interest or artistic merit, which are part of the collections of the Insured, or in the care, custody or control of the Insured, and their frames, glazing and shadow boxes.

#### **2. "WALL TO WALL" ("NAIL TO NAIL") COVERAGE**

This Section covers the Insured's property on a "Wall to Wall" ("Nail to Nail") basis, or domicile to domicile basis, as applicable, from the time said property is removed from its normal repository incidental to shipment until returned thereto or other point designated by the owner or owner's agent prior to return shipment, including while in transit to or from points of consolidation or deconsolidation, packing, repacking or unpacking, while at such locations during such processes or awaiting shipment.

Coverage shall terminate upon arrival of the covered property at the final destination designated by the owner or owner's agent, or upon expiration of this Policy, whichever may occur first, except that expiration of this Policy shall not prejudice coverage of any risk then in transit.

## B. EXCLUSIONS

1. Loss or damage occasioned by: wear and tear, gradual deterioration, insects, vermin, inherent vice or damage sustained due to and resulting from any repairing, restoration or retouching process;
2. Loss or damage caused by or resulting from:
  - a. War, hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack;
    - i. by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces or;
    - ii. by military, naval or air forces; or
    - iii. by an agent of any such government, power, authority or forces;
  - b. Any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
  - c. Insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.
3. Nuclear reaction or nuclear radiation or radioactive contamination from any cause, all whether direct or indirect, controlled or uncontrolled, proximate or remote, or is contributed to or aggravated by a Covered Cause of Loss. However:
  - a. If fire not otherwise excluded results, the Company shall be liable for the direct physical loss or damage by such resulting fire, but not including, any loss or damage due to nuclear reaction, nuclear radiation, or radioactive contamination, and
  - b. This Policy does insure against physical loss or damage caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted on the Insured premises, provided that, at the time of such loss or damage, there is neither a nuclear reactor nor any new or used nuclear fuel on the Insured premises.
4. Any dishonest, fraudulent or criminal act by the Insured, a partner therein or an officer, director employee or trustee thereof, whether acting alone or in collusion with others.

For the purpose of this exclusion an act of vandalism or malicious damage by an employee shall not constitute a dishonest, fraudulent or criminal act.

## **C. LOSS PAYMENT BASIS / VALUATION**

The valuation of each article of property covered by this Section shall be determined as follows:

- a. Property of the Insured shall be covered for and valued at the current fair market value of each article indicated on the books and records of the Insured prior to loss, according to the Insured's valuation of each object covered.
- b. Property of others loaned to the Insured and for which the Insured may be legally liable, or which the Insured has been instructed to insure, shall be covered for and valued at the amount agreed upon for each article by the Insured and owner(s) as recorded on the books and records of the Insured prior to loss.
- c. Otherwise, in the absence of recorded current fair market values or agreed values for each article covered, the Company shall not be liable beyond the fair market value of the property at the time any loss or damage occurs. Said value shall be ascertained by the Insured and the Company or, if they differ, then the amount of value or loss shall be determined as provided in the following appraisal clause.

## **D. SPECIAL CONDITIONS**

1. **Misrepresentation and Fraud:** This entire Section shall be void if, whether before or after a loss, the Insured has concealed or misrepresented any material fact or circumstance concerning this Policy or the subject thereof, or the interest of the Insured therein, or in case of any fraud or false swearing by the Insured relating thereto.
2. **Notice of Loss:** The Insured shall as soon as practicable report in writing to the Company or its agent every loss, damage or occurrence which may give rise to a claim under this Section and shall also file with the Company or its agent within ninety (90) days from the date of discovery of such loss, damage or occurrence, a detailed sworn proof of loss.
3. **Examination under Oath:** The Insured, as often as may be reasonably required, shall exhibit to any person designated by the Company all that remains of any property herein described, and shall submit, and insofar as is within its power cause its employees, Insured and others to submit to examination under oath by any person named by the Company and subscribe the same; and, as often as may be reasonably required, shall produce for examination all writings, books of account, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Company or its representative and shall permit extracts and copies thereof to be made. No such examination under oath or examination of books or documents, nor any act of the Insured or any of its employees or representatives in connection with the investigation of any loss or claim hereunder, shall be deemed a waiver of any defense which the Insured might otherwise have with respect to any loss or claim, but all such examinations and acts shall be deemed to have been made or done without prejudice to the Company's liability.
4. **Settlement of Loss:** All adjusted claims shall be paid or made good to the Insured within sixty (60) days after presentation and acceptance of satisfactory proof of interest and loss at the office of the Company. No loss shall be paid or made good if the Insured has collected the same from others.
5. **No Benefit to Bailee:** This Section shall in no way inure directly or indirectly to the benefit of any carrier or other bailee.
6. **Subrogation or Loan:** If in the event of loss or damage the Insured shall acquire any right of action against any individual, firm or corporation for loss of, or damage to, property covered

hereunder, the Insured will, if requested by the Company, assign and transfer such claim or right of action to the Company or, at the Company's option, execute and deliver to the Company the customary form of loan receipt upon receiving an advance of funds in respect of the loss or damage; and will subrogate the Company to, or will hold in trust for the Company, all such rights of action to the extent of the amount paid or advanced, and will permit suit to be brought in the Insured's name under the direction of and at the expense of the Company.

7. Loss Clause: Any loss hereunder shall not reduce the amount of this Section, except in the event of payment of claim for total loss of an item specifically scheduled hereon.
8. Protection and Preservation of Property: In case of actual or imminent physical loss or damage of the type insured against by this Policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of property insured hereunder shall be added to the total physical loss or damage otherwise recoverable under the Policy and be subject to the applicable deductible and without increase in the limit provisions contained in this Policy.
9. Appraisal: If the Insured and the Company fail to agree as to the amount of loss, each shall on the written demand of other, made within sixty (60) days after receipt of proof of loss by the Company, select a competent and disinterested appraiser, and the appraisal shall be made at a reasonable time and place. The appraisers shall first select a competent and disinterested umpire, and failing for fifteen (15) days to agree upon such umpire, then on the request of the Insured or the Company, such umpire shall be selected by a judge of a court of record in the state in which such appraisal is pending. The appraisers shall then appraise the loss, stating separately the fair market value at the time of loss and the amount of loss, and failing to agree shall submit their differences to the umpire. An award in writing of any two shall determine the amount of loss. The Insured and the Company shall each pay their chosen appraiser and shall bear equally the other expenses of the appraisal and umpire. The Insured shall not be held to have waived any of its rights by any act relating to appraisal.
10. Civil Authority: Property covered under this Section against the peril of fire is also covered against the risk of damage or destruction by Civil authority during a conflagration and for the purpose of retarding the same; provided that neither such conflagration nor such damage or destruction is caused or contributed to by a peril otherwise excluded herein.
11. Changes: Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this Section or stop the Insured from asserting any right under the terms of this Section, nor shall the terms of this Section be waived or changed except by endorsement issued to form a part of this Section.
12. Additional Covered Party(ies): Corporations, associations, firms, institutions, museums, persons and others who own or control collections, objects or articles who make them available to the Insured, and temporary borrowers or custodians (but not carriers, packers or shippers) of property covered, are additional Insured(s) hereunder, but only as respects coverage afforded to said Insured's property.
13. Packing: It is agreed by the Insured that the property covered hereunder be packed and unpacked by competent packers.
14. Other Insurance: This fine arts floater Section is excess coverage over any other valid and collectible insurance which may apply to any objects of art for which coverage would apply under this Policy.

15. Pair And Set: In the event of the total loss of any article or articles which are a part of a set, the Company agrees to pay the Insured the full amount of the value of such set and the Insured agrees to surrender the remaining article or articles of the set to the Company.

## SECTION VI

### CONTRACTORS EQUIPMENT

#### A. COVERAGE

This Policy insures contractors equipment, whether self propelled or not, including equipment thereof while attached thereto or located thereon, such as bulldozers, drag lines, power shovels, derricks, drills, concrete mixers and other machinery of a similar nature, and not subject to motor vehicle registration.

If any of the property covered by this Section is also covered under any other provisions of the Policy of which this Section is made a part, those provisions are hereby amended to exclude such property, the intent being that the coverage under this Section is the sole coverage on such property.

#### B. PERILS EXCLUDED

This Section insures against all risks of direct physical loss or damage occurring during the policy period to the above described property from any external cause except as provided below.

1. Loss or damage due to wear, tear, rust, corrosion, latent defect, mechanical breakage or improper assemblage.
2. Loss or damage due to the weight of the load imposed on the machine exceeding the capacity for which such machine was designed.
3. Loss or damage to crane or derrick boom(s) and jib(s) of lattice construction while being operated unless directly caused by fire, lightning, hail, windstorm, earthquake shock, explosion, riot, riot attending a strike, civil commotion, actual physical contact with an aircraft or airborne missile including objects falling therefrom, collision with other vehicles or other contractors equipment whether or not such other equipment is covered hereunder, landslide, or upset of the unit of which it is a part (but only when and to the same extent that such other perils are covered by the Policy).
4. Loss or damage due to explosion arising from within steam boilers.
5. Loss or damage to dynamos, exciters, lamps, switches, motors or other electrical appliances or devices, including wiring, caused by lightning or other electrical currents (artificial or natural) unless fire ensues and then for the loss by fire only.
6. Loss or damage due to dishonesty of Insured's employees or persons to whom the Insured's property is entrusted.
7. Loss or damage caused by or contributed to failure of the Insured to keep and maintain the property in a thorough state of repair.
8. Loss or damage caused by or resulting from:
  - a. War, hostile or warlike action in time of peace or, including action in hindering, combating or defending against an actual, impending or expected attack;
    - i. by any government or sovereign power (de jure or de facto) or by any authority maintaining using military, naval or air forces or;
    - ii. any military, naval or air forces or;

- iii. by an agent of any such government, power, authority or forces;
  - b. any weapon of war employing atomic fission or radioactive force whether in time of peace or war;
  - c. insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade;
9. Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) covered against in this endorsement; however, subject to the foregoing and all provisions of this Policy, direct loss by fire resulting from nuclear reaction or nuclear radiation or radioactive contamination is covered against by this Policy.

#### **C. PROPERTY EXCLUDED**

1. Automobiles, motorcycles, motor trucks, or parts thereof.
2. Buildings
3. Machinery or equipment or building materials to be installed in any building for the purpose of becoming a part thereof; nor on any property which has become a permanent part of any structure.
4. Property that is located underground.
5. Property while waterborne except while being transported on any regular ferry.
6. The storage risk of property not owned or required to be insured by the Insured at premises controlled or leased by the Insured, except where incidental to the regular or frequent use of the equipment or property.
7. Plans, blue prints, designs or specifications.

#### **D. LOSS PAYMENT BASIS / VALUATION**

On Contractors Equipment (whether self propelled or not), on or off premises, where Replacement Cost (New) values are specified, loss or damage shall be based on 100% of the Replacement Cost (New) at the time of loss. Partial losses shall be based on the cost of repairing or replacing the damaged portion, up to the fair market value of the Contractors Equipment. However, should these costs exceed the fair market value then recovery shall be based upon the Replacement Cost (New).

If the values, provided by the Insured, provides a valuation based on replacement cost, then recovery will be on the same basis, if replaced. If not replaced, the basis of recovery shall be actual cash value.

#### **E. SPECIAL CONDITIONS**

This section covers property only within the limits of the United States of America.

It is a condition of this Policy that all articles covered hereunder are in sound condition at the time of attachment of this Policy.

## **SECTION VII**

### **ACCOUNTS RECEIVABLE**

#### **A. COVERAGE**

This Policy covers the loss of or damage resulting from insured perils to the Insured's records of accounts receivable as defined below, occurring during the Policy period.

#### **B. EXCLUSIONS**

In addition to the exclusions in the General Conditions, this coverage does not apply:

1. To loss due to any fraudulent, dishonest or criminal act by the Insured, a partner therein, or an officer, director, employee or trustee thereof, while working or otherwise and whether acting alone or in collusion with others.

For the purpose of this exclusion an act of vandalism or malicious damage by an employee shall not constitute a dishonest, fraudulent or criminal act.

2. To loss due to bookkeeping, accounting or billing errors or omissions.
3. To loss, the proof of which as to factual existence, is dependent upon an audit of records or an inventory computation; but this shall not preclude the use of such procedures in support of claim for loss which the Insured can prove through evidence wholly apart therefrom, is due solely to a risk of loss to records of accounts receivable not otherwise excluded hereunder.
4. To loss due to alteration, falsification, manipulation, concealment, destruction or disposal of records of accounts receivable committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property, but only to the extent of such wrongful giving, taking, obtaining or withholding.

#### **C. LOSS PAYMENT BASIS / VALUATION**

When there is proof that a loss covered by this Policy has occurred but the Insured cannot accurately establish the total amount of accounts receivable outstanding as of the date of such loss, such amount shall be based on the Insured's monthly statements and shall be computed as follows:

- a. Determine the amount of all outstanding accounts receivable at the end of the same fiscal month in the year immediately preceding the year in which the loss occurs;
- b. Calculate the percentage of increase or decrease in the average monthly total of accounts receivable for the twelve (12) months immediately preceding the month in which the loss occurs as compared with such average for the months of the preceding year;
- c. The amount determined under (a) above, increased or decreased by the percentage calculated under (b) above, shall be the agreed total amount of accounts receivable as of the last day of the fiscal month in which said loss occurs;
- d. The amount determined under (c) above shall be increased or decreased in conformity with the normal fluctuations in the amount of accounts receivable during the fiscal month involved, due consideration being given to the experience of the business since the last day of the last fiscal month for which statement has been rendered.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records not lost or damaged or otherwise established or collected by the Insured, and an amount to allow for probable bad debts which would normally have been uncollectible by the Insured. All unearned interest and service charges shall be deducted.

**D. DEFINITIONS:**

**ACCOUNTS RECEIVABLE**

- a. All sums due the Insured from customers provided the Insured is unable to effect collection thereof as the direct result of loss or damage to records of accounts receivable.
- b. Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.
- c. Collection expense in excess of normal collection cost and made necessary because of such loss or damage.
- d. Other expenses, when reasonably incurred by the Insured, in re-establishing records of accounts receivable following such loss or damage.

## SECTION VIII

### BOILER AND MACHINERY BREAKDOWN EXTENSION

#### 1. Perils Insured

In consideration of the premium paid and subject to the terms, conditions and Exclusions of the policy to which this Extension is attached, and to the following terms and conditions, this Insurance is extended to cover direct damage to Covered Property caused by a Covered Cause of Loss.

#### 2. Additional Coverage

##### (a) Hazardous Substance

The additional expense incurred for cleanup, repair or replacement or disposal of damaged, contaminated or polluted property as a result of an Accident, which causes property to become damaged, contaminated or polluted by a substance declared hazardous to health by an authorized governmental agency. The coverage provided by this clause is sublimited to USD as per Declaration Page. For the purpose of this coverage “Additional expense” means any expense that would not have incurred, if no substance hazardous to health had been involved in the accident

##### (b) Ammonia Contamination

The loss, including salvage expense, incurred with respect to damage by ammonia contacting or permeating property under refrigeration or in process requiring refrigeration, as a result of any one Accident to one or more Objects. The coverage provided by this clause is sublimited to USD as per Declaration Page.

##### (c) Water Damage

The loss, including salvage expense, with respect to property damaged by water, resulting from any one Accident. The coverage provided by this clause is sublimited to USD as per Declaration Page.

##### (d) Media Coverage

The loss to all forms of electronic, magnetic and optical tapes and discs used in any electronic computer or electronic data processing equipment directly damaged by an Accident to an Object. The coverage provided by this clause is sublimited to USD as per Declaration Page. For the purpose of this coverage, the valuation basis for “Media” is as follows:

- i. For “Media” that are mass-produced and commercially available, at the replacement cost.
- ii. For all other “Media”, at the cost of blank material for reproducing the records.

##### (e) Consequential Damage

The “Consequential Damage” to refrigerated and frozen goods of the Insured or for which the Insured is legally liable or under the Insured’s care, custody or control caused solely by an Accident to an Object. For the purpose of this coverage, “Consequential Damage” is defined as loss due to spoilage from lack of power, light, heat, steam or refrigeration, resulting from Accident. The coverage provided by this clause is sublimited to USD as per Declaration Page.

(f) Utility Interruption

The loss caused by an Accident to an Object that is owned, operated or controlled by a public or private entity that the Insured has contracted with to furnish them with electrical utility service including all direct electrical suppliers. The coverage provided by this clause is sublimited to USD as per Declaration Page.

(g) CFC Refrigerants and Halon

The replacement of any CFC (chlorofluorocarbon) refrigerant used in refrigeration or air conditioning equipment or Halon used in a fire suppression system due to an “Accident” to an Object.

(h) Ordinance or Law

If an Accident to an Object at the Insured’s location damages a building that is “Covered Property”, the Company will pay for

- i. Loss to the Undamaged Portion of the Building, meaning loss to the undamaged portion of the building caused by enforcement of any ordinance or law that:
  - a. Requires the demolition of parts of the same building not damaged by the Accident to an Object; or
  - b. Regulates the construction or repair of buildings, or establishes zoning or land use requirements at the location of the building.
- ii. Demolition Cost meaning the cost to demolish and clear the site of undamaged parts of the building, caused by the enforcement of building, zoning, or land ordinance or use.
- iii. Increased Cost of Construction, meaning the increased cost to:
  - a. Repair or reconstruct damaged portions of the building; and
  - b. Reconstruct or remodel undamaged portions of the building whether or not demolition is required;

when the increased cost is a consequence of enforcement of building, zoning or land use ordinance or law. But the Company will only pay for this increased cost if the building is repaired, reconstructed or remodeled. Also, if the building is repaired, reconstructed or remodeled, it must be intended for similar occupancy as the current building, unless such occupancy is not permitted by zoning or land use ordinance or law.

Insurance under this section only applies with respect to ordinance or law that is in force at the time of the Accident to an Object. Insurance under this section does not apply to:

- a. Costs associated with the enforcement of any ordinance or law which requires any Insured or others to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize, or in any way respond to, or assess the effects of substances declared to be hazardous to health by a governmental agency; or
- b. Loss due to any ordinance or law that:
  - i. The Insured was required to comply with before the Accident to an Object even if the building was undamaged; and
  - ii. The Insured failed to comply with.

The coverage provided by this clause is sublimited to USD as per Declaration Page.

### 3. Definition of Accident

Accident shall mean a sudden and accidental breakdown of the Object, or a part thereof, which manifests itself at the time of its occurrence by physical damage to the Object that necessitates repair or replacement of the Object or part thereof; but Accident shall not mean:

- a. depletion, deterioration, corrosion, or erosion of material;
- b. wear and tear;
- c. leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
- d. the breakdown of any vacuum tube, gas tube or brush;
- e. the breakdown of any structure or foundation supporting the Object or any part thereof;
- f. the functioning of any safety device or protective device.

### 4. Definition of Object

Except as otherwise specifically designated herein, Object as described below shall mean any equipment or apparatus which is owned by, leased by or operated under the control of the Insured subject to the Exclusions and Special Provisions specified herein:

- a. Any boiler, any fired vessel, any unfired vessel subject to vacuum or internal pressure other than static pressure of contents, any refrigerating and air conditioning vessels, or any piping and its accessory equipment, but such Object shall not include:
  - 1. Any boiler setting, any insulating or refractory material,
  - 2. Any sewer piping, any underground gas piping, any piping forming a part of a sprinkler system or any water piping other than
    - (a) Feed water piping between any boiler and its feed pumps or injectors
    - (b) Boiler condensate returning piping
- b. Any mechanical or electrical machine or electrical apparatus used for the generation, transmission or utilization of mechanical or electrical power, but Object shall not include
  - 1. Any structure or foundation other than a bedplate of a machine,
  - 2. Any vehicle, elevator, crane, hoist, power shovel or drag line, but not excluding any electrical equipment used with said machine or apparatus,
  - 3. Any refractory material, or
  - 4. Any penstock or draft tube.

## **5. Covered Cause of Loss**

A Covered Cause of Loss is an “Accident” to an Object insured hereon. An Object must be in use or connected ready for use at the time of the Accident.

## **6. Covered Property**

Covered Property, as used in this Extension, means any property that:

- a. The Insured owns; or
- b. Is in the Insured’s care, custody or control and for which they are legally liable

## **7. Special Provisions**

- a. As respects any boiler, fired or unfired vessel, refrigerating system or piping, the Company shall not be liable for loss from an Accident while said Object is undergoing a hydrostatic, pneumatic or gas pressure test that exceeds manufacturers recommended limits.
- b. As respects any boiler of fired vessel, the Company shall not be liable for loss from an explosion of gas or unconsumed fuel within the furnace of such Object or within the passages from the furnace to the atmosphere, whether or not such explosion (a) is contributed to or aggravated by an Accident to any part of said Object that contains steam or water, or (b) is caused in whole or in part, directly or indirectly, by any Accident to any Object, or part thereof, nor shall the Company be liable for any loss from an Accident caused directly or indirectly by such explosion.
- c. As respects any unfired vessel which is used for the storage of gas or liquid and which is periodically filled, moved, emptied and refilled in the course of its normal service, such vessel shall be considered as “connected ready for use” within the terms of this Extension of the Policy.
- d. As respects any Object or part of an Object that is being dismantled, reassembled or is in storage, will be considered as “connected ready for use” within the terms of this Extension of the Policy.
- e. As respects any gas turbine of the internal combustion type, (a) the combustor or such Object shall not be considered to be a “furnace” as the word is used in the Definition of Accident or in Special Provision 2 above and (b) the Definition of Accident shall not mean the cracking of any part of the Turbine exposed to the production of combustion.
- f. As respects new turbine generator units, coverage shall not apply until the unit has been contractually accepted by the Insured, that all tests required by the contractor have been performed and satisfied and the unit has been placed in commercial operation.

## **8. Valuation**

- a. The Company will pay the Insured the amount the Insured spends to repair or replace the property directly damaged by an Accident. The Company payment will be the smallest of:
  - 1) The Limit of Insurance;
  - 2) The cost at the time of the Accident to repair the damaged property with property of like kind, capacity, size and quality;

- 3) The cost at the time of the Accident to replace the damaged property on the same site with other property:
    - a) Of like kind, capacity, size and quality; and
    - b) Used for the same purpose
  - 4) The amount the Insured actually spends that is necessary to repair or replace the damaged property.
- b. As respects any Object if the cost of repairing or replacing only a part of the Object is greater than:
- 1) the cost of repairing the Object; or
  - 2) the cost of replacing the entire Object on the same site;
- The Company will pay only the smaller of (1) or (2). The repair parts or replacement Object must be:
- 1) of like kind, capacity, size and quality; and
  - 2) used for the same purpose.
- c. The Company will not pay:
- 1) if the loss or damage is to property that is obsolete or useless to the Insured; or
  - 2) for any extra cost if the Insured decides to repair or replace the damaged property with property of a better kind or quality or of larger capacity,
- d. If the Insured does not repair or replace the damaged property within 18 months after the date of the Accident then the Company will pay on the smaller of the:
- 1) cost it would have taken to repair; or
  - 2) actual cash value;
- at the time of the “accident”.

Paragraph (d) does not apply to any time period beyond the 18 months that the Company agrees to in writing.

- e. As respects CFC (chlorofluorocarbon) refrigerant or Halon, the following valuation basis is applicable:
- 1) If the CFC refrigerant or Halon is replaceable, the Insured may, at their option, elect to:
    - a) Repair or replace the damaged refrigeration equipment, air conditioning equipment or fire suppression system and replace the lost CFC refrigerant or Halon subject to it being of like kind, capacity, size and quality and used for the same purpose; or

- b) Change the refrigeration equipment, air conditioning equipment or fire suppression system, through modification or replacement, to:
  - i. Refrigeration or air conditioning equipment that uses an approved non - CFC refrigerant; or
  - ii. A fire suppression system that uses an approved non – Halon agent.

But this option is available only if the change to the equipment or system is made within 18 months after the date of the Accident or within any extended time period that the Company agrees to in writing.

If Option 1) b) above is elected, the Company will not pay more than the least of the following amounts:

- a) The Limit of Insurance;
  - b) The cost at the time of the Accident to repair the damaged refrigeration equipment, air conditioning equipment or fire suppression system, retrofit the equipment or system to accept non – CFC refrigerant or non – Halon fire suppressant, and charge the equipment or system with that refrigerant or fire suppressant;
  - c) The cost at the time of the Accident to replace the damaged refrigeration equipment, air conditioning equipment or fire suppression system with equipment or a system that is functionally equivalent and uses an approved non – CFC refrigerant or non – Halon fire suppressant;
  - d) The amount that the Insured actually spend that is necessary to change the refrigeration equipment, air conditioning equipment or fire suppression system, through modification or replacement, to equipment or a system that uses an approved non – CFC refrigerant or non – Halon fire suppressant; or
  - e) One hundred twenty-five percent (125%) of the amount the Company otherwise would have paid for loss to the refrigeration equipment, air conditioning equipment or fire suppression system.
- f. If the CFC refrigerant or Halon is not replaceable and:
- (1) The Insured repairs or replaces the damaged equipment within 18 months after the date of the Accident or within any extended time that the Company agrees to in writing, the Company will pay the least of the following amounts:
    - (a) The Limit of Insurance;
    - (b) The cost at the time of the Accident to repair the damaged refrigeration equipment, air conditioning equipment or fire suppression system, retrofit the equipment or system to accept non – CFC refrigerant or non – Halon fire suppressant, and charge the equipment or system with that refrigerant or fire suppressant;
    - (c) The cost at the time of the Accident to replace the damaged refrigeration equipment, air conditioning equipment or fire suppression system with equipment or a system that is functionally equivalent and uses an approved non – CFC refrigerant or non – Halon fire suppressant;

- (d) The amount that the Insured actually spend that is necessary to change the refrigeration equipment, air conditioning equipment or fire suppression system, through modification or replacement, to equipment or a system that uses an approved non – CFC refrigerant or non – Halon fire suppressant.
- (2) If the Insured does not replace the damaged equipment within 18 months after the date of the Accident or within the extended time period that the Company agrees to in writing, the Company will not pay more than the lesser of:
- (a) The amount that the Company would have paid if repair or replacement of the damaged equipment had been made as determined in F 1 above; or
  - (b) The actual cash value of the damaged equipment at the time of the Accident.
- g. As respects Insurance under Ordinance and Law, the most the Company will pay as a result of any one Accident for:
- a) Loss to the Undamaged portion of the building is included in the Limit of Insurance that otherwise applies to the damaged building. But in no event will the amount the Company pay for loss to the building, including the loss in value of the undamaged portion of the building due to enforcement of an ordinance or law to which this coverage applies, exceed:
    - i. The amount that the Insured actually spend to repair, rebuild or replace the building, but not more than the amount it would cost to restore the building on the same premises and to the same height, floor area, style and comparable quality of the original property insured; or
    - ii. The actual cash value of the building at the time of loss if the building is not repaired or replaced.
  - b) Demolition and Increased Cost of Construction is USD as per Declaration Page, subject to the following:
    - i. With respect to the coverage provided for Demolition Cost, the Company will not pay more than the amount the Insured actually spend to demolish and clear the site of the undamaged parts of the building;
    - ii. With respect to the coverage provided for Increased Cost of Construction:
      - (a) We will not pay for the Increased Cost of Construction:
 

Until the building is actually repaired or replaced at the same or another premises; and

Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed 18 months. We may extend this period in writing during the 18 months.
      - (b) If the building is repaired or replaced at the same location, or if the Insured elect to rebuild at another location, the most the Company will pay for the increased cost of construction is the increased cost of construction at the same location.

- (c) If the ordinance or law requires relocation to another location, the most the Company will pay for the increased cost of construction is the increased cost of construction at the new location.
- h. If a claim or “suit” is brought against the Insured alleging that the Insured is liable for damage to property of another that was caused by an Accident to an Object, the Company will either:
  - 1. Settle the claim or “suit”, or
  - 2. Defend the Insured against the “suit” but reserve the right for themselves to settle at any point.

## 9. Exclusions

- a. To loss:
  - 1) from explosion of an Object other than:
    - a) Any steam boiler, steam piping, steam turbine, gas turbine, steam engine, or
    - b) Any machine when such loss is caused by centrifugal force or mechanical breakdown,
- b. Nuclear reaction or radiation or radioactive contamination however caused, however this exclusion shall not apply to nuclear medicine at covered hospitals,
- c. From fire concomitant with or following an Accident.
- d. From an Accident caused directly or indirectly by fire
- e. From a combustion explosion outside the Object concomitant with or following an Accident,
- f. From an Accident caused directly or indirectly by a combustion explosion outside an Object

## 10. Conditions:

- a. Inspection

The Company shall be permitted but not obligated to inspect the Insured’s property and operations at any reasonable time. Neither the right to make inspections nor the making thereof nor any advice or report resulting therefrom shall constitute an undertaking, on behalf of or for the benefit of the Insured or others, to determine or warrant that such property or operations are safe or healthful, or are in compliance with any law, rule or regulation.
- b. Suspension

Upon the discovery of a dangerous condition with respect to any Object, Alliant Insurance Services, Inc., may immediately suspend the insurance, with respect to an Accident to said Object, by written notice mailed or delivered to the Insured at the address of the Insured stated in the Declaration Page, or at the location of the Object, as stated for it in a schedule or endorsement. The insurance so suspended may be reinstated by the Company but only by an endorsement issued to form a part of this Policy. The Insured shall be allowed the unearned portion of the premium paid for such suspended insurance, pro rata for the period of suspension.
- c. Notice of Accident and Adjustments

When an Accident occurs, written notice shall be given to the Company as soon as practicable. The Company shall be given like notice of any claim made on account of such Accident. The Company or their representative shall have reasonable time and opportunity to examine the property, and the Insured's Location of Risk, before repairs are undertaken or physical evidence of the Accident is removed, except for protection or salvage. Proof of loss shall be made in such form as the Company may require. If suit is brought against the Insured for loss to which this Section of the Policy is applicable, any summons or other process served upon the Insured shall be forwarded immediately to the Company.

d. Deductible

In the event of an Accident to an Object as insured under this Extension that is concomitant with or followed by physical loss or damage incurred under the All Risks policy that this Extension attaches to, the deductible to be applied to the total loss shall be the applicable Boiler & Machinery deductible.

**PROGRAM AND/OR MEMBER AND/OR DECLARATION SPECIFIC  
ENDORSEMENTS TO BE PROVIDED AFTER THE ABOVE PAGE**

## ENDORSEMENT 1

### CANCELLATION CLAUSE AMENDMENT DUE TO FINANCIAL STRENGTH DOWNGRADE ENDORSEMENT

It is hereby understood and agreed that Section IV, General Conditions, Clause N, Cancellation of this policy is amended.

This endorsement modifies insurance provided by the policy:

The Cancellation Provision, Cancellation Condition, or Cancellation Clause, whichever is applicable, is amended by adding the following paragraph to the end thereof:

Notwithstanding any other terms or conditions of this policy to the contrary, in the event that the financial strength rating of the **Company** is downgraded to: (1) below A- by A.M. Best Co., or (2) below BBB by Standard & Poor's Ratings Services (hereinafter, the **Credit Rating Downgrade**), this policy may be canceled by the **FIRST NAMED INSURED** by mailing prior written notice to the Company or by surrender of this policy to the **Company**.

If this policy is canceled by the **First Named Insured** due to such **Credit Rating Downgrade**, then the **Company** shall return the unearned pro rata proportion of the premium as of the effective date of cancellation and shall waive any minimum earned premium requirement specified herein.

The following definitions apply to this endorsement:

1. **Company** means Lexington Insurance Company.
2. **First Named Insured** means the first Named Insured as shown on the Declarations page of this policy.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS REMAIN UNCHANGED.

## **ENDORSEMENT 2**

**This endorsement, effective July 1, 2013 12:01 AM EASTERN STANDARD TIME,**

**Forms a part of policy number: PEPIP USA Form No. 9 Master Policy Wording**

**Issued to: All APIP/PEPIP Members**

**By: Lexington Insurance Company**

### **COVERAGE TERRITORY ENDORSEMENT**

This endorsement modifies insurance provided under the following:

Payment of loss under this policy shall only be made in full compliance with all United States of America economic or trade sanction laws or regulations, including, but not limited to, sanctions, laws and regulations administered and enforced by the US Treasury Department's Office of Foreign Assets Control ("OFAC").

### ENDORSEMENT 3

**WAR AND TERRORISM EXCLUSION ENDORSEMENT**  
**(applies to locations outside the USA, its territories and possessions)**

Notwithstanding any provision to the contrary within this insurance or any endorsement thereto it is agreed that this insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any of the following regardless of any other cause or event contributing concurrently or in any other sequence to the loss;

- (1) war, invasion, acts of foreign enemies, hostilities or warlike operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power; or
- (2) any act of terrorism.

For the purpose of this endorsement an act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This endorsement also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to (1) and/or (2) above.

If the Underwriters allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the Assured.  
In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

### **CSURMA Executive Committee Meeting Schedule**

**ISSUE:** The CSURMA Executive Committee has traditionally held a meeting in October in conjunction with the Board of Director's meeting. This year's Board of Director's meeting has been moved November 6<sup>th</sup>, to coincide with the CSU Fitting the Pieces Together risk management conference in Sacramento. In addition, the Executive Committee has historically held a meeting in December, though there was some discussion of deferring that meeting to coincide with the AOA's annual Conference in Sacramento, January 12-14, 2014. As the Chancellor will be speaking at the AOA dinner on Sunday, August 12 and CABO will be meeting on Monday January 13, staff suggests an EC meeting on Sunday at 3 PM, prior to the dinner. Staff sees the following dates as possibilities for meetings;

1. November 6, 2013, 1:00 PM, Sacramento, CA
2. December 6, 2013, 8:30 AM, Location TBD (**Recommend cancelling**)
3. January 12, 2014, 3:00 PM, Sacramento, CA. (**NEW**)

*Additionally, the Chair and Program Administrator are organizing a liability underwriter meeting in the San Diego area on Thursday, October 3, 2013.* All members of the Executive Committee would be welcome to attend and participate. The San Diego location and date coincides with a national gathering of leading liability underwriters, so the timing works well to build on CSURMA's relationships.

**RECOMMENDATION:** Due to the number of items on the Executive Committee's agenda, it is recommended that the Committee adopt all three meeting dates and delegate authority to the Chair to determine whether the meetings are needed and the location.

**FISCAL IMPACT:** The cost of Executive Committee Meetings is included in the CSURMA administrative budget.

**BACKGROUND:** None.

**ATTACHMENT(S):** CSURMA Meeting Calendar

## 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: <b>Newport Beach, 9:00 a.m.</b>
				21	EC: <b>Newport Beach, 2:30 p.m.</b>
				22	EC LRP: <b>Newport Beach, 8:00 a.m.</b>
					<b>Only the AORMA Chair and Vice Chair attend the EC meetings</b>
					<b>Only the AORMA Chair attends to AOA EC meeting</b>
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.		
		10	EC: Long Beach, 8:30 a.m.		
		10	BOD: Long Beach, 10:30 a.m.		
			<b>Only the AORMA Chair and Vice Chair attend the EC meetings</b>		
			<b>All AORMA Committee members attend the BOD</b>		

## 2013 CSURMA • AORMA MEETING CALENDAR

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

## 2014 CSURMA • AORMA MEETING CALENDAR

JANUARY, 2014	FEBRUARY, 2014	MARCH, 2014
<p>12    EC: Sacramento, 3:00 p.m.</p>		<p>20    AORMA: Newport Beach, 9:00 a.m.                  20    EC: Newport Beach, 2:30 p.m.                  21    EC LRP: Newport Beach, 8:00 a.m.</p> <p style="text-align: center;"><b>Only the AORMA Chair and Vice Chair attend the EC meetings</b></p> <p style="text-align: center;"><b>Only the AORMA Chair attends to AOA EC meeting</b></p>
APRIL, 2014	MAY, 2014	JUNE, 2014
	<p>8    AORMA: Long Beach, 10:00 a.m.                  8    BOD: New Board Member Orientation, Long Beach, 2:00 p.m.                  9    EC: Long Beach, 8:30 a.m.                  9    BOD: Long Beach, 10:30 a.m.</p> <p style="text-align: center;"><b>Only the AORMA Chair and Vice Chair attend the EC meetings</b></p> <p style="text-align: center;"><b>All AORMA Committee members attend the BOD</b></p>	

## 2014 CSURMA • AORMA MEETING CALENDAR

JULY, 2014	AUGUST, 2014	SEPTEMBER, 2014
		10 AORMA New Committee Member Orientation: Long Beach, 9:00 a.m. 10 AORMA LRP: Long Beach, 10:00 a.m. 11 AORMA: Long Beach, 9:00 a.m. 11 EC Orientation: Long Beach, 4:00 p.m. 12 EC: Long Beach, 8:30 a.m.  <b>Only the AORMA Chair and Vice Chair attend the EC meetings</b>
OCTOBER, 2014	NOVEMBER, 2014	DECEMBER, 2014
23 AORMA: Long Beach, 10:00 a.m. 23 BOD: New Board Member Orientation, Long Beach, 2:00 p.m. 24 EC: Long Beach, 9:00 a.m. 24 BOD: Long Beach, 10:30 a.m.  <b>Only the AORMA Chair and Vice Chair attend the EC meetings</b>  <b>All AORMA Committee members attend the BOD</b>		4 AORMA: Long Beach, 10:00 a.m. 5 EC: Long Beach, 8:30 a.m.  <b>Only the AORMA Chair and Vice Chair attend the EC meetings</b>

### **CSURMA Conflict of Interest Code Reporting**

**ISSUE:** CSURMA has adopted the attached conflict of interest code. The code identifies classes of individuals required to file form 700 documents with CSURMA. The University Auditor recommended that CSURMA determine which individuals at the Program Administrator should be required to file the Statement of Economic Interest (Form 700). Over 20 individuals at Alliant perform services for CSURMA. At the December 7, 2012 meeting Alliant reported that the following individuals would submit Form 700 documents to CSURMA:

- Daniel Howell, CSURMA Program Director
- Robert Leong, CSURMA Campus Risk Pool Administrator
- Mimi Long, AORMA Program Administrator

**RECOMMENDATION:** It is recommended that the Executive Committee discuss the service roles provided by Alliant personnel and take action to identify the roles requiring a Form 700 filing.

**FISCAL IMPACT:** No fiscal impact is expected from action on this item.

**BACKGROUND:** None.

**ATTACHMENT(S):** Conflict of Interest Code for the CSURMA

## **CONFLICT OF INTEREST CODE FOR THE CALIFORNIA STATE UNIVERSITY RISK MANAGEMENT AUTHORITY**

The Political Reform Act (Cal. Gov. Code Sect. 81000, *et seq.*) requires that state and local government agencies adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. Sec. 18730) which contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. After public notice and hearing it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation and the attached Appendix designating officials and employees and establishing disclosure categories, shall constitute the conflict of interest of code of the CALIFORNIA STATE UNIVERSITY RISK MANAGEMENT AUTHORITY.

Designated positions shall file their statements with the California State University Risk Management Authority who will make the statements available for public inspection and reproduction. (Cal. Gov. Code Sect. 81000). Statements for all designated positions will be retained by the CALIFORNIA STATE UNIVERSITY MANAGEMENT AUTHORITY. Upon receipt of the statements, the **Authority** shall make and retain copies and forward the originals to the **Fair Political Practices Commission**. All original statements will be retained by the **Fair Political Practices Commission**.

**APPENDIX TO  
CONFLICT OF INTEREST CODE OF THE  
CALIFORNIA STATE UNIVERSITY RISK MANAGEMENT AUTHORITY**

Designated Positions\* \*:

Disclosure Category:

Members of the AORMA Committee	All
Attorney	All
Risk Management Consultant***	All
Secretary-Auditor	All
Claims Administrators* * *	All
Other Consultants * * *	All

Officials who manage public investments\*\*:

It has been determined that the positions listed below manage public investments and will file a Statement of Economic Interest pursuant to California Government Code Section 87200:

- Members of Board of Directors
- Alternate Members of Board of Directors
- Members of Executive Committee
- Chair
- Vice-Chair
- Program Director\* \* \*
- Treasurer

\*\*Certain CSURMA employees and officers may hold more than one position. In the case of an employee or officer who holds two designated positions, that person need file only one economic disclosure statement covering both/all designated positions. In the case of an employee or official who holds a designated position or positions and is also classified as an official who manages public investments, that person need file only the Statement of Economic Disclosure required under California Government Code Section 57200 for both/all of his or her positions.

\* \* \* With respect to consultants, the Chair of the CSURMA may determine in writing whether a particular consultant is hired to perform a range of duties which are limited in scope, and thus, is not required to comply with the disclosure requirements described in these categories. Such determination shall include a description of the consultant's duties, and, based on that description, a statement of the extent of disclosure requirements. The Chair shall forward a copy of this determination to the Fair Political Practices Commission. Nothing herein excuses any such consultant from any other provisions of this Conflict of Interest Code.

If these positions are held by business firms, the statement shall be filed by the individual in the firm who has primary responsibility for conducting the firm's business activities for the CSURMA.

Disclosure Categories

Persons designated to report in any of the following categories shall disclose relevant information concerning:

Category 1. Business entities which are the type to supply the CSURMA materials, products, supplies, commodities or equipment utilized by the CSURMA.

Category 2. Business entities which are the type to supply the CSURMA services, including professional services, utilized by the CSURMA.

Category 3. Business entities engaged in the business of insurance including, but not limited to, insurance companies, carriers, holding companies, underwriters, brokers, solicitors, agents, adjusters, claims managers and actuaries.

Category 4. Financial institutions including, but not limited to, banks, savings and loans

- (a) Investments in~
- (b) Sources of income from~ or
- (c) His or her status as a director, officer, partner, trustee, employee or any position of management in any business entities hereafter described.

associations and credit unions in which the CSURMA has deposited or invested funds during the year preceding the filing of the statement.

Category 5. Business entities which either have claims pending or during the year preceding the filing of the statement, filed a claim against the CSURMA or any member of the CSURMA.

**CALIFORNIA STATE UNIVERSITY  
RISK MANAGEMENT AUTHORITY**

**EXECUTIVE COMMITTEE  
RESOLUTION NO. 03-12 (EC)**

**Resolution Adopting Conflict of Interest Code of  
the California State University Risk Management Authority**

The Executive Committee of the California State University Risk Management Authority finds and determines as follows:

(a) The Political Reform Act (Cal. Gov. Code Sect. 81000, *et seq.*) requires that state and local government agencies adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. Sec. 18730) which contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. After public notice and hearing it may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act.

(b) The terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation and the attached Appendix designating officials and employees and establishing disclosure categories, shall constitute the conflict of interest of code of the CALIFORNIA STATE UNIVERSITY RISK MANAGEMENT AUTHORITY.

(c) Designated positions shall file their statements with the California State University Risk Management Authority who will make the statements available for public inspection and reproduction. (Cal. Gov. Code Sect. 81000). Statements for all designated positions will be retained by the CALIFORNIA STATE UNIVERSITY MANAGEMENT AUTHORITY.

(d) The Executive Committee of the California State University Risk Management Authority has reviewed the proposed Conflict of Interest Code and attached Appendix and recommends its adoption as the Conflict of Interest Code of the Authority.

In consideration of the foregoing findings and determinations,

IT IS RESOLVED by the Executive Committee of the California State University Risk Management Authority as follows:

The California State University Risk Management Authority does hereby adopt regulation 2 Cal. Code of Regs. Sec 18730 and the attached Appendix designating officials and employees

and establishing disclosure categories as the Conflict of Interest Code of the CALIFORNIA STATE UNIVERSITY RISK MANAGEMENT AUTHORITY.

\*\*\*\*\*

I hereby certify that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted and passed at a meeting of the Executive Committee of the California State University Risk Management Authority held on the 7th day of December, 2012 which was approved by the following vote:

AYES, and in favor thereof, members: Unanimous


NOES, members:

ABSTAIN, members:

ABSENT, members:

  
Chair

ATTEST:

  
Secretary-Auditor

**Recommendation of Proposed Amendment of Joint Exercise of Powers Agreement and  
Adoption of Revised Investment Policies**

**ISSUE:** At the Long Range Planning meeting on Friday, March 22, 2012, the Executive Committee received a report from the committee's appointed Investment Task Group. Among the items was a discussion about whether CSURMA's governing document, the Joint Exercise of Powers Agreement (JEPA) allowed certain investments to be managed as per the Government Code sections that apply to local governments or the sections that apply to the University.

Staff has reviewed the applicable sections and issues with CSURMA's General Counsel and is recommending that the JEPA be amended in order to clarify that CSURMA's original intent was to allow for maximum flexibility in making investment decisions, including the decision as to whether or not to invest in the securities and other investments identified in Government Code section 53601. In addition, the investment policy would be amended to effect this intent. Proposed revisions are attached to this item.

**RECOMMENDATION:** It is recommended that the Executive Committee review the proposed revisions to CSURMA's Joint Exercise of Powers Agreement and recommend the changes to the CSURMA Board of Directors for action at their meeting on November 7, 2013. In addition, it is recommended that the Executive Committee pass the attached resolution adopting the proposed o the CSURMA Master Investment Policy and the Investment Policy for the Fixed Income Portfolio.

**FISCAL IMPACT:** No direct fiscal impact is expected from action at today's meeting. Revisions to the JEPA and investment policy are expected to offer clarity and provide more guidance about the flexibility in CSURMA's investment program which should maximize the chance for better investment returns.

**BACKGROUND:** CSURMA's Joint Exercise of Powers Agreement describes in general terms how investments are to be made. Legal counsel has proposed the edits to Section 7(a)(vii) in bold italics below:

(vii) To invest any money in its treasury that is not required for its immediate necessities, pursuant to Government Code § 6509.5. ***The Entity may exercise this power to invest monies pursuant to Government Code § 6509.5, notwithstanding Section 7(b), below. Section 7(b) is not intended to, and shall not, preclude or limit the Entity from investing monies pursuant to Government Code § 6509.5, if it determines such an investment is in the best interests of the Members.***

**ATTACHMENT(S):** 1) Proposed Revision to CSURMA Investment Policy  
    a) CSURMA Master Investment Policy  
    b) CSURMA Fixed Income Portfolio Investment Policy  
2) Resolution No. 05-13 (EC) Adopting Investment Policies

**CALIFORNIA STATE UNIVERSITY RISK MANAGEMENT  
AUTHORITY (CSURMA)**

**MASTER INVESTMENT POLICY**

**DRAFT**

**March-August 237, 2013**

**I. PURPOSE**

The purpose of this master investment policy (MIP), and each of CSURMA’s other investment policies (collectively with the MIP, the “Policies”), is to provide a framework for the management of CSURMA assets. The Policies outline objectives, benchmarks, restrictions and responsibilities so that the Executive Committee of CSURMA (EC), officers, staff, consultants, investment managers, members and beneficiaries, and all CSURMA stakeholders clearly understand the objectives and policies of CSURMA’s investment program.

The Policies set forth the guidelines which the EC deems to be appropriate and prudent in consideration of the needs of and the legal requirements applicable to CSURMA’s investment program. The Policies provide criteria against which investment results will be measured and serve as a review document to guide ongoing operations and oversight. The Policies also are intended to ensure that the EC is fulfilling its fiduciary responsibilities in the management of CSURMA investments.

The EC intends for the Policies to be dynamic documents and will review them from time to time. Policies will be modified periodically to reflect the changing nature of CSURMA’s assets and investment programs, organizational objectives, and economic conditions.

In addition, within this MIP, the EC has delegated to the Treasurer of CSURMA (Treasurer) certain authorities that pertain to the ongoing management and administration of CSURMA assets and various investment programs.

**II. STRATEGIC OBJECTIVES**

The overall objective of the CSURMA investment program is to provide its stakeholders with an appropriate risk-adjusted return on assets available for investment. Because the primary source of CSURMA funding derives from the operations of the California State University (CSU) and because CSURMA has the authority to invest funds pursuant to California Government Code 6509.5, the EC has determined that CSURMA funds should be invested in a manner that draws from both ~~consistent with~~ the investment policy of the CSU, specifically, the sections labeled “Investment Policy Statement” and “Investment Authority” of the California State University Investment Policy (Attachment A), which are incorporated by reference into this MIP, as well as

~~California Government Code 6509.5, specifically Section 53601. As such, the sections labeled “Investment Policy Statement” and “Investment Authority” of the California State University Investment Policy (Attachment A) shall serve as the basis of the MIP and are incorporated by reference into this MIP.~~

Consistent with the California State University Investment Policy, when CSURMA Funds are invested, the primary objective shall be to safeguard the principal, the secondary objective shall be to meet liquidity needs, and the third objective shall be to provide an acceptable risk-adjusted return.

The EC also has the following objectives with respect to funds available for investment:

1. To ensure that CSURMA has, at all times, sufficient funds available to meet immediate liquidity needs.
2. To allow for the investment of funds not immediately needed for liquidity over a longer time horizon with the goal of providing the opportunity for greater risk-adjusted return.
3. To make periodic loans to CSU campuses or auxiliaries to mitigate potentially higher claims liability associated with certain situations.

### **III. INVESTMENT PORTFOLIOS**

Based on the investment objectives, the EC has determined that CSURMA assets should be invested in three portfolios, each with its own investment policy. The three portfolios, along with target ranges are as follows:

<u>Portfolio</u>	<u>Target Range</u>
CSU Systemwide Investment Fund Trust (SWIFT)	25-33%
Fixed Income Portfolio (FIP)	67-75%
Loan Portfolio (to be included within the SWIFT allocation)	0-15%

The SWIFT Investment Policy is attached as Attachment B

The FIP Investment Policy is attached as Attachment C

The Loan Portfolio Policy, titled “Member Loans Policy and Procedure No. 10”, is attached as Attachment D

The EC recognizes that the SWIFT Portfolio and the SWIFT Investment Policy are under the control of the CSU and are not under the EC’s ability to modify.

### **IV. RESPONSIBILITIES**

- A. The EC’s responsibilities include, but are not limited to:
  1. Acting as the investment committee for CSURMA.
  2. Developing and adopting policies to achieve CSURMA’s strategic objectives.
  3. Reviewing policy recommendations made by the Treasurer and staff.
  4. Periodically reviewing and amending the Policies, as appropriate.

- B. The Treasurer's responsibilities include, but are not limited to:
1. Recommending policies for EC consideration.
  2. Reviewing policy recommendations made by staff, investment consultants, and/or investment managers.
  3. Periodically reviewing the Policies and recommending revisions, as appropriate.
  4. Overseeing the engagement of CSU staff (to serve as CSURMA staff), investment consultants, investment managers, and other appropriate specialists.
  5. Monitoring the portfolios' investments, risks, and performance.
  6. Periodically, but at least annually, reporting to the EC on the portfolios' investments, risks, and performance.

The Treasurer may delegate responsibilities, as appropriate, to the Senior Director of Financing and Treasury of the CSU (Senior Director) in his/her capacity as staff to CSURMA.

Approved by the EC:  
13, 2013

~~March 22~~September

**Investment Policy for the California State University Risk Management Authority  
Fixed Income Portfolio**

~~March 7~~ August 23, 2013

***The Organization***

The California State University Risk Management Authority (CSURMA) is an association of the California State University (CSU) and auxiliary organizations joined to protect member resources by providing broad coverage and quality risk management services that stabilize risk cost in a reliable, economical and beneficial manner.

***History***

The Chancellor's Office staff and representatives of auxiliary organizations within the CSU have developed a systematic approach to managing risk exposures across CSU campuses.

On January 1, 1997, the CSURMA was formed by the CSU and those qualified auxiliary organizations of the CSU that opted to join with intentions to participate in the risk management programs to be offered by the CSURMA.

***Scope of This Investment Policy***

The assets governed by this investment policy statement are funds held for investment in the CSURMA Fixed Income Portfolio (FIP). In meeting the investment needs of the FIP, the general principles of modern portfolio theory will be followed. In doing so, the FIP will be constructed in a way that maximizes expected return for a given level of risk.

Cash flow requirements are not expected of the FIP being managed under this policy statement. However, in the event cash flow is required, it will be met on a total return basis. The following investment guidelines have been developed for management of the FIP.

***Statement of Investment Policy and Guidelines***

When investing CSURMA funds, the primary objective of the investment manager(s) (IM) for the FIP shall be to safeguard the principal. The secondary objective shall be to meet the liquidity needs of the CSURMA. The third objective shall be to return an acceptable yield.

The objective of the investment policy is to obtain the best possible return commensurate with the degree of risk that the CSURMA is willing to assume in obtaining such return.

***Delegation of Authority***

The Executive Committee of CSURMA (EC) is a fiduciary, and is responsible for

directing and monitoring the investment management of FIP assets. As such, the EC is authorized to delegate certain responsibilities to officers and/or staff of CSURMA, as well as professional experts in various fields. These include, but are not limited to:

1. **Treasurer of the CSURMA.** The Treasurer of CSURMA (Treasurer) is responsible for the ongoing general management of the FIP. The Treasurer may delegate, as appropriate, authority contained in this policy statement to the Senior Director, Financing and Treasury of the CSU. Duties include, but are not limited to, the following:
  - Selection and retention of outside IM as the investment policy dictates. *The Treasurer acts with the EC's authority in all matters relating to IM selection.*
  - Review performance of the FIP to stated objectives. Review and monitor performance of the IM.
  - Determine if overall policies and objectives continue to be appropriate and reasonable and make recommendations to the EC as necessary.
2. **Investment Consultant.** The consultant acts as a discretionary advisor to the Treasurer and may assist the Treasurer in: establishing investment policy, objectives, and guidelines; selecting IMs; reviewing such IMs over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
3. **Investment Manager (IM).** The IM has discretion to purchase, sell, or hold the specific securities that will be used to meet the FIP's investment objectives.
4. **Custodian.** The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the FIP, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the FIP accounts.
5. **Additional specialists.** Additional specialists such as attorneys, auditors, actuaries, trust administrators, and others may be employed by the Treasurer to assist in meeting his/her responsibilities and obligations to administer FIP assets prudently.

The Treasurer will not reserve any control over the day-to-day investment decisions. The IM will be held responsible and accountable to achieve the objectives stated in this policy statement. While it is not believed that the limitations in this policy statement will hamper the IM, the IM should request modifications to this policy statement that they deem appropriate. All expenses for experts must be customary and reasonable, and will be paid out of FIP assets and deducted before returns are calculated to meet objectives. Goals and objectives must be accomplished net of all expenses necessary to operate and manage the FIP assets.

### ***Adherence to Policy Guidelines***

CSURMA assets are to be managed in accordance with the policy guidelines expressed herein, or expressed by separate written instructions when deviation is deemed prudent and desirable. Written instructions amending this policy document must be signed by the Treasurer or his/her delegate.

### ***Discretionary Authority***

The IM is expected to exercise complete investment discretion within the boundaries of the restrictions outlined in this statement of investment policy. Such discretion includes decisions to buy, hold, or sell fixed income securities (including cash equivalents) in amounts and proportions reflective of the IM's current investment strategy.

### ***Communication***

The Treasurer encourages, and the IM is responsible for, frequent and open communication with the Treasurer and/or his/her delegate on all significant matters pertaining to the investment of the assets for the FIP. These communications should generally be addressed to the Treasurer. In this manner, the Treasurer and/or his/her delegate expects to be advised of any major changes in investment outlook, investment strategy, portfolio structure, or market value of the assets, and other substantive matters affecting the FIP. The Treasurer and/or his/her delegate also expects to be informed of any significant changes in the ownership, organizational structure, financial condition, or senior personnel staffing of the IM and/or investment consultants.

The Treasurer recognizes that this statement of investment policy requires periodic examination and perhaps revision if it is to continue to serve as a working document to encourage effective investment management. Whenever the IM believes this statement of investment policy should be altered, it is the responsibility of the IM to initiate written communication to the Treasurer or his/her delegate.

### ***Benchmark***

The benchmark of the FIP shall be the Barclays Intermediate Government / Credit Bond Index.

### ***Rating***

In all instances, when the term "rating" is used, it denotes a specific rating and not a rating category.

### ***Quality***

1. The minimum quality should be “A-” or better by one nationally recognized statistical rating organization (NRSRO), ~~with the exception that the minimum quality of bonds, notes, or debentures (including medium term notes) of U.S. corporations may be BBB or better.~~
2. Highest rating of at least one NRSRO shall apply in the case of split rating
3. The weighted average quality of the portfolio should be AA or better.
4. Money Market Funds selected shall contain securities whose credit rating at purchase would be rated investment grade by Standard and Poors, Moody's, or Fitch ~~and/or their equivalent.~~

### *Investment Authority*

The FIP may invest in any of the securities authorized by Government Code Section 16430 ~~listed in Section A and or Government~~ Code Section 53601.

Securities eligible for investment include:

- Bonds, notes or obligations of the United States, or those with principal and interest secured by the full faith and credit of the United States; (no limitations)
- Bonds, notes or obligations with principal and interest guaranteed by a federal agency of the United States; (no limitations)
- Bonds or warrants of any county, city, water district, utility district or school district of the state of California; ~~No issuer with a rating below A-/A3 is allowed;~~ (no one issuer to exceed 5% of the portfolio)
- California State bonds, notes, or warrants, ~~or bonds those~~ with principal and interest guaranteed by the full faith and credit of the State of California; (no one issue to exceed 5%); (not to exceed 25% of portfolio)
- ~~—Obligations of the CSURMA members authorized by California Education Code Section 89760(a).~~
- Various debt instruments issued by: (1) Federal Land Banks (FFCB), (2) Central Bank for Cooperatives, (3) Federal Home Loan Bank (FHLB), (4) Federal National Mortgage Association (FNMA), (5) Federal Home Loan Mtg. Corp. (FHLMC), and (6) Tennessee Valley Authority (TVA); (no one issuer to exceed 25% of the portfolio)
- Mortgage Pass-Through Securities issued by GNMA, FNMA and FHLMC; (not to exceed 20% of the portfolio)
- Collateralized Mortgage Obligations issued by GNMA, FNMA and FHLMC which at time of purchase pass the FFIEC test; (not to exceed 20% of the portfolio)
- Asset Backed Securities up to a maximum maturity of five years which that are rated at least Aa3a by Moody's, AA-A by Standard and Poor's, or AA-A by Fitch with no rating below ~~the top investment rating that level.~~ Issuer will be rated at least single A; (no one issuer to exceed 5% of the portfolio); (not to exceed 20% of the portfolio)
- Commercial paper exhibiting the following qualities: (1) “prime” rated, (2) less than ~~1810~~ days maturity, (3) issued by a U.S. corporation with assets exceeding \$500,000,000.

Investments must not exceed 10 percent of corporation's outstanding paper, and total investments in commercial paper cannot exceed 30% of an investment pool.

Notwithstanding the above, no one issuer to exceed 5% of the portfolio. In addition, A-2/P-2/F-2 commercial paper will be limited to no more than 10% of the portfolio and limited in maturity to 14 days. No purchase will be made of paper rated below A-2/P-2/F-2; (not to exceed 30% of portfolio)

- Banker's acceptances eligible for purchases by the Federal Reserve System; Issuer's will be rated A-1, P-1, or F-1 with no rating below that level; (no one issuer to exceed 5% of the portfolio); (not to exceed 30% of the portfolio)
- Certificates of deposit (insured by FDIC, or appropriately collateralized); (not to exceed FDIC insurance limits)
- Investment certificates or withdrawal shares in federal or state credit unions that are doing business in California and that have their accounts insured by the National Credit Union Share Insurance Fund; (not to exceed NCUSIF insurance limits)
- Negotiable certificates of deposit and bank notes issued by FDIC insured banks ~~which that~~ are rated A-1, P-1, or F-1 if short-term, or A- by S&P, A3 by Moody's, or A- by Fitch, in both cases with no rating below those levels; (no one issuer to exceed 5% of the portfolio); (not to exceed 30% of the portfolio)
- Loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration; (no limitations)
- Student Loan Notes insured by the Guaranteed Student Loan Program; (no limitations)
- Debt issued, assumed, or guaranteed by the Inter-American Development Bank or ~~Puerto Rican Government~~ Development Bank for Puerto Rico; (no limitations)
- Bonds, notes or debentures ~~(including medium-term notes)~~ with a maximum remaining maturity of five years or less issued by U.S. Corporations rated at least within the top three ratings of A by S&P, A2 by Moody's, or A by Fitch, with no rating below that level ~~a nationally recognized rating service. No issuer with a rating below BBB2/BBB is allowed;~~ (no one issuer to exceed 5% of the portfolio); (not to exceed 30% of the portfolio); ~~securities rated below A3/A not to exceed 10% of the portfolio~~
- Repurchase Agreements. Repurchase agreements with banks and dealers with which the CSURMA System, or its agents on its behalf, has entered into a master repurchase contract which specifies terms and conditions or repurchase agreements, and are fully collateralized by delivery to an independent third party custodian for the FIP's account or to the FIP's custodian. In order to conform with provisions of the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, only those marketable securities eligible for investment by the FIP are permitted as collateral. Treasuries, Agencies and eligible money market instruments will be collateralized at 102%. Corporates and other eligible collateral will be collateralized at 105%. Repurchase Agreements will be conducted exclusively with primary dealers. Repurchase Agreements may not exceed 90 days.

- Reverse Repurchase Agreements. The FIP limits reverse repurchase agreements to unencumbered securities already held in the portfolio. The FIP prohibits securities purchased with the proceeds of a reverse repurchase agreement from being used as collateral for another reverse repurchase while the original reverse repurchase is outstanding. Securities subject to a reverse repurchase agreement must have been owned a minimum of 30 days before being delivered in a reverse repurchase agreement. The total of all securities sold on reverse repurchase agreements will not exceed 20% of the market value of the portfolio. Reverse repurchase agreement will not exceed 92 days.
- Money Market Mutual Funds. Money market mutual funds registered with the Securities and Exchange Commission and rated AAA/Aaa by no less than two NRSROs.
- 144A Securities. 144A securities are allowed to be purchased and held in the portfolio; (not to exceed 20% of the portfolio).

***Duration Guidelines***

The duration of the portfolio will be targeted within -1 or +1 of the duration of the Lehman Brothers Intermediate Government / Credit Bond Index.

For issues that trade to a weighted-average-life (WAL), the WAL will be used as the effective maturity for duration measurement and for maximum maturity constraints.

For issuers with variable interest rates, the reset date will be used as the effective maturity for duration measurement purposes and the legal final maturity date will be used for maximum maturity constraints.

All maturity and duration constraints are measured from trade date.

***Concentration/Diversification Guidelines***

All concentration guidelines are measured at the time of purchase with the exception of commercial paper which must be less than 30% at all times.

Concentration Limitations:

<u>Security Type</u>	<u>Issuer</u>	<u>Sector</u>
Obligations backed by the full faith and credit of the U.S Government	100%	100%
Obligations guaranteed by a federal agency of the U.S. Government	100%	100%
California Municipal Obligations	5%	100%
Obligations of the State of California	5%	25%

<u>Security Type</u>	<u>Issuer</u>	<u>Sector</u>
<del>Obligations of CSURMA members authorized under Code Section 89760a</del>	<del>100%</del>	<del>100%</del>
Government-Sponsored Entities (FFCB, FHLB, FNMA, FHLMC, TVA)	25%	100%
Mortgage Pass-Through Securities issued by GNMA, FNMA FHLMC*	20%	20%

Collateralized Mortgage Obligations issued by GNMA, FNMA, FHLMC*	20%	20%
Asset-Backed Securities*	5%	20%
Commercial Paper	5%	30%
Banker's Acceptances	5%	30%
Certificates of Deposit (insured by FDIC or properly collateralized)	\$250k	100%
Share Certificates in federal or state credit unions (insured by NCUSIF)	\$250k	100%
Negotiable Certificates of Deposit	5%	30%
Obligations of the SBA or FHA	100%	100%
Student Loan Notes insured by the Guaranteed Student Loan Program	100%	100%
Obligations guaranteed by the Inter-Amer. Dev. Bank or Puerto Rico Dev.	100%	100%
Corporate Obligations	5%	30%
<del>Corporate Obligations rated below A3/A</del>	<del>5%</del>	<del>10%</del>
Repurchase Agreements	5%	100%
Reverse Repurchase Agreements	5%	20%
Money Market Funds	10%	20%

\* Mortgage Pass-Through Securities, Collateralized Mortgage Obligations and Asset-Backed Securities may not exceed 20% of the portfolio in aggregate.

For ABS issuers, securities issued by the same originator with different collateral types will not be aggregated at the issuer level for concentration measurement purposes.

### **Reporting**

The Treasurer expects the Custodian to provide access to daily reports of the FIP via its online portal to CSU Office of the Chancellor staff, the IM, and other members of the EC as directed. Additionally, monthly reports will be provided by the Custodian for the FIP. These reports will include portfolio activity, market valuations, sector metrics, affirmation of compliance, and performance relative to agreed-upon benchmarks. If a meeting is scheduled with the Treasurer or his/her delegate, the reports should be received at least one week in advance of the meeting date.

The Investment Consultant shall furnish the Treasurer and/or his/her delegate with a quarterly account review detailing investment performance in addition to a listing of portfolio holdings within the FIP. The Investment Consultant shall also supply timely information concerning changes in the IM's investment philosophy, management strategy, or ownership and key personnel. In addition, the Investment Consultant must supply the Treasurer and/or his/her delegate with quarterly reports that provide information and analyses necessary for the EC to fulfill its fiduciary responsibility.

### ***Compliance with Prudence and Diversification Measures***

As fiduciary, the IM is expected to diversify the portfolio to preserve the principal of the FIP assets. If diversification is deemed not to be prudent, the IM must communicate this decision to the Treasurer or his/her delegate immediately. The IM is expected to invest the FIP assets with ease, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with such aims.

All restrictions, minimum ratings requirements and diversification limitations pertain to the account at the time of purchase. In the event of a downgrade of any security to a level where the new rating would not comply with the minimum rating for new purchases of a similar asset, or a limitation being breached due to a change in portfolio size, the IM shall notify the Treasurer, the Treasurer's delegate, and/or the Investment Consultant.

### ***Evaluation and Review***

The objective of the evaluation and review process is to monitor the progress of the FIP assets in achieving the overall investment objectives. Performance will be measured and reviewed periodically by the Treasurer and/or his/her delegate. Particular attention will be directed toward determining whether:

- \* the FIP is achieving its stated objectives,
- \* the IM is adhering to the guidelines set forth herein,
- \* the IM is adhering to its stated philosophy and style,
- \* the overall policies and objectives continue to be appropriate, reasonable and achievable.

**CALIFORNIA STATE UNIVERSITY  
RISK MANAGEMENT AUTHORITY**

**EXECUTIVE COMMITTEE  
RESOLUTION NO. 05-13 (EC)**

**Resolution to Adopt the California State University Risk Management Authority Master  
Investment Policy and Investment Policy for the Fixed Income Portfolio**

The Executive Committee of the California State University Risk Management Authority finds and determines as follows:

- (a) Section 4.3 of the Bylaws of the California State University Risk Management Authority provides that the Executive Committee establish policies and procedures to implement the Agreement, the Bylaws and the operation of specific programs.
- (b) It is the desire of the Executive Committee that, when investing funds, the investment objectives, in order of importance, shall be to safeguard the principal through sufficient number and diversity of investments; provide adequate liquidity to meet normal cash needs, scheduled extraordinary cash needs, and unforeseen cash needs; and maintain a constant rate of return representative of current market yield direction.
- (c) Significant effort and energy has been expended in the creation and maintenance of the investment policies of the California State University Risk Management Authority, which is designed to meet those objectives.
- (d) (e) Pursuant to California Government Code Section 53646(a)(2) the Treasurer of the California State University Risk Management Authority shall annually render to the Executive Committee an Investment Policy for review.
- (f) The Executive Committee has reviewed the California State University Risk Management Authority Master Investment Policy and Investment Policy for the Fixed Income Portfolio and finds that they reasonably set forth the procedure, guidelines, and criteria for the operation of the investment program of the California State University Risk Management Authority.

In consideration of the foregoing findings and determinations,

IT IS RESOLVED by the Executive Committee of the California State University Risk Management Authority as follows:

- (1) The Treasurer of the California State University Risk Management Authority is directed to adopt the California State University Risk Management Authority Master Investment Policy and the Investment Policy for the Fixed Income Portfolio as the Investment Policies of the California State University Risk Management Authority per the attached and annually present it to the Executive Committee for review.

\*\*\*\*\*

I hereby certify that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted and passed at a meeting of the Executive Committee of the California State University Risk Management Authority held on the 13th day of September 2013 which was approved by the following vote:

AYES, and in favor thereof, members:

NOES, members:

ABSTAIN, members:

ABSENT, members:

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Chair  
Cynthia Teniente-Matson

ATTEST:

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Secretary-Auditor

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## Campus Risk Pools Actuarial Reports

**ISSUE:** CSURMA's retains the services of an independent actuary to evaluate the liabilities of its major self-insured programs. The complete draft reports for the Campus General and Errors & Omissions Liability, Workers' Compensation, and Athletic Injury Medical Expense (AIME) risk pools 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 2014/15 as well as evaluating potential campus dividends or assessments.

The Actuary's findings and recommendations include:

### Campus Liability

1. Change in Projected Ultimate Limited Losses from last year's to this year's study decreased by 6.5%.
2. Loss Funding at 70% actuarial confidence increases slightly from \$13,461,600 (FY 13/14) to \$13,953,600 (FY 14/15).

### Campus WC

1. Change in Projected Ultimate Limited Losses from last year's to this year's study increased by 1.5%.
2. Loss Funding at 70% actuarial confidence increases from \$21,151,900 (FY 13/14) to \$26,808,100 (FY 14/15).

### AIME

1. Change in Projected Ultimate Limited Losses from last year's to this year's study increased by 13.1%. Note, however, last year's study did not include East Bay, who joined AIME on 8/1/12. The real net change is about +10%.
2. Loss Funding at 70% actuarial confidence increases from \$2,912,150 (FY 13/14) to \$3,246,100 (FY 14/15). This also did not include CSUEB in last year's study.

**RECOMMENDATION:** The Executive Committee is asked to review the draft actuarial studies and accept the reports for use in CSURMA's financial reporting, rate setting, and funding evaluations.

**FISCAL IMPACT:** The action recommended will have the direct effect of establishing liabilities reported in CSURMA's financial statements. Indirectly, information from the accepted actuarial studies will be used in rate setting and funding forecasts. The Board of Directors will take action on FY 2014/15 rates and funding at its Fall meeting on November 6, 2013.

**BACKGROUND:** The complete actuarial study includes a discussion on the methodology used by the actuary to establish the financial projections for each coverage program. Staff will be present at today's meeting to review and comment on the findings in the reports.

**ATTACHMENT(S):** Charts and exhibits from the Liability, Workers' Compensation and AIME draft actuarial reports valued at June 30, 2013. *Complete copies of the draft studies dated July 29, 2013 are included separately with the Agenda packet.*

## **CAMPUS RISK POOLS FUNDING STATUS AT JUNE 30, 2013**

**ISSUE:** The Board of Directors adopted a policy to fund prior years' claim liabilities on a cash basis, and to begin funding of claims as they are incurred beginning in FY 1999/00, with the ultimate goal to achieve full funding for all program years in ten years; i.e., by July 1, 2009. CSURMA's full funding goal was achieved on July 1, 2007 – two years ahead of schedule.

**RECOMMENDATION:** The Executive Committee is asked to review the risk pools funding status at June 30, 2013 and take action as appropriate.

**FISCAL IMPACT:** Rates and funding for FY 2013/14 have already been adopted; no fiscal impact is anticipated by action that may be taken at today's meeting.

**BACKGROUND:** Policy & Procedure No. 7-JPA describes CSURMA's funding policy. With full funding achieved the Campus risk pools funding status at June 30, 2013 is based as follows:

- Fund program administrative expenses on a cash basis;
- Fund prior year deficits (if any) on a cash basis;
- Fund outstanding claims liabilities on an incurred basis; and
- Fully fund current year claims on an accrual (incurred) basis.

**ATTACHMENT(S):** Table and Chart showing Full Funding Projections and Calculations at June 30, 2013 (unaudited)

California State University Risk Management Authority  
Balance Sheet - Campus Programs as of 6/30/12  
(UNAUDITED)

	Liability	Workers' Compensation	IDL/NDI/UI	Property	AIME	Auto Liability	AORMA Liability	AORMA Workers' Comp	AORMA Property	AORMA Crime	AORMA UIP	Misc Purchased	OCIP	Loans	Grand Total All Programs as of 6/30/2012
<b>Assets:</b>															
Cash and Investments	4,283,535	6,999,035	317,675	508,663	273,992	0	1,000,959	1,349,141	145,958	5,949	338,133	-6,737	-475,873	-1,058,313	13,682,116
Other long-term investments	39,191,272	64,040,654	2,912,032	4,659,340	2,507,841	0	9,158,547	12,343,663	1,336,672	54,552	3,094,051	-61,539	-4,353,131	-9,546,583	125,337,372
Accounts receivable	178,656	21,176	4,203	20,131	1,338	0	32,224	3,546	1,263	91	1,120	-1,253	-785	0	261,710
Loan receivable	0	0	0	0	0	0	0	0	0	0	0	0	0	10,604,896	10,604,896
Reinsurance receivable	0	1,098,235	0	0	0	0	0	0	0	0	0	0	0	0	1,098,235
Accrued interest receivable	1,188	1,952	89	142	76	0	279	376	41	2	94	0	-133	0	4,107
Prepaid insurance	2,834	0	0	10,227	0	0	0	0	0	0	0	53,125	2,586,883	0	2,653,069
Prepaid expense	2,391	1,329,712	576	596	123,587	0	6,834	218,832	4,851	432	88	9,375	198,323	0	1,895,596
Fixed asset	3,138	7,404	2,209	2,767	644	0	965	931	759	0	0	0	0	0	18,818
Accumulated Depreciation	-785	-1,851	-552	-692	-161	0	-241	-233	-190	0	0	0	0	0	-4,704
<b>Total assets:</b>	<b>43,662,231</b>	<b>73,496,317</b>	<b>3,236,232</b>	<b>5,201,175</b>	<b>2,907,316</b>	<b>0</b>	<b>10,199,566</b>	<b>13,916,258</b>	<b>1,489,353</b>	<b>61,026</b>	<b>3,433,487</b>	<b>-7,030</b>	<b>-2,044,717</b>	<b>0</b>	<b>155,551,214</b>
<b>Liabilities:</b>															
Accounts payable	291,942	796,286	2,725,514	15,780	3,703	0	1,471,741	914,349	4,584	355	577,385	0	-124	0	6,801,515
SELF assessment liability	0	14,101,192	0	0	0	0	0	0	0	0	0	0	0	0	14,101,192
Reported claims	12,823,833	29,242,770	0	0	142,442	0	1,750,588	3,641,041	0	0	0	0	0	0	47,600,674
Claims incurred but not reported	10,745,376	10,985,551	0	0	1,899,224	0	817,895	4,241,254	0	0	0	0	0	0	28,689,300
<b>Total liabilities:</b>	<b>23,861,151</b>	<b>55,125,799</b>	<b>2,725,514</b>	<b>15,780</b>	<b>2,045,369</b>	<b>0</b>	<b>4,040,224</b>	<b>8,796,644</b>	<b>4,584</b>	<b>355</b>	<b>577,385</b>	<b>0</b>	<b>-124</b>	<b>0</b>	<b>97,192,681</b>
Fund balance	19,801,080	18,370,519	510,717	5,185,396	861,948	0	6,159,342	5,119,614	1,484,769	60,671	2,856,101	-7,030	-2,044,593	0	58,358,534
<b>Total liabilities and fund balance</b>	<b>43,662,231</b>	<b>73,496,317</b>	<b>3,236,232</b>	<b>5,201,175</b>	<b>2,907,316</b>	<b>0</b>	<b>10,199,566</b>	<b>13,916,258</b>	<b>1,489,353</b>	<b>61,026</b>	<b>3,433,487</b>	<b>-7,030</b>	<b>-2,044,717</b>	<b>0</b>	<b>155,551,215</b>
8/1/2012 01:58:07 PM															
Cash + Inv + A/R + PP	43,659,877	73,490,764	3,234,575	5,199,100	2,906,834	0	10,198,842	13,915,559	1,488,784	61,026	3,433,487	-7,030	-2,044,717	0	155,537,101
- A/P - U/E Rev - SELF Assmt Liab	291,942	14,897,478	2,725,514	15,780	3,703	0	1,471,741	914,349	4,584	355	577,385	0	-124	0	20,902,707
<b>ESTIMATED FUNDING AT 6/30/13</b>	<b>43,367,935</b>	<b>58,593,286</b>	<b>509,061</b>	<b>5,183,321</b>	<b>2,903,131</b>	<b>0</b>	<b>8,727,101</b>	<b>13,001,210</b>	<b>1,484,199</b>	<b>60,671</b>	<b>2,856,101</b>	<b>-7,030</b>	<b>-2,044,593</b>	<b>0</b>	<b>134,634,394</b>

California State University Risk Management Authority  
 Balance Sheet - Campus Programs as of 6/30/2013  
 (Unaudited)

	Liability	Workers' Compensation	IDL/NDI/UI	Property	AIME	Auto Liability	Total Campus Programs as of 6/30/2013	AORMA Liability	AORMA Workers' Comp	AORMA Property	AORMA Crime	AORMA UIP	Total AORMA Programs as of 6/30/2013
<b>Assets:</b>													
Cash and Investments	8,868,043	14,169,662	824,522	1,336,883	465,124	0	25,664,233	1,607,827	2,582,052	133,197	20,963	483,232	4,827,271
Other long-term investments	40,171,374	63,638,315	3,523,706	5,869,294	2,093,403	0	115,296,091	7,220,246	11,619,450	616,585	90,227	2,156,412	21,702,919
Accounts receivable	198,266	6,057	336	14,145	200	0	219,004	55,431	1,107	351	9	205	57,102
Loan receivable	0	0	0	0	0	0	0	0	0	0	0	0	0
Reinsurance receivable	0	716,738	0	0	0	0	716,738	0	0	0	0	0	0
Accrued interest receivable	963	1,640	200	148	80	0	3,033	181	275	18	3	65	543
Prepaid insurance	11,858	0	0	64,076	2,492	0	78,426	0	0	0	0	0	0
Prepaid expense	17,903	2,115,668	5,466	13,772	94,450	0	2,247,259	243,753	251,149	1,324	127	838	497,191
Fixed asset	3,138	7,404	2,209	2,767	644	0	16,162	965	931	759	0	0	2,656
Accumulated Depreciation	-1,098	-2,592	-773	-968	-225	0	-5,657	(338)	(326)	(266)	0	0	(930)
<b>Total assets:</b>	<b>49,270,446</b>	<b>80,652,894</b>	<b>4,355,665</b>	<b>7,300,117</b>	<b>2,656,166</b>	<b>0</b>	<b>144,235,289</b>	<b>9,128,064</b>	<b>14,454,638</b>	<b>751,969</b>	<b>111,329</b>	<b>2,640,752</b>	<b>27,086,752</b>
<b>Liabilities:</b>													
Accounts payable	80,071	900,002	2,480,563	16,187	4,806	0	3,481,630	1,073,001	797,732	4,398	421	726,784	2,602,336
Unearned revenue	10,500	0	0	0	0	0	10,500	2,989	0	13	153	0	3,155
SELF assessment liability	0	13,632,062	0	0	0	0	13,632,062	0	0	0	0	0	0
Reported claims	8,105,014	36,703,615	0	0	143,450	0	44,952,079	2,045,034	3,725,705	0	0	0	5,770,739
Claims incurred but not repo	9,938,159	17,863,429	0	0	1,912,662	0	29,714,250	817,895	4,493,819	0	0	0	5,311,714
<b>Total liabilities:</b>	<b>18,133,744</b>	<b>69,099,108</b>	<b>2,480,563</b>	<b>16,187</b>	<b>2,060,918</b>	<b>0</b>	<b>91,790,521</b>	<b>3,938,919</b>	<b>9,017,256</b>	<b>4,411</b>	<b>574</b>	<b>726,784</b>	<b>13,687,944</b>
Fund balance	31,136,702	11,553,786	1,875,102	7,283,930	595,249	0	52,444,768	5,189,145	5,437,382	747,557	110,755	1,913,968	13,398,808
<b>Total liabilities and fund bal</b>	<b>49,270,446</b>	<b>80,652,894</b>	<b>4,355,665</b>	<b>7,300,117</b>	<b>2,656,166</b>	<b>0</b>	<b>144,235,289</b>	<b>9,128,064</b>	<b>14,454,638</b>	<b>751,969</b>	<b>111,329</b>	<b>2,640,752</b>	<b>27,086,752</b>
Cash + Inv + A/R + PP	49,268,406	80,648,081	4,354,230	7,298,319	2,655,748	0	144,224,783	9,127,437	14,454,033	751,475	111,329	2,640,752	27,085,026
- A/P - U/E Rev - SELF Assmt Liab	<u>90,571</u>	<u>14,532,064</u>	<u>2,480,563</u>	<u>16,187</u>	<u>4,806</u>	<u>0</u>	<u>17,124,192</u>	<u>1,075,990</u>	<u>797,732</u>	<u>4,411</u>	<u>574</u>	<u>726,784</u>	<u>2,605,491</u>
<b>ESTIMATED FUNDING AT 6/30/13</b>	<b>49,177,835</b>	<b>66,116,017</b>	<b>1,873,666</b>	<b>7,282,132</b>	<b>2,650,942</b>	<b>0</b>	<b>127,100,592</b>	<b>8,051,447</b>	<b>13,656,300</b>	<b>747,064</b>	<b>110,755</b>	<b>1,913,968</b>	<b>24,479,535</b>

	A	B	C	D	E	F	G	H	I	J
1	<b>CSURMA</b>									
2	<b>Estimated Fund Balance @ 6/30/12, 6/30/13 (unaudited)</b>									
3		<b>Campus</b>	<b>Campus</b>	<b>Campus</b>	<b>Campus</b>	<b>AORMA</b>	<b>AORMA</b>	<b>CAMPUS</b>	<b>AORMA</b>	
4		<b>Liability</b>	<b>WC</b>	<b>IDL/NDL/UI</b>	<b>AIME</b>	<b>Liability</b>	<b>WC</b>	<b>TOTAL</b>	<b>TOTAL</b>	<b>TOTAL</b>
5		<i>Actuary</i>	<i>Actuary</i>		<i>Actuary</i>	<i>Actuary</i>	<i>Actuary</i>			
6	<b>Net Fund Balance at 6/30/12</b>	43,367,935	58,593,286	509,061	2,903,131	8,727,101	13,001,210	105,373,413	21,728,312	127,101,725
7	<b>Estimated Outstanding Liabilities at 6/30/12 (7/25/12 Actuary Report, Table I-1B, IC)</b>									
8	Expected (Net of Mbr Deds)	21,032,384	37,421,692	500,000	1,899,224	2,389,287	7,332,366	60,853,300	9,721,653	70,574,953
9	at 70%	23,556,270	40,415,427	550,000	2,089,146	2,867,144	9,165,458	66,610,843	12,032,602	78,643,445
10	ULAE (Actuary)	2,536,825	2,806,627	41,250	142,442	179,197	549,927	5,527,144	729,124	6,256,268
11	Loss & ULAE @ 70%	26,093,095	43,222,054	591,250	2,231,588	3,046,341	9,715,385	72,137,987	12,761,726	84,899,713
12	Reserve Funds	17,274,840	15,371,232	-82,189	671,543	5,680,760	3,285,825	33,235,426	8,966,586	42,202,012
13	<b>PV of Estimated Outstanding Liabilities at 6/30/12</b>									
14	Expected (Net of Mbr Deds)	20,251,134	34,403,571	490,196	1,871,570	2,319,547	6,774,740	57,016,471	9,094,287	66,110,758
15	at 70%	22,681,270	37,155,857	539,216	2,058,727	2,783,456	8,468,425	62,435,070	11,251,881	73,686,951
16	ULAE (Actuary)	2,443,010	2,580,268	40,441	140,368	173,966	508,106	5,204,087	682,072	5,886,159
17	Loss & ULAE @ 70%	25,124,280	39,736,125	579,657	2,199,095	2,957,422	8,976,531	67,639,157	11,933,953	79,573,110
18	Reserve Funds	18,243,655	18,857,161	-70,596	704,036	5,769,679	4,024,679	37,734,256	9,794,359	47,528,615
19										
20	<b>Net Fund Balance at 6/30/13</b>	49,177,835	66,116,017	1,873,666	2,650,942	8,051,447	13,656,300	119,818,460	21,707,747	141,526,208
21	<b>Estimated Outstanding Liabilities at 6/30/13 (7/29/13 Actuary Report, Table IV-1B, IC)</b>									
22	Expected (Net of Mbr Deds)	16,163,643	50,760,042	562,070	1,912,662	2,879,627	7,646,069	69,398,417	10,525,696	79,924,113
23	at 70%	18,103,280	54,820,845	618,277	2,447,882	3,455,552	9,175,283	75,990,284	12,630,835	88,621,119
24	ULAE (Actuary)	1,879,531	3,807,003	46,371	143,450	215,972	573,455	5,876,355	789,427	6,665,782
25	Loss & ULAE @ 70%	19,982,811	58,627,848	664,648	2,591,332	3,671,524	9,748,738	81,866,639	13,420,262	95,286,901
26	Reserve Funds	29,195,024	7,488,169	1,209,019	59,610	4,379,923	3,907,562	37,951,821	8,287,485	46,239,307
27	<b>PV (2%) of Estimated Outstanding Liabilities at 6/30/13</b>									
28	Expected (Net of Mbr Deds)	15,600,848	46,909,617	551,049	1,882,986	2,801,002	7,062,665	64,944,500	9,863,667	74,808,167
29	at 70%	17,472,950	50,662,386	606,154	2,071,285	3,361,202	8,475,198	70,812,775	11,836,400	82,649,175
30	ULAE (Actuary)	1,814,938	3,518,221	45,462	121,381	210,075	529,700	5,500,001	739,775	6,239,776
31	Loss & ULAE @ 70%	19,287,888	54,180,607	651,615	2,192,666	3,571,277	9,004,898	76,312,776	12,576,175	88,888,951
32	Reserve Funds	29,889,947	11,935,410	1,222,051	458,277	4,480,170	4,651,402	43,505,684	9,131,572	52,637,256

# CSURMA

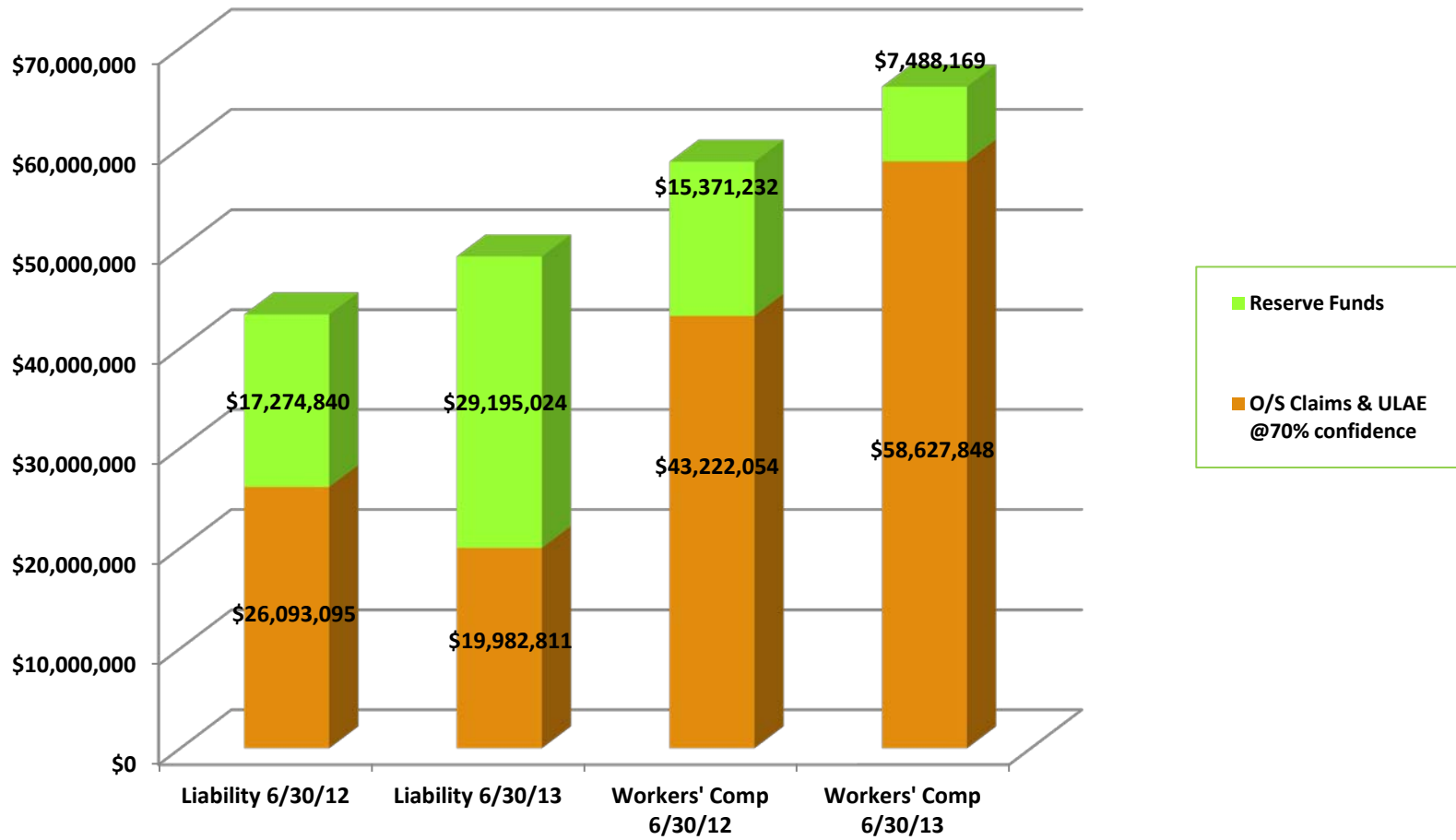
Estimated Fund Balance at June 30, 2013 (unaudited)

## Estimated Outstanding Liabilities (undiscounted)

<b>CAMPUS</b>	<b>Liability 6/30/12</b>	<b>Liability 6/30/13</b>	<b>Workers' Comp 6/30/12</b>	<b>Workers' Comp 6/30/13</b>
O/S Claims & ULAE @70% confidence	\$26,093,095	\$19,982,811	\$43,222,054	\$58,627,848
Reserve Funds	\$17,274,840	\$29,195,024	\$15,371,232	\$7,488,169
<b>CAMPUS</b>	<b>IDL/NDL/UI 6/30/12</b>	<b>IDL/NDL/UI 6/30/13</b>	<b>AIME 6/30/12</b>	<b>AIME 6/30/13</b>
O/S Claims & ULAE @70% confidence	\$591,250	\$664,648	\$2,231,588	\$2,591,332
Reserve Funds	-\$82,189	\$1,209,019	\$671,543	\$59,610
<b>AORMA</b>	<b>Liability 6/30/12</b>	<b>Liability 6/30/13</b>	<b>Workers' Comp 6/30/12</b>	<b>Workers' Comp 6/30/13</b>
O/S Claims & ULAE @80% confidence	\$3,046,341	\$3,671,524	\$9,715,385	\$9,748,738
Reserve Funds	\$5,680,760	\$4,379,923	\$3,285,825	\$3,907,562
<b>TOTAL</b>	<b>CAMPUS 6/30/12</b>	<b>CAMPUS 6/30/13</b>	<b>AORMA 6/30/12</b>	<b>AORMA 6/30/13</b>
O/S Claims & ULAE @ Targeted Amounts	\$72,137,987	\$81,866,639	\$12,761,726	\$13,420,262
Reserve Funds	\$33,235,426	\$37,951,821	\$8,966,586	\$8,287,485

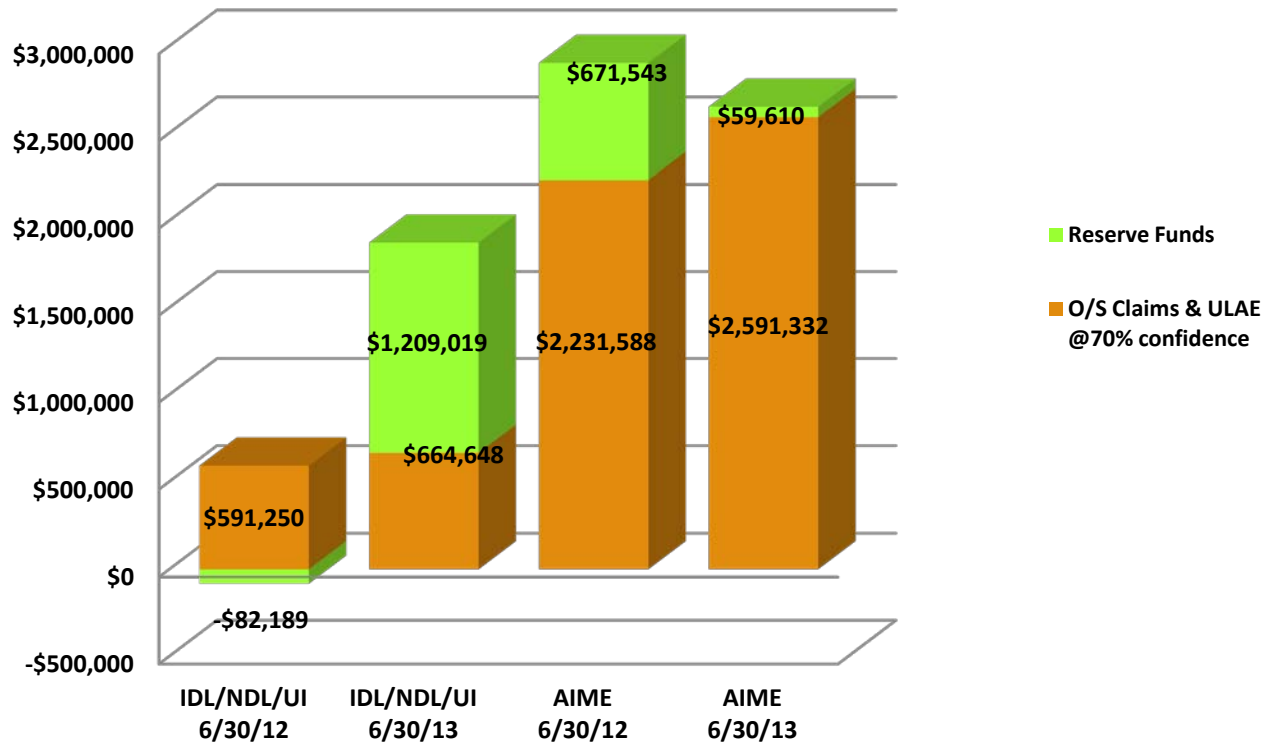
## Campus Programs - Pools

Estimated Funding Projected to FYE 2013 (undiscounted)



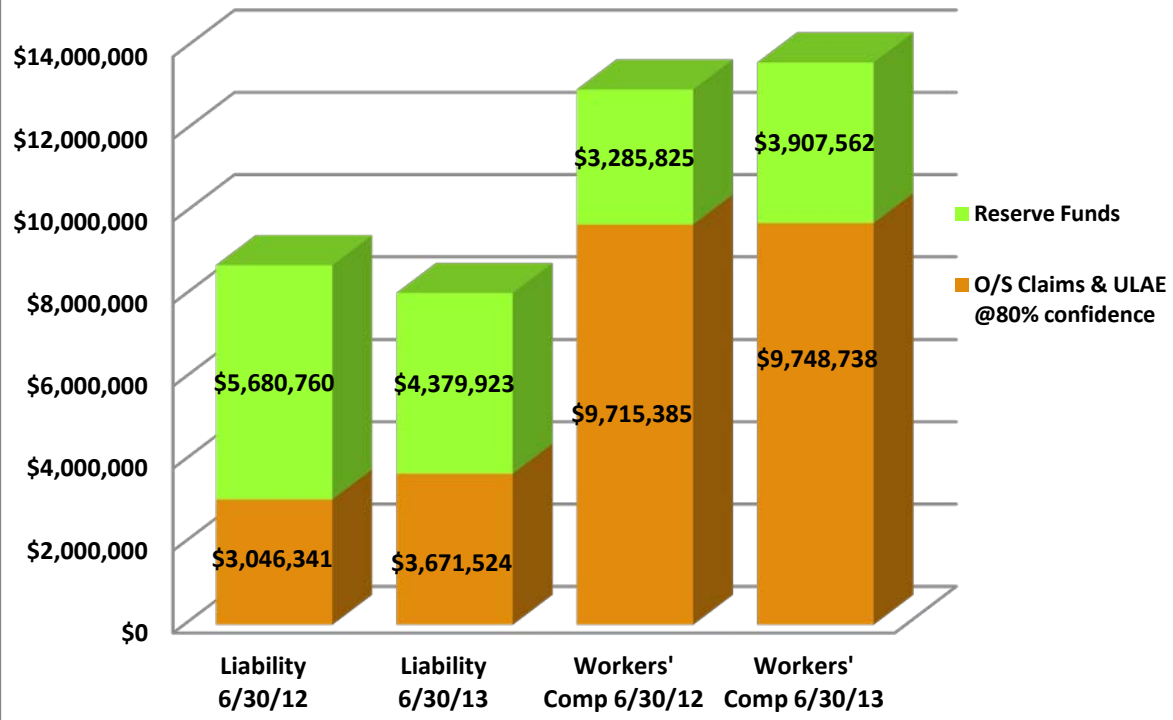
## Campus Programs - Other

### Estimated Funding Projected to FYE 2013 (undiscounted)



# AORMA Programs

Estimated Funding Projected to FYE 2013 (undiscounted)



## Campus Liability Coverage Fund Target Surplus Funding Analysis at \$5,000,000 SIR

Gross Premium (FY 14/15):	\$14,217,698
Maximum Retention:	\$5,000,000 <i>each Occurrence</i>
O/S Reserves at 6/30/13	\$16,163,643 <i>Expected, Discounted, Net of Deductibles</i>
<b>O/S Reserves at 6/30/13</b>	<b>\$18,103,280 at 70% Confidence</b>
Fund Balance at 6/30/13	\$49,177,835
Funded Loss & ULAE @ 6/30/13	\$19,982,811 <i>at 70% Confidence</i>
<b>Funding above 70% Conf Level:</b>	<b>\$29,195,024</b>

Ratio	Target	Indicated Minimum Surplus	Projected Ratio
Premium to Surplus	< 3:1	\$4,739,233	0.29
Surplus to Retention	> 1:1	\$5,000,000	9.84
O/S Reserve to Surplus	≤ 5:1	\$3,232,729	0.33

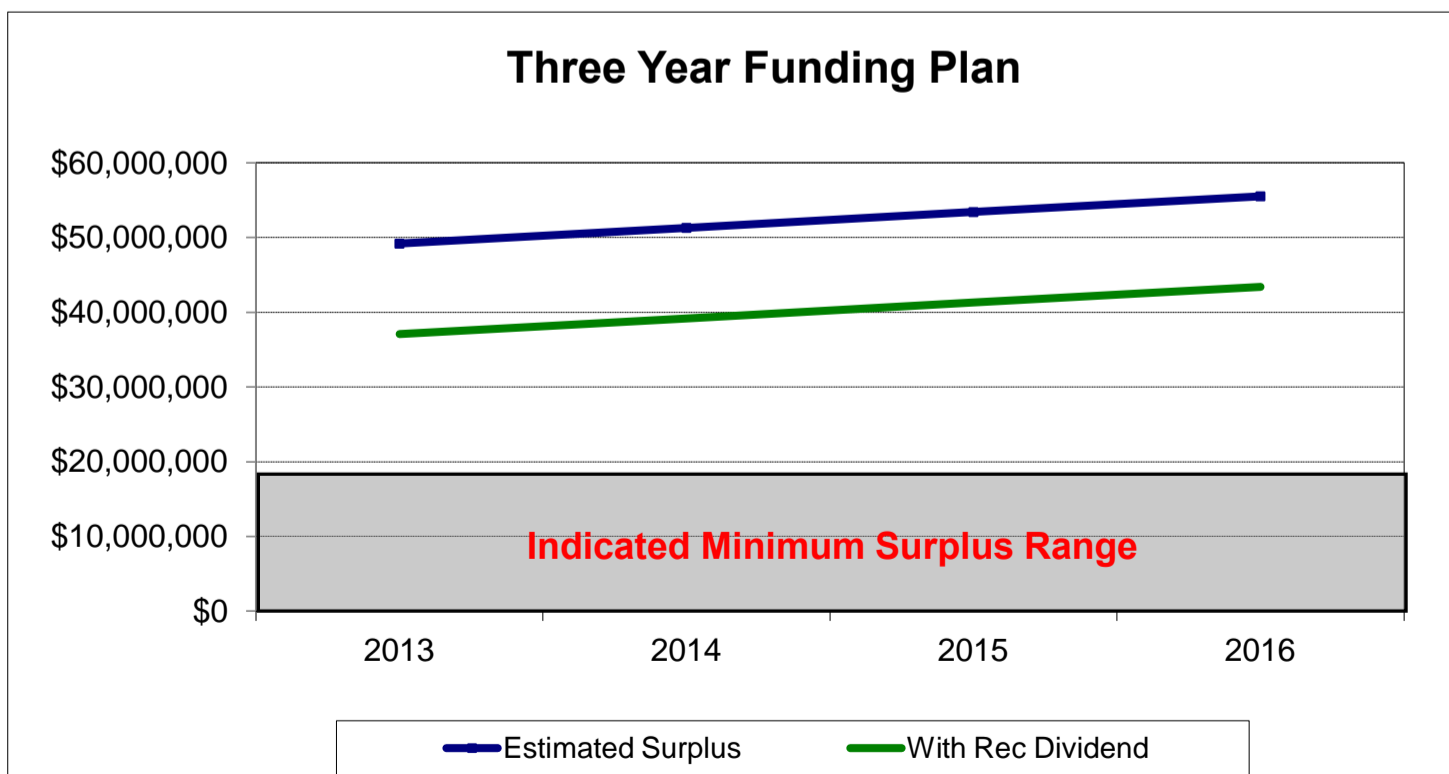
<b>Maximum Dividend Available:</b>	<b>\$24,195,024</b>
<b>Recommended Dividend 50%:</b>	<b>\$12,097,512</b>

### 2014/15 Pool Funding Options

Confidence Levels	Factor	Pool Premium	Surplus
Expected	1.000	\$10,560,000	-
70%	1.200	\$12,672,000	\$2,112,000

### Three Year Funding Plan

	Amount to Add To Surplus	Est. Surplus Balance	With Rec Dividend
Estimated Balance at 6/30/13	N/A	\$49,177,835	\$37,080,323
2013/15 - Collection @ 70% CL	\$2,112,000	\$51,289,835	\$39,192,323
2014/16 - Collection @ 70% CL	\$2,112,000	\$53,401,835	\$41,304,323
2015/17 - Collection @ 70% CL	\$2,112,000	\$55,513,835	\$43,416,323



## Campus Workers' Compensation Coverage Fund Target Surplus Funding Analysis at \$2,500,000 SIR

Gross Premium (FY 14/15):	\$34,752,679
Maximum Retention:	\$2,500,000 <i>each Occurrence</i>
O/S Reserves at 6/30/13	\$50,760,042 <i>Expected, Discounted</i>
<b>O/S Reserves at 6/30/13</b>	<b>\$52,820,845 at 70% Confidence</b>
Fund Balance at 6/30/13	\$66,116,017
Funded Loss & ULAE @ 6/30/13	\$58,627,848 <i>at 70% Confidence</i>
<b>Funding above 70% Conf Level:</b>	<b>\$7,488,169</b>

Ratio	Target	Indicated Minimum Surplus	Projected Ratio
Premium to Surplus	< 3:1	\$11,584,226	0.53
Surplus to Retention	> 2:1	\$5,000,000	26.45
O/S Reserve to Surplus	≤ 5:1	\$10,152,008	0.77

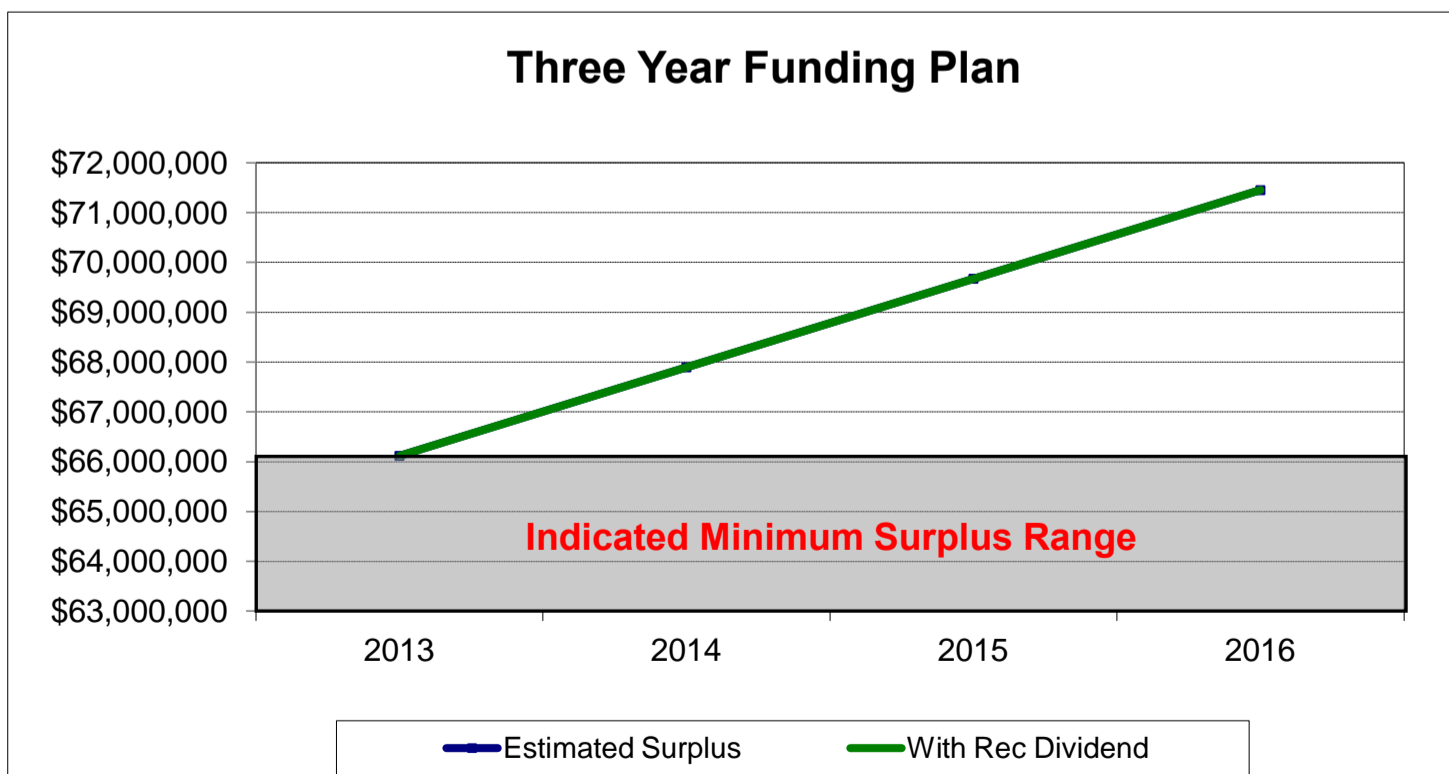
<b>Maximum Dividend Available:</b>	<b>\$0</b>
<b>Recommended Dividend 50%:</b>	<b>\$0</b>

### 2014/15 Pool Funding Options

Confidence Levels	Factor	Pool Premium	Surplus
Expected	1.000	\$17,781,000	-
70%	1.100	\$19,559,100	\$1,778,100

### Three Year Funding Plan

	Amount to Add To Surplus	Est. Surplus Balance	With Rec Dividend
Estimated Balance at 6/30/13	N/A	\$66,116,017	\$66,116,017
2013/15 - Collection @ 70% CL	\$1,778,100	\$67,894,117	\$67,894,117
2014/16 - Collection @ 70% CL	\$1,778,100	\$69,672,217	\$69,672,217
2015/17 - Collection @ 70% CL	\$1,778,100	\$71,450,317	\$71,450,317



**ADOPTED:** OCTOBER 28, 2011  
**EFFECTIVE:** OCTOBER 28, 2011  
**SUBJECT:** CAMPUS RISK POOL PROGRAMS TARGET  
RESERVE FUNDING GOAL

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In an effort to assure the long term financial strength of the Campus Risk Pool Programs that include an element of self-insurance, the CSURMA Board of Directors 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 Board of Directors desires to establish a Target Reserve Funding Goal that will guide the CSURMA Executive Committee 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 Executive Committee and the MEMBER, the MEMORANDUMS OF COVERAGE and the PARTICIPATION AGREEMENTS will govern.*

#### **POLICY**

The Target Reserve Goal is hereby established to be, at a minimum, the actuarially determined expected liability (approximately 55% confidence level), discounted for investment. In evaluating the Programs' funding position relative to the Target Reserve Funding Goal as a part of each year's ratemaking process, the Committee shall take into consideration the following ratios: Gross Premium to Unencumbered Reserve Ratio, Unencumbered Reserve to Pool Retention Ratio and Outstanding Reserves to Unencumbered Reserve Ratio.

The Committee may take action to set higher or lower confidence levels based on CSURMA's goals to retain more or less risk. The Target Reserve Goal and Target Unencumbered Reserve Ratios described in this policy have been selected to take into account the nature of the Campus Risk Pool programs that include a relatively large and stable exposure and a single covered entity with substantial financial capacity.

#### **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, AIME 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, SAFECLIP, SPLIP and Crime

Programs have an annual aggregate retention, an actuarial analysis may not be performed. Also, no actuarial study is required for the IDL/NDL/UI Program as that program covers very short tail statutory benefits.

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

**Gross Premium to Unencumbered Reserve Ratio: Target <3:1**

This ratio is a measure of how the unencumbered reserves are leveraged against possible pricing inaccuracies. A low ratio is desirable.

**Unencumbered Reserve to Pool Retention Ratio: Target >1:1**

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

**Outstanding Reserves to Unencumbered Reserve Ratio: Target ≤ 5:1**

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

- 3. Application of Target Surplus Criteria** – After an annual review of the Target Unencumbered Reserve Ratios, the Executive Committee will determine whether it is desirable to increase, decrease, or stabilize reserves. Their recommendations will be forwarded to the Board of Directors. If the Board of Directors desires to decrease reserves, it may approve a funding level below the 55% confidence level. Conversely, a funding decision above the 55% confidence level will indicate a bias toward increasing reserves. A determination to fund at the 55% confidence level will reflect the Executive Committee's desire to keep surplus at the current level.

Because the Property, SAFECLIP, SPLIP and Crime Programs have annual aggregate retentions, and therefore no actuarial study is performed, the Target Reserve Funding shall be the amount of funds that exceed the maximum liability retained by the program for the upcoming program year plus the expected value for all open claims from current and prior years. The Executive Committee will approve the annual funding for each program.

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

- 4. Dividends** – Dividends may be available from the amount of reserves exceeding the Target Reserve amount established by the Executive Committee. The allocation of any dividend shall be pursuant to the formula approved by the Executive Committee.

5. **Assessments** – Assessments may be required when the Executive Committee determines that the amount of reserves is not sufficient and can best be remedied by an extraordinary assessment. The allocation of any assessment shall be pursuant to the formula approved by the Executive Committee.

#### **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 Executive Committee's agenda at its next regularly scheduled meeting. The Executive 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 Executive Committee's decision, the Member will notify the CSURMA Secretary in writing within 5 business days of receipt of the Executive 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:**

**CSURMA EXECUTIVE COMMITTEE** – The California State University Risk Management Authority Executive Committee, a committee of the CSURMA providing management and oversight to the CSURMA. The Executive Committee is comprised of the Chair, the Vice Chair, and seven “At Large” members.

**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.

**FY 2014/15 CAMPUS COVERAGE PROGRAMS  
RECOMMENDED RATES AND GROSS FUNDING**

**ISSUE:** Upon recommendation of the Executive Committee, the Board of Directors adopts rates and funding for the upcoming fiscal year at its Fall meeting. The Program Administrator has prepared FY 2014/15 draft calculations using the draft actuarial reports dated July 29, 2013.

The General Liability program cost includes premium deposits for Student Professional Liability Insurance Program (SPLIP) and Student Academic Field Experience for Credit Liability Insurance Program (SAFECLIP). Campus Property program cost includes Blanket Employee Fidelity coverage and Cyber Risk insurance. The costs for the purchased insurance programs (SPLIP, SAFECLIP, Property, Fidelity, Cyber) are estimated at this time since actual rates will not be known until negotiations are finalized in June 2014. Auto Liability is covered by the State Vehicle Liability Self-Insurance Program (VELSIP); its cost is determined by the Office of Risk and Insurance Management (ORIM) and issued in March 2014.

The following summarizes total program costs, with individual Campus costs shown in the attachments to this item.

**Campus Coverage Programs Funding Comparison**

	<b>FY 13/14 Adopted</b>	<b>FY 14/15 Proposed</b>	<b>% Chg</b>	<b>% Chg</b>
Liability	\$13,670,600	\$14,217,698	\$547,098	4.0%
Workers' Compensation	29,448,933	34,752,679	5,303,746	18.0%
IDL NDI UI	13,500,000	13,500,000	0	0.0%
Property	9,500,000	9,500,000	0	0.0%
AIME	2,932,489	2,932,489	0	0.0%
Auto Liability	648,727	648,727	0	0.0%
<b>Total</b>	<b>\$69,700,749</b>	<b>\$75,551,593</b>	<b>\$5,850,844</b>	<b>8.4%</b>

- (1) This is a projection based on market assessment at this time.
- (2) AIME Committee to recommend final funding for FY 2014/15.
- (3) Auto Liability cost to be issued by DGS ORIM in March 2014.

**RECOMMENDATION:** The Executive Committee is asked to review and recommend to the Board of Directors adoption of the Campus coverage programs funding for FY 2014/15 as presented in the Table above.

**FISCAL IMPACT:** Adoption of the recommended funding for the campus coverage programs totaling \$75,551,593 are in accordance with the policies & procedures and rating plans adopted and approved by the Board of Directors.

**BACKGROUND:** CSURMA employs an independent actuarial firm, Aon Risk Solutions to project claim costs for its General and Errors & Omissions Liability, Workers' Compensation and Athletic Injury Medical Expense coverage programs. Aon's draft actuarial reports dated July 29, 2013 were used to calculate the recommended funding for FY 2014/15.

The Executive Committee is asked to focus on the aggregate program funding issues at this time. Campuses should contact Rob Leong (415-403-1441) for any specific questions as to how their cost was calculated.

**ATTACHMENT(S):** FY 2014/15 Campus Coverage Programs Proposed Funding (Draft)

**CSURMA RISK POOL FY 2014/15**  
**Total Program Cost**

*Draft*

<i>Campus</i>	<i>FY 13/14 Actual</i>	<i>FY 14/15 Proposed</i>	<i>Change</i>
Bakersfield	\$1,373,584	\$1,439,380	4.8%
Channel Islands	1,419,161	1,580,065	11.3%
Chico	2,450,874	2,667,542	8.8%
Dominguez Hills	2,414,932	2,584,902	7.0%
East Bay	2,667,213	3,040,519	14.0%
Fresno	4,175,434	3,853,327	-7.7%
Fullerton	3,580,572	3,759,916	5.0%
Humboldt	2,034,388	2,110,502	3.7%
Long Beach	4,928,707	5,790,703	17.5%
Los Angeles	3,329,678	3,676,039	10.4%
Maritime Academy	466,758	569,708	22.1%
Monterey Bay	1,314,471	1,340,962	2.0%
Northridge	4,278,661	4,787,645	11.9%
Pomona	3,550,552	3,975,172	12.0%
Sacramento	3,541,151	3,957,244	11.8%
San Bernardino	2,512,062	2,506,414	-0.2%
San Diego	4,542,063	4,658,619	2.6%
San Francisco	4,510,616	4,762,886	5.6%
San Jose	4,546,707	4,834,180	6.3%
San Luis Obispo	3,582,689	4,008,422	11.9%
San Marcos	1,391,374	1,613,251	15.9%
Sonoma	1,983,583	1,980,042	-0.2%
Stanislaus	1,636,319	1,705,359	4.2%
Chancellor's Office	979,474	1,066,519	8.9%
Systemwide	2,489,726	3,282,275	31.8%
<b>Total:</b>	<b>\$69,700,749</b>	<b>\$75,551,593</b>	<b>8.4%</b>

**CSURMA RISK POOL FY 2014/15  
Liability Program Cost**

*Draft*

<i>Campus</i>	<i>FY 13/14 Actual</i>	<i>FY 14/15 Proposed</i>	<i>Change</i>
Bakersfield	\$364,805	\$318,088	-12.8%
Channel Islands	328,652	385,208	17.2%
Chico	487,576	548,239	12.4%
Dominguez Hills	775,974	796,545	2.7%
East Bay	378,121	489,684	29.5%
Fresno	1,587,770	1,175,817	-25.9%
Fullerton	553,533	586,720	6.0%
Humboldt	486,110	527,434	8.5%
Long Beach	832,019	897,304	7.8%
Los Angeles	345,777	385,749	11.6%
Maritime Academy	147,284	180,781	22.7%
Monterey Bay	354,511	233,415	-34.2%
Northridge	624,813	774,050	23.9%
Pomona	601,781	689,865	14.6%
Sacramento	781,922	997,905	27.6%
San Bernardino	708,195	446,106	-37.0%
San Diego	613,503	590,851	-3.7%
San Francisco	551,985	604,414	9.5%
San Jose	754,175	928,825	23.2%
San Luis Obispo	377,009	608,365	61.4%
San Marcos	344,410	378,264	9.8%
Sonoma	534,989	410,419	-23.3%
Stanislaus	253,644	323,511	27.5%
Chancellor's Office	299,893	336,506	12.2%
Systemwide	582,149	603,633	3.7%
<b>Total:</b>	<b>\$13,670,600</b>	<b>\$14,217,698</b>	<b>4.0%</b>

Includes Student Professional Liability Insurance Program (SPLIP),  
Student Academic Field Experience for Credit Liability Insurance Program (SAFECLIP).

**CSURMA RISK POOL FY 2014/15  
Workers' Compensation Program Cost**

*Draft*

<i>Campus</i>	<i>FY 13/14 Actual</i>	<i>FY 14/15 Proposed</i>	<i>Change</i>
Bakersfield	\$541,487	\$673,290	24.3%
Channel Islands	636,413	737,768	15.9%
Chico	1,167,653	1,382,868	18.4%
Dominguez Hills	989,475	1,166,978	17.9%
East Bay	1,319,044	1,629,987	23.6%
Fresno	1,283,886	1,441,742	12.3%
Fullerton	1,634,592	1,881,763	15.1%
Humboldt	769,970	854,425	11.0%
Long Beach	2,420,619	3,233,311	33.6%
Los Angeles	1,874,294	2,184,466	16.5%
Maritime Academy	171,759	177,826	3.5%
Monterey Bay	530,868	642,951	21.1%
Northridge	1,983,323	2,353,543	18.7%
Pomona	1,934,464	2,345,605	21.3%
Sacramento	1,388,168	1,616,539	16.5%
San Bernardino	1,057,486	1,251,363	18.3%
San Diego	2,100,021	2,397,163	14.1%
San Francisco	2,175,855	2,521,235	15.9%
San Jose	1,577,896	1,820,520	15.4%
San Luis Obispo	1,666,991	1,862,465	11.7%
San Marcos	466,781	571,731	22.5%
Sonoma	605,672	775,921	28.1%
Stanislaus	681,659	730,140	7.1%
Chancellor's Office	470,557	499,079	6.1%
Systemwide	0	0	0.0%
<b>Total:</b>	<b>\$29,448,933</b>	<b>\$34,752,679</b>	<b>18.0%</b>

**CSURMA RISK POOL FY 2014/15  
IDL/NDI/UI Program Cost**

*Draft*

<i>Campus</i>	<i>FY 13/14 Actual</i>	<i>FY 14/15 Proposed</i>	<i>Change</i>
Bakersfield	\$256,239	\$245,879	-4.0%
Channel Islands	282,666	266,117	-5.9%
Chico	445,613	423,942	-4.9%
Dominguez Hills	386,014	403,861	4.6%
East Bay	593,381	571,429	-3.7%
Fresno	565,235	517,263	-8.5%
Fullerton	707,943	767,517	8.4%
Humboldt	475,541	477,222	0.4%
Long Beach	1,024,711	1,017,739	-0.7%
Los Angeles	562,667	571,403	1.6%
Maritime Academy	81,133	149,678	84.5%
Monterey Bay	266,378	303,708	14.0%
Northridge	957,124	936,733	-2.1%
Pomona	564,336	548,187	-2.9%
Sacramento	748,965	769,739	2.8%
San Bernardino	436,158	473,245	8.5%
San Diego	914,769	898,596	-1.8%
San Francisco	1,144,692	1,108,877	-3.1%
San Jose	990,494	957,349	-3.3%
San Luis Obispo	701,297	672,174	-4.2%
San Marcos	345,964	429,009	24.0%
Sonoma	469,725	433,895	-7.6%
Stanislaus	411,679	365,845	-11.1%
Chancellor's Office	167,276	190,593	13.9%
Systemwide			
<b>Total:</b>	<b>\$13,500,000</b>	<b>\$13,500,000</b>	<b>0.0%</b>

Industrial Disability Leave, Nonindustrial Disability Leave, Unemployment Insurance

**CSURMA RISK POOL FY 2014/15**  
**Property Program Cost**

*Draft*

<i>Campus</i>	<i>FY 13/14 Actual</i>	<i>FY 14/15 Proposed</i>	<i>Change</i>
Bakersfield	\$90,914	\$84,602	-6.9%
Channel Islands	151,635	168,752	11.3%
Chico	296,017	258,299	-12.7%
Dominguez Hills	194,911	148,956	-23.6%
East Bay	320,420	294,415	-8.1%
Fresno	361,473	342,825	-5.2%
Fullerton	485,175	322,348	-33.6%
Humboldt	215,554	163,885	-24.0%
Long Beach	435,315	422,065	-3.0%
Los Angeles	446,583	434,450	-2.7%
Maritime Academy	49,811	45,196	-9.3%
Monterey Bay	104,368	104,345	0.0%
Northridge	537,050	546,960	1.8%
Pomona	359,523	306,850	-14.7%
Sacramento	326,953	275,482	-15.7%
San Bernardino	250,872	277,235	10.5%
San Diego	459,895	317,960	-30.9%
San Francisco	555,771	447,775	-19.4%
San Jose	755,662	656,905	-13.1%
San Luis Obispo	482,658	514,371	6.6%
San Marcos	186,410	184,900	-0.8%
Sonoma	312,204	296,803	-4.9%
Stanislaus	172,101	166,074	-3.5%
Chancellor's Office	41,148	39,905	-3.0%
Systemwide	1,907,577	2,678,642	40.4%
<b>Total:</b>	<b>\$9,500,000</b>	<b>\$9,500,000</b>	<b>0.0%</b>

Includes Crime (Fidelity), Cyber Risks.

*Estimate Only*

Does not include adjustments due to addition/deletions of buildings.

**CSURMA RISK POOL FY 2014/15**  
**Athletic Injury Medical Expense Program Cost**  
**(AIME)**

*Draft*

<i>Campus</i>	<i>FY 13/14 Actual</i>	<i>FY 14/15 Proposed</i>	<i>Change</i>
Bakersfield	\$106,193	\$106,193	0.0%
Channel Islands			
Chico	27,472	27,472	0.0%
Dominguez Hills	50,263	50,263	0.0%
East Bay	35,253	35,253	0.0%
Fresno	323,834	323,834	0.0%
Fullerton	169,037	169,037	0.0%
Humboldt	69,818	69,818	0.0%
Long Beach	175,554	175,554	0.0%
Los Angeles	78,913	78,913	0.0%
Maritime Academy	13,322	13,322	0.0%
Monterey Bay	47,249	47,249	0.0%
Northridge	144,409	144,409	0.0%
Pomona	40,661	40,661	0.0%
Sacramento	266,501	266,501	0.0%
San Bernardino	31,308	31,308	0.0%
San Diego	413,386	413,386	0.0%
San Francisco	55,170	55,170	0.0%
San Jose	433,839	433,839	0.0%
San Luis Obispo	274,806	274,806	0.0%
San Marcos	36,712	36,712	0.0%
Sonoma	37,299	37,299	0.0%
Stanislaus	101,490	101,490	0.0%
Chancellor's Office			
Systemwide			
<b>Total:</b>	<b>\$2,932,489</b>	<b>\$2,932,489</b>	<b>0.0%</b>

To be adjusted based on campus claims and sports census.

New Member: East Bay effective 7/1/12.

**CSURMA RISK POOL FY 2014/15  
Auto Liability (VELSIP) Program Cost**

*Draft*

<i>Campus</i>	<i>FY 13/14 Actual</i>	<i>FY 14/15 Proposed</i>	<i>Change</i>
Bakersfield	\$13,946	\$11,328	-18.8%
Channel Islands	19,795	22,220	12.3%
Chico	26,543	26,722	0.7%
Dominguez Hills	18,295	18,299	0.0%
East Bay	20,994	19,751	-5.9%
Fresno	53,236	51,846	-2.6%
Fullerton	30,292	32,531	7.4%
Humboldt	17,395	17,718	1.9%
Long Beach	40,489	44,730	10.5%
Los Angeles	21,444	21,058	-1.8%
Maritime Academy	3,449	2,905	-15.8%
Monterey Bay	11,097	9,294	-16.2%
Northridge	31,942	31,950	0.0%
Pomona	49,787	44,004	-11.6%
Sacramento	28,642	31,078	8.5%
San Bernardino	28,043	27,157	-3.2%
San Diego	40,489	40,663	0.4%
San Francisco	27,143	25,415	-6.4%
San Jose	34,641	36,742	6.1%
San Luis Obispo	79,928	76,241	-4.6%
San Marcos	11,097	12,635	13.9%
Sonoma	23,694	25,705	8.5%
Stanislaus	15,746	18,299	16.2%
Chancellor's Office	600	436	-27.3%
Systemwide	0	0	0.0%
<b>Total:</b>	<b>\$648,727</b>	<b>\$648,727</b>	<b>0.0%</b>

**Subject to Final MVIA Assessment from DGS in March 2014.**

Auto Liability is managed by the State Vehicle Liability Self-Insurance Program (VELSIP) which also determines the program's total cost each year.

**Table 1**

	<b>FY 13/14 Adopted</b>	<b>FY 14/15 Proposed</b>	<b>% Chg</b>	<b>% Chg</b>
Liability	\$13,670,600	\$14,217,698	\$547,098	4.0%
Workers' Compensation	29,448,933	34,752,679	5,303,746	18.0%
IDL NDI UI	13,500,000	13,500,000	0	0.0%
Property	9,500,000	9,500,000	0	0.0%
AIME	2,932,489	2,932,489	0	0.0%
Auto Liability	648,727	648,727	0	0.0%
<b>Total</b>	<b>\$69,700,749</b>	<b>\$75,551,593</b>	<b>\$5,850,844</b>	<b>8.4%</b>

**CAMPUS RISK POOLS DIVIDENDS AND ASSESSMENTS**

**ISSUE:** Per CSURMA Policy and Procedure No. 14-JPA, the Executive Committee evaluates and approves dividends and assessments for the Campus Risk Pools. The practice has been to declare a dividend of up to fifty percent (50%) of unencumbered program funds where available and an assessment to cover existing and anticipated funding shortfalls for funds that have a negative fund balance.

Pursuant to proposed P&P No. 14- JPA, staff is recommending that the Executive Committee approve the proposed dividends and assessments shown below.

**PROPOSED CAMPUS RISK POOLS DIVIDENDS AND ASSESSMENTS**

<b>Program</b>	<b>FY 12/13 Dividend (Assessment)</b>	<b>FY 13/14 Dividend (Assessment)</b>
Liability	\$0	\$12,097,512
Workers' Compensation	7,504,717	0
IDL/NDL/UI	(2,716,515)	0
<b>Total</b>	<b>\$4,788,202</b>	<b>\$12,097,512</b>

**RECOMMENDATION:** Staff recommends that the Executive Committee review the proposed dividends and assessment and recommend the amounts shown in Table 1 to the Board of Directors pursuant to P&P No. 14-JPA.

**FISCAL IMPACT:** Staff's proposal would have the effect of reducing the Liability and Workers' Compensation funds by half of their excess reserves.

**BACKGROUND:** CSURMA adopted a funding policy that calls for each program to fund its liabilities. The authority allows interfund borrowing if a fund has a deficit position. Last year, the Executive Committee declared a simultaneous dividend and assessment that resulted in a \$0 net return to most campuses with some being assessed an additional contribution. An assessment is not needed this year as the IDL/NDL/UI fund has been restored.

**ATTACHMENT(S):** Summary of Dividends and Assessments Calculation

## CSURMA

### Recommended Campus Risk Pools Dividends/Assessments

September 12, 2013

Campus	Liability	WC	IDL/NDL/UI	Liability	WC	IDL/NL/UI	Net
	% of Ttl Deposit	% of Ttl Deposit	% of Ttl Deposit	Dividend	Dividend	Assessment	Dividend
Bakersfield	2.94%	1.65%	1.53%	355,783	0	0	355,783
Channel Islands	1.52%	1.67%	2.09%	184,204	0	0	184,204
Chico	4.32%	3.62%	3.44%	522,911	0	0	522,911
Dominguez Hills	4.52%	3.49%	3.29%	546,243	0	0	546,243
East Bay	2.16%	5.00%	5.17%	261,210	0	0	261,210
Fresno	11.07%	4.17%	4.10%	1,338,717	0	0	1,338,717
Fullerton	4.28%	5.66%	4.75%	518,285	0	0	518,285
Humboldt	4.17%	2.43%	3.57%	504,009	0	0	504,009
Long Beach	8.57%	7.44%	6.83%	1,036,162	0	0	1,036,162
Los Angeles	4.21%	6.01%	3.63%	509,175	0	0	509,175
Maritime Academy	0.83%	0.60%	0.50%	100,055	0	0	100,055
Monterey Bay	3.04%	1.53%	1.68%	367,566	0	0	367,566
Northridge	4.51%	7.82%	6.96%	545,889	0	0	545,889
Pomona	3.96%	5.73%	3.85%	478,712	0	0	478,712
Sacramento	3.96%	4.57%	5.75%	478,489	0	0	478,489
San Bernardino	4.82%	3.34%	3.30%	583,604	0	0	583,604
San Diego	4.21%	7.60%	6.62%	509,284	0	0	509,284
San Francisco	7.51%	7.65%	9.95%	908,710	0	0	908,710
San Jose	4.87%	5.93%	7.34%	589,304	0	0	589,304
San Luis Obispo	3.29%	6.18%	4.72%	397,533	0	0	397,533
San Marcos	4.50%	1.49%	2.39%	544,520	0	0	544,520
Sonoma	3.24%	2.83%	4.34%	392,475	0	0	392,475
Stanislaus	1.77%	1.80%	3.01%	214,198	0	0	214,198
Chancellor's Office	1.74%	1.76%	1.18%	210,474	0	0	210,474
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>12,097,512</b>	<b>0</b>	<b>0</b>	<b>12,097,512</b>

**Dividend (Assessment)      \$12,097,512                      \$0                      \$0**

Distribution based on percentage of Total Contribution by Fund in past 5 years (7/1/08 to 6/30/13).

LIABILITY	DEPOSIT							5 Year	Percent
	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	Total	of 5 Yr
								FY 08-13	Total
Bakersfield	332,754	310,667	346,790	400,706	387,292	405,923	364,805	1,851,378	2.94%
Channel Islands	184,147	144,657	188,489	194,515	195,001	235,875	328,652	958,537	1.52%
Chico	119,507	569,150	597,961	493,897	539,811	520,241	487,576	2,721,060	4.32%
Dominguez Hills	470,491	455,686	444,050	612,683	592,762	737,290	775,974	2,842,470	4.52%
East Bay	474,796	313,882	262,706	218,872	251,811	311,980	378,121	1,359,251	2.16%
Fresno	581,481	737,146	1,404,205	1,919,834	1,337,763	1,567,299	1,587,770	6,966,247	11.07%
Fullerton	730,374	550,115	505,783	519,420	533,126	588,543	553,533	2,696,987	4.28%
Humboldt	561,959	582,311	449,106	461,950	564,757	564,574	486,110	2,622,698	4.17%
Long Beach	447,261	1,007,218	1,071,472	1,040,305	1,099,345	1,173,512	832,019	5,391,851	8.57%
Los Angeles	650,090	613,699	515,871	494,825	494,390	530,797	345,777	2,649,582	4.21%
Maritime Academy	407,654	69,562	100,824	103,276	107,331	139,660	147,284	520,653	0.83%
Monterey Bay	60,237	309,404	400,400	395,764	406,672	400,452	354,511	1,912,692	3.04%
Northridge	479,714	544,040	561,408	532,645	578,364	624,172	624,813	2,840,628	4.51%
Pomona	629,118	469,464	394,876	631,584	455,584	539,554	601,781	2,491,063	3.96%
Sacramento	431,172	467,669	467,122	440,623	391,546	722,941	781,922	2,489,901	3.96%
San Bernardino	556,192	424,141	626,073	655,862	617,953	712,855	708,195	3,036,883	4.82%
San Diego	409,494	434,471	489,882	481,840	589,756	654,198	613,503	2,650,146	4.21%
San Francisco	314,904	1,083,146	1,060,945	981,276	771,018	832,245	551,985	4,728,630	7.51%
San Jose	613,261	515,680	549,719	535,474	593,830	871,841	754,175	3,066,544	4.87%
San Luis Obispo	349,489	478,120	462,809	401,666	370,557	355,478	377,009	2,068,630	3.29%
San Marcos	389,553	645,585	619,980	605,416	536,458	426,066	344,410	2,833,505	4.50%
Sonoma	557,512	267,571	382,710	409,931	436,349	545,750	534,989	2,042,311	3.24%
Stanislaus	219,048	191,900	219,858	222,611	215,105	265,145	253,644	1,114,619	1.77%
Chancellor's Office	187,724	225,820	219,178	215,581	218,064	216,596	299,893	1,095,239	1.74%
<b>Total</b>	<b>10,157,932</b>	<b>11,411,104</b>	<b>12,342,217</b>	<b>12,970,554</b>	<b>12,284,645</b>	<b>13,942,983</b>	<b>13,088,451</b>	<b>62,951,504</b>	<b>100.00%</b>

WC	DEPOSIT							5 Year	Percent
	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	Total	of 5 Yr
								FY 08-13	Total
Bakersfield	625,617	506,308	481,096	507,994	530,287	530,287	541,487	2,555,972	1.65%
Channel Islands	674,644	366,096	441,586	564,650	609,429	609,429	636,413	2,591,190	1.67%
Chico	339,343	1,049,525	1,072,779	1,161,693	1,156,504	1,156,504	1,167,653	5,597,005	3.62%
Dominguez Hills	1,282,913	1,247,626	1,094,985	1,060,047	1,001,887	1,001,887	989,475	5,406,432	3.49%
East Bay	1,489,883	1,704,547	1,597,140	1,646,771	1,396,517	1,396,517	1,319,044	7,741,492	5.00%
Fresno	1,914,217	1,238,506	1,259,559	1,356,461	1,301,624	1,301,624	1,283,886	6,457,774	4.17%
Fullerton	1,483,973	1,860,427	1,820,928	1,785,105	1,644,500	1,644,500	1,634,592	8,755,460	5.66%
Humboldt	2,246,086	746,702	693,440	743,652	787,692	787,692	769,970	3,759,178	2.43%
Long Beach	876,721	2,302,093	2,219,953	2,242,791	2,369,062	2,369,062	2,420,619	11,502,961	7.44%
Los Angeles	2,734,238	1,879,992	1,829,180	1,902,482	1,846,454	1,846,454	1,874,294	9,304,562	6.01%
Maritime Academy	2,193,271	188,306	190,199	191,193	182,757	182,757	171,759	935,212	0.60%
Monterey Bay	209,144	447,069	469,060	481,385	484,621	484,621	530,868	2,366,756	1.53%
Northridge	527,663	2,730,294	2,548,630	2,470,087	2,175,342	2,175,342	1,983,323	12,099,695	7.82%
Pomona	3,054,477	1,794,941	1,730,526	1,761,387	1,791,067	1,791,067	1,934,464	8,868,988	5.73%
Sacramento	2,150,501	1,454,092	1,415,444	1,456,004	1,371,904	1,371,904	1,388,168	7,069,348	4.57%
San Bernardino	1,775,248	1,046,898	1,067,793	1,067,863	990,062	990,062	1,057,486	5,162,678	3.34%
San Diego	1,193,338	2,564,090	2,449,606	2,437,657	2,156,178	2,156,178	2,100,021	11,763,709	7.60%
San Francisco	3,072,884	2,396,474	2,301,740	2,443,177	2,344,418	2,344,418	2,175,855	11,830,227	7.65%
San Jose	2,596,495	2,101,273	1,979,959	1,950,330	1,573,823	1,573,823	1,577,896	9,179,208	5.93%
San Luis Obispo	2,603,149	2,067,567	2,035,343	2,063,924	1,701,031	1,701,031	1,666,991	9,568,896	6.18%
San Marcos	2,350,409	467,658	479,387	479,643	442,829	442,829	466,781	2,312,346	1.49%
Sonoma	535,953	1,059,387	914,433	911,883	747,530	747,530	605,672	4,380,763	2.83%
Stanislaus	1,343,840	564,015	564,968	570,444	542,417	542,417	681,659	2,784,261	1.80%
Chancellor's Office	717,689	554,379	562,765	593,377	504,496	504,496	470,557	2,719,513	1.76%
<b>Total</b>	<b>37,991,696</b>	<b>32,338,265</b>	<b>31,220,499</b>	<b>31,850,000</b>	<b>29,652,431</b>	<b>29,652,431</b>	<b>29,448,933</b>	<b>154,713,626</b>	<b>100.00%</b>



**ADOPTED:** OCTOBER 28, 2011  
**EFFECTIVE:** OCTOBER 28, 2011  
**SUBJECT:** CAMPUS RISK POOL DIVIDENDS & ASSESSMENTS

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*Should there be any discrepancy between this document and either the MEMORANDUMS OF COVERAGE or PARTICIPATION AGREEMENTS between the Executive Committee and the MEMBER, the MEMORANDUMS OF COVERAGE and the PARTICIPATION AGREEMENTS will govern. Words in capital letters are defined at the end of this document.*

## **POLICY**

It is the policy of Executive Committee that:

- Evaluation of the funding for each Campus Risk Pool Self-Insured Program (“PROGRAM”) shall be made based on all coverage periods combined for that particular program rather than on each coverage period on its own. The availability of any dividend or need for any assessment will be determined based on the program’s overall funding relative to the Target Reserve Funding Goal detailed in the separate Policy and Procedure No. 13.
- Assessments and Dividends shall be allocated to the MEMBERS based on participation in “open” policy periods only.
- Unless the Executive Committee takes specific action to the contrary, a coverage period shall be considered “closed” for dividend and assessment purposes five (5) years from the expiration of that period (i.e. 6/30/03 for FY07/08).
- Assessments are a responsibility of membership and shall be allocated to all members who participated in the open policy periods which the assessment is based on, regardless of whether they are current members at the time the assessment is declared.
- Dividends are a privilege of membership and shall be allocated only to the current members in the program at the time the dividend is declared who participated in one or more of the open policy periods which the dividend is based on.

## **PROCEDURE**

1. **Annual Funding Analysis** – Each year the Program Director will analyze the current funding position of the programs in accordance with the Target Reserve Funding Goal detailed in Policy and Procedure No. 13. This analysis will, in part, determine whether each program’s overall funding is sufficient to consider a dividend or is depleted to the point of considering an assessment. The Program Director’s analysis will be reviewed by the Executive Committee.
2. **Closure of Policy Periods** - Upon reaching five (5) years of maturity after the end of a coverage period, that period shall be "closed" and there shall be no further dividends or

assessments allocated with respect to those program periods. Notwithstanding the above, the Executive Committee may take action to leave a policy period "open" even though it may otherwise qualify for closure. In addition, the last five (5) policy periods shall always remain "open" unless the Executive Committee takes specific action to declare any of the last five (5) policy periods closed.

- 3. Dividends and Assessments** - Dividends and assessments shall be allocated to the MEMBERS based upon the proportion of all premiums paid to the PROGRAM in all "open" periods only. For purposes of allocating dividends and assessments pursuant to this subparagraph, all "open" policy periods shall be considered collectively.
- 4. DECLARATION OF ASSESSMENTS** – Based on the recommendation of the Executive Committee, assessments will be declared as needed by the Board of Directors, and will be collected from a MEMBER in accordance with its proportionate funding to the PROGRAM during all “open” policy periods, whether or not they currently participate in the Program at the time of the assessment.
- 5. DECLARATION OF DIVIDENDS** – On the recommendation of the Executive Committee, the Board of Directors may declare dividends if overall funding is sufficient to support such action. Upon such a declaration, the dividend shall be allocated to those MEMBERS currently participating in the Program at the time the dividend is payable, based on the proportionate funding of all “open” policy periods.

#### **MEMBER APPEAL PROCESS**

If a MEMBER wishes to appeal any decision regarding the application of this Dividend/Assessment Policy, the MEMBER must present an appeal in writing to the CSURMA Secretary within thirty (30) days of the disputed decision. The Secretary shall place the MEMBER appeal on the Executive Committee agenda at its next regularly scheduled meeting. The Executive Committee will review the appeal at its next regularly scheduled meeting and inform the MEMBER of the final decision within five (5) business days of its decision.

**DEFINITIONS:**

**EXECUTIVE COMMITTEE** – The governing body of CSURMA’s Campus Risk Pool Programs.

**MEMBER** – Any campus participating in Campus Risk Pool Programs

**PROGRAM** – For purposes of dividends and assessments, CSURMA’s Campus Risk Pool Programs are the Liability, SAFECLIP, SPLIP, AIME, Workers’ Compensation, Property and Crime Programs.

**CSURMA** - The California State University Risk Management Authority, a California Joint Powers Authority, comprised of the California State University and its auxiliary organizations.

## **Resolution Adopting Administrative Policies and Procedures**

**ISSUE:** The recent University Auditor's report recommended that CSURMA determine which CSU policies and procedures should apply to operation of CSURMA. Management concurred and directed staff to evaluate what sections of the Integrated CSU Administrative Manual would be beneficial to operation of CSURMA. Staff reviewed all sections of the Integrated CSU Administrative Manual and determined that the following sections are relevant and beneficial to operation of CSURMA:

- Section 1300.00 – Hospitality, Payment and Reimbursement of Expenses
- Section 3000 – General Accounting
- Section 8000 – Information Security

CSURMA has specifically adopted its own policies and procedures, such as travel reimbursement (CSURMA P&P No. 17), invoice payments (CSURMA P&P No. 6), use and disposition of equipment (CSURMA P&P No. 16) and it is recommended that CSURMA's adopted policies apply where they overlap with the Integrated CSU Administrative manual.

**RECOMMENDATION:** It is recommended that the Executive Committee adopt Resolution No. \_\_ - 13 (EC) Adopting Administrative Policies attached to this item.

**FISCAL IMPACT:** No direct fiscal impact is expected from action at today's meeting.

**BACKGROUND:** None.

**ATTACHMENT(S):** 1) Resolution No. 06-13 (EC)  
2) Listing of Applicable ICSUAM Sections

**EXECUTIVE COMMITTEE  
RESOLUTION NO. 06-13 (EC)**

**Resolution Adopting Administrative Policies and Procedures**

The Executive Committee of the California State University Risk Management Authority (“CSURMA”) finds and determines as follows:

1. CSURMA has engaged the Chancellor’s Office of the California State University to perform Accounting, General Counsel and Risk Management services.
2. The California State University has developed an Integrated CSU Administrative Manual that includes policies and procedures that will be beneficial to the operation of CSURMA for services provided by the Chancellor’s Office.

In consideration of the foregoing findings and determinations,

IT IS RESOLVED by the Executive Committee of the California State University Risk Management Authority as follows:

1. Except as more specifically addressed in a duly adopted CSURMA Policy and Procedure, the California State University Risk Management Authority does hereby adopt the policies and procedures in Section 3000 *General Accounting*, Section 8000 *Information Security* and Policy 1301.00 *Hospitality, Payment or Reimbursement of Expenses* of the Integrated CSU Administrative Manual as the operating policies and procedures of the CSURMA for services provided by the CSU Chancellor’s Office.
2. CSURMA staff shall at least annually review with the Executive Committee the applicable Integrated CSU Administrative Manual sections and any updates thereto.

\* \* \* \* \*

I hereby certify that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted and passed at a meeting of the Executive Committee of the California State University Risk Management Authority held on September 13, 2013 which was approved by the following votes:

AYES, and in favor thereof, members:

NOES, members: None.

ABSTAIN, members:

ABSENT, members:

ATTEST: \_\_\_\_\_

\_\_\_\_\_

Cynthia Teniente-Matson, Chair

\_\_\_\_\_, Secretary-Auditor



**Integrated CSU Administrative Manual**

CSURMA - ICSUAM		
<a href="http://www.calstate.edu/icsuam/sections/index.shtml">http://www.calstate.edu/icsuam/sections/index.shtml</a>		
Section & Policy	Should CSURMA Adopt? (yes/no)	Comments
<u>3101.01 – Central Management of Cash and Investment</u>	Yes	CSURMA is participating in CSU consolidated investment pool.
<u>3101.02 – Campus Administration of Systemwide Cash Management Policy</u>	Yes	CO General Accounting handles the function on behalf of CSURMA.
<u>3102.01 – Employee Hiring and Continuous Employment Requirements for Cash Handling Personnel</u>	Yes	CO General Accounting handles the function on behalf of CSURMA.
<u>3102.02 - Segregation of Cash Handling Duties</u>	Yes	CO General Accounting handles the function on behalf of CSURMA.
<u>3102.03 – Acceptance of Cash and Cash Equivalents</u>	Yes	CO General Accounting handles the function on behalf of CSURMA.
<u>3102.04 – Physical Protection of Cash and Cash Equivalents</u>	Yes	CO General Accounting handles the function on behalf of CSURMA.
<u>3102.05 – Debit/Credit Card Payment Policy</u>	Yes	CSURMA Accounting currently doesn't handle debit/credit cards, but may in the future.
<u>3102.06 – Returned Items</u>	Yes	CO General Accounting handles the function on behalf of CSURMA.
<u>3102.08 – Recording Deposits to the General Ledger</u>	Yes	CSURMA Accounting records deposits to Blackbaud General Ledger.
<u>3102.09 – Bank Reconciliations</u>	Yes	CSURMA Accounting performs monthly Bank Reconciliation.
<u>3102.10 – Change Funds</u>	Yes	CSURMA Accounting currently doesn't change funds, but may in the future.
<u>3102.11 – Deposits and Transfers to the Bank</u>	Yes	CO General Accounting handles the function on behalf of CSURMA.
<u>3103.01 – Disbursements - General</u>	Yes	CSURMA Accounting issues paper and electronic disbursements after received approval by ORM
<u>3103.02 – Outgoing Payments – Electronic and Paper</u>	Yes	CSURMA Accounting issues paper and electronic disbursements after received approval by ORM
<u>3103.03 – Procurement Cards</u>	Yes	CSURMA uses the CO's Procard program.
<u>3103.04 – Corporate Cards</u>	Yes	CSURMA uses the CO's Corporate Cards program.
<u>3103.05 – Advances, Deposits and Prepayments</u>	Yes	CSURMA Accounting records advance payments as prepaid expenses.
<u>3131.01 – Accounts Receivable Collections</u>	Yes	CSURMA Accounting handles AR recording and performs collection efforts of balances past due.
<u>3103.11 – Petty Cash</u>	Yes	CSURMA Accounting currently doesn't handle petty cash, but may in the future.
<u>3132.01 – Write Off of Uncollectible Accounts Receivable</u>	Yes	CSURMA adopted P&P No. 6
<u>3150.01 – Administration of University Property</u>	Yes	CO handles the function on behalf of CSURMA.
<u>3151.01 – Capital (Fixed) Assets Reporting to the State Controller's Office</u>	Yes	CSURMA does not set up a separate fund, but may in the future.
<u>3151.02 – Intangible Assets</u>	Yes	CSURMA does not carry intangible assets, but may in the future.
<u>3151.03 – Recording Gifts of Property</u>	Yes	CSURMA does not receive gifts of property.
<u>3151.04 – Equipment</u>	Yes	CSURMA adopted P&P No. 16
<u>3250.01 – Disposition of Lost, Unclaimed and Abandoned Property</u>	Yes	CSURMA has no disposition of lost, unclaimed and abandoned property.
<u>3552.01 – Cost Allocation / Reimbursement Plans for the CSU Operating Fund</u>	Yes	CSURMA's cost allocation/recovery does not use CSU Operating Fund, but Cost Recovery Fund instead.
<u>3601.01 – Travel Policy</u>	Yes	CSURMA adopted CSU Travel Policy at the May BOD meeting.
<u>3701.01 – Digital Signatures (renamed 8100.0 Electronic and Digital Signatures)</u>	Yes	CSURMA does not use digital signatues, but may in the future.
<u>3801.01 – Tax Administration</u>	Yes	CSURMA tax compliance follows direction under SW Tax Administration.
<u>8000.0 - Introduction and Scope</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8005.0 - Policy Management</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8010.0 - Establishing an Information Security Program</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8015.0 - Organizing Information Security</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8020.0 - Information Security Risk Management</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8025.0 - Privacy of Personal Information</u>	Yes	CSURMA uses Blackbaud to protect the privacy of claimants/cases and certification on the confidential form is in place.
<u>8030.0 - Personnel Information Security</u>	Yes	CSURMA uses Blackbaud to protect the privacy of claimants/cases and certification on the confidential form is in place.
<u>8035.0 - Information Security Awareness and Training</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8040.0 - Managing Third Parties</u>	Yes	CSURMA's third parties do not have access to Blackbaud.
<u>8045.0 - Information Technology Security</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8050.0 - Configuration Management</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8055.0 - Change Control</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8060.0 - Access Control</u>	Yes	CSURMA uses Blackbaud to protect the privacy of claimants/cases and certification on the confidential form is in place.

Section & Policy	Should CSURMA Adopt? (yes/no)	Comments
<u>8065.0 - Information Asset Management</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8070.0 - Information Systems Acquisition, Development and Maintenance</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8075.0 - Information Security Incident Management</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8080.0 - Physical Security</u>	Yes	CO Public Safety handles the function on behalf of CSURMA.
<u>8085.0 - Business Continuity and Disaster Recovery</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8090.0 - Compliance</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8095.0 - Policy Enforcement</u>	Yes	CO IT handles the function on behalf of CSURMA.
<u>8100.0 - Electronic and Digital Signatures</u>	Yes	CSURMA does not use digital signatures, but may in the future.
<u>1301.00 – Hospitality, Payment or Reimbursement of Expenses</u>	Yes	CSURMA may have hospitality expenses in the future.

**Adoption of Policy and Procedure for OCIP and BRIP Programs**

**ISSUE:** CSURMA has established an Owner Controlled Insurance Program (OCIP) and a Builder's Risk Insurance Program. These programs provide property and casualty insurance to most of CSU's capital projects. At the May meeting, the Executive Committee requested a report on the status of the OCIP program, and as a part of that review with the Chancellor's office Capital Planning, Design and Construction Department (CPDC), the proposed policy and procedure was developed. Representatives from CPDC will be present at today's meeting to report on the status of the OCIP as well as the proposed policy and procedure related to administration and funding of the OCIP and BRIP programs.

**RECOMMENDATION:** It is recommended that the Executive Committee review the presented materials and take action to adopt the proposed Policy and Procedure for OCIP and BRIP.

**FISCAL IMPACT:** The proposed policy and procedure clarifies the funding amounts and processes for the OCIP and BRIP. The proposal reduces the up-front campus project cost for OCIP with CPDC guaranteeing to fund a deficit that may occur if losses in the program are higher than projected. It is proposed that CSURMA will not charge the OCIP fund for missed investment income while the program was in development.

**BACKGROUND:** Please refer to the attached documents.

**ATTACHMENT(S):**


- 1) CPDC Cover Letter and Explanatory Documents
- 2) Proposed Policy and Procedure No. 20 for OCIP and BRIP
- 3) Resolution No. 07-13 (EC) Adoption of OCIP & BRIP Policy & Procedure



## MEMORANDUM

**Date:** August 30, 2013

**To:** CSURMA Executive Committee

**From:** Elvyra F. San Juan   
Assistant Vice Chancellor  
Capital Planning, Design and Construction

**c:** Daniel Howell, Senior Executive Vice President, Alliant Insurance Services, Inc.  
James Holobaugh, Senior Vice President, Alliant Insurance Services, Inc.  
Benjamin F. Quillian, Executive Vice Chancellor and Chief Financial Officer  
George V. Ashkar, Assistant Vice Chancellor/Controller, Financial Services  
Robyn Pennington, Chief of Staff, Business and Finance  
Zachary Gifford, Associate Director Systemwide, Risk Management and Public Safety  
James Sowerbrower, Senior Chief of Construction Management, CPDC  
James Hoffman, Chief of Construction Management, CPDC  
Nancy Freeland-Paice, Director of Capital Programs, CPDC

**Re:** Owner Controlled Insurance Program

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At the CSURMA May 2013 meeting, the Executive Committee asked for a review of the Owner Controlled Insurance Program (OCIP) in light of expenses to date and the slow rate of cost recovery. After meeting with Dr. Quillian and others about the program, Risk Management and Alliant collaborated with Capital Planning, Design and Construction (CPDC) to address not only the (1) rate of cost recovery to CSURMA, but also (2) the project cost for the program coverage. The goal was to ensure the program provides value to the CSU.

### CSURMA Cost Recovery

To date, CSURMA has spent in excess of six million dollars on the OCIP program on the payment of premiums to the underwriters and administrative fees (indicated on Attachment 1). Key reasons for delay include: (1) resistance from campuses affording the increased project cost for projects that were budgeted prior to the adoption of OCIP, and (2) state projects were delayed and not included in the state's spring 2013 bond sale. Attachment 2 shows that CSURMA has invoiced, or will soon invoice CPDC \$4.27 million in premiums for the projects. In addition, assuming the state proceeds with the bond sale for the projects in the fall 2013 (October and November), another \$3.26 million in premiums is expected to be invoiced in January 2014. The program cost recovery has been slower than anticipated, but it does appear that the CSU will reach the program goal of \$500 million in projects over the three-year program (January 2012 to January 2015).

### Cost for Coverage

The current cost per project (for those projects over \$10 million) is 2.5% of the construction value (CV). After consideration of alternatives to reduce the program cost, a preferred alternative was identified that did not require approval or support from the underwriter.

CSURMA had been billing CPDC 2.376% of the construction value based on collecting the maximum deductible assuming a 100% loss rate. This added .304% to the cost billed to each project. An alternate proposal was agreed upon where CSURMA would invoice CPDC its actual cost of 2.072% of CV for each project, and CPDC invoices each project at 2.1%. This results in an immediate 16% savings to each project for the cost of OCIP. In order to achieve this program fee reduction, CPDC will pledge funds from the Seismic Trust Fund up to \$1,519,400 to cover the maximum deductible for the program. This revision will go a long way towards providing better value and helping existing and future projects afford the program coverage.

Planning for the future, CPDC will work with Alliant and Risk Management to further reduce program costs upon program renewal. Possible changes would include a lower total program cost in consideration of known loss rates from other public sector OCIP programs (Attachment 3), policies that are geared more closely to project needs, and payments to the underwriters that track actual project enrollments more closely.

For your review and consideration are proposed draft OCIP and BRIP policy and procedures developed in collaboration with Risk Management and Alliant.

Attachments

<b>OCIP Program Costs and Invoices</b>				<b>Total Construction Value   \$ 500,000,000</b>					
<b>December 31, 2011 to December 31, 2016</b>									
<b>Invoice #</b>	<b>Date</b>	<b>Provider</b>	<b>Description</b>	<b>Year -1</b>	<b>Year -2</b>	<b>Year -3</b>	<b>Year -4</b>	<b>Year -5</b>	<b>TOTAL</b>
34830	12/27/11	Alliant	OCIP Admin Fee	\$ 260,000.00	\$ 272,500.00	\$ 272,500.00	\$ 272,500.00	\$ 272,500.00	\$ 1,350,000.00
35112	12/28/11	Old Republic	General Liability	\$ 546,668.00	\$ 546,668.00	\$ 546,668.00			\$ 1,640,004.00
35116	12/28/11	Old Republic	Workers' Compensation	\$ 598,419.00	\$ 598,419.00	\$ 598,419.00			\$ 1,795,257.00
Direct Bill	12/28/11	Old Republic	<b>Deductible Collateral @ 68% Loss Rate</b>	\$ 996,667.00	\$ 996,667.00	\$ 996,666.00			\$ 2,990,000.00
			Loss Adjusting (LCF: 7%)	\$ 69,766.69	\$ 69,766.69	\$ 69,766.62			\$ 209,300.00
35477	12/29/11	AWAC	Excess Liability: \$25M xs Primary	\$ 606,000.00	prepaid	prepaid			\$ 606,000.00
35482	12/29/11	ACE	Excess Liability: \$25M xs \$25M	\$ 299,866.00	prepaid	prepaid			\$ 299,866.00
35478	12/29/11	Great American	Excess Liability: \$25M xs \$50M	\$ 175,000.00	prepaid	prepaid			\$ 175,000.00
35670	12/30/11	RSUI	Excess Liability: \$25M xs \$75M	\$ 100,000.00	prepaid	prepaid			\$ 100,000.00
39625	2/14/12	AWAC	Contractor's Pollution Liability	\$ 223,715.00	prepaid	prepaid			\$ 223,715.00
39631	2/14/12	Catlin	Owner's Protective Professional Indemnity	\$ 498,375.00	prepaid	prepaid			\$ 498,375.00
41238	2/14/12	Indian Harbor	Excess OPPI: \$25M xs \$25M	\$ 470,687.50	prepaid	prepaid			\$ 470,687.50
			<b>SUBTOTAL</b>	<b>\$ 4,845,164.19</b>	<b>\$ 2,484,020.69</b>	\$ 2,484,019.62			\$ 10,358,204.50
			<b>Total Probable Cost as Percentage of CV</b>						<b>2.072%</b>
			<b>Max Losses Less Collateral @ 100% Loss Rate</b>	\$ 473,333.00	\$ 473,333.00	\$ 473,334.00			\$ 1,420,000.00
			Loss Adjusting (LCF: 7%)	\$ 33,133.31	\$ 33,133.31	\$ 33,133.38			\$ 99,400.00
			<b>SUBTOTAL</b>	<b>\$ 506,466.31</b>	<b>\$ 506,466.31</b>	\$ 506,467.38			\$ 1,519,400.00
									<b>0.304%</b>
			<b>TOTAL</b>	<b>\$ 5,351,630.50</b>	<b>\$ 2,990,487.00</b>	\$ 2,990,487.00	\$ 272,500.00	\$ 272,500.00	\$ 11,877,604.50
			<b>Total Maximum Cost as Percentage of CV</b>						<b>2.376%</b>

<b>OCIP Project List</b>					
August 27, 2013					
<b>Campus: Project</b>	<b>Status</b>	<b>C<sup>1</sup> Start Date</b>	<b><sup>2</sup>GMP Contract Award</b>	<b>Initial Project Premium (2.1%)CV</b>	<b><sup>3</sup>Revised Premiums</b>
MA: Dining (CMAR)	In Construction	06/18/2012	\$13,497,195	\$283,441	\$279,662
PO: Student Recreation Center (CMAR)	In Construction	08/15/2012	\$44,530,230	\$935,135	\$922,666
SJ: Spartan Complex Seismic Reno (CMAR)	Bidding	12/20/2012	\$48,006,461	\$1,008,136	\$1,012,813
MA: Physical Educ Replace (CMAR)	In Construction	03/27/2013	\$29,632,876	\$622,290	\$613,993
BA: Art Center & Satellite Plant (CMAR)	In Construction	05/27/2013	\$14,822,811	\$311,279	\$307,129
SJ: Health Center (D/B)	Awarded	06/03/2013	\$24,556,413	\$515,685	\$474,007
BA: Student Housing (D/B)	Awarded	06/10/2013	\$31,819,000	\$668,199	\$659,290
NO: Student Housing Ph II (D/B)	Awarded	11/01/2013	\$26,000,000	\$546,000	\$0
CH: Taylor II Replacement (CMAR)	Fall Bond	<i>1/2014</i>	\$52,891,000	\$1,110,711	\$0
CI: West Hall (CMAR)	Fall Bond	<i>1/2014</i>	\$38,021,000	\$798,441	\$0
MB: Academic Building II (CMAR)	Fall Bond	<i>1/2014</i>	\$38,481,000	\$808,101	\$0
EB: Warren Hall (CMAR) Demo Started	In Design	<i>8/2014</i>	\$46,311,000	\$972,531	\$0
SF: Rec Wellness Center	In Design	<i>8/2014</i>	\$73,324,000	\$1,539,804	\$0
PO: Housing Project (CMAR)	In Design	<i>9/2014</i>	\$65,000,000	\$1,365,000	\$0
SD: Zura Hall (CMAR)	In Design	<i>1/2015</i>	\$32,000,000	\$672,000	\$0
PO: Administration Replacement (CMAR)	Pre-Design	<i>7/2015</i>	\$63,135,000	\$1,325,835	\$0
SJ: Stadium End Zone	Planning	<i>7/2015</i>	\$40,000,000	\$840,000	\$0
<b>Total</b>			<b>\$682,027,986</b>	<b>\$14,322,588</b>	<b>\$4,269,560</b>

OCIP = Owner Controlled Insurance Program

<sup>1</sup>"C" = Construction - Projected dates are shown in italics

<sup>2</sup>GMP = Contract Award = Actual awarded Construction Cost including contractors markups and fees (NIC design costs for DB delivery)

<sup>3</sup>Premiums paid on the projects to date by CPDC to CSURMA, assumed at 2.072%

3 Year Enrollment Period will run from January 2012 to January 2015.

Maximum possible OCIP cost at 100% loss rate = 2.376% billing rate to CPDC= \$11,877,604.00 (for \$500M CV)

CSURMA Total OCIP expenses at 68% loss rate = 2.07% billing rate to CSURMA = \$10,358,204.00 (for \$500M CV)

Anticipated final program loss rate to be approximately 25% = 1.68% Billing Rate (Actual loss rate is basis for final program rebate)

# Loss Rate Benchmarking

California Public Sector OCIP Programs	Estimated Losses as Percent of Loss Aggregate
Los Angeles Community College District	32%
Los Angeles Unified School District OCIP	25%
University of California	18%
San Diego County	14%
Riverside County	26%
Sacramento Airport	13%
Caltrans	30%

**ADOPTED:** September 13, 2013

**EFFECTIVE:** January 1, 2012

**SUBJECT:** Owner Controlled Insurance Program and  
Builder's Risk Insurance Program

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**PURPOSE:**

CSURMA launched the Owner Controlled Insurance Program (OCIP) and Builder's Risk Insurance Program (BRIP) to realize a cost savings, improve coverage, and efficiently administer General Liability, Completed Operations Liability, Property, Workers' Compensation, and Course of Construction coverage for all contractors performing construction work on CSU's construction projects over \$10M, and for the BRIP, all projects exceeding the threshold for Minor Capital Outlay Projects as established by the CSU Chancellor's Office Capital Planning, Design and Construction Office (CPDC). The purpose of this Policy and Procedure is to describe the operation of these two programs and provide a process for CSURMA and CPDC to collaborate on administering the programs efficiently and effectively.

**POLICY:**

It is the policy of CSURMA that the Program Administrator, Alliant Insurance Services, Inc., Chancellor's Office Accounting Department (Accounting) and Systemwide Office of Risk Management will collaborate with CPDC to administer the OCIP and BRIP as described in this Policy and Procedure.

**PROCEDURE:**

**PART A: CSURMA OCIP**

Section 1: General Procedures

1. CSURMA shall pay the insurance premiums and deductible collateral up front to the Program Administrator, and CSURMA will recover the advanced monies on a project-by-project basis, through CPDC, as described herein.
2. The Program Administrator shall manage the OCIP carrier contracts, collect required data from the contractors directly each month, and develop and maintain a quarterly report which will be used by CSURMA to invoice CPDC for the cost of the OCIP on a per-project basis. The quarterly report shall contain:
  - Projects started, continuing, or completed in each quarter
  - Completed projects shall not drop off report
  - Project start and completion dates
  - CPDC project name and CPDC project number
  - Initial Construction Contract Value, which varies by procurement method as follows:
    - For CM at Risk or Design-Bid-Build: Total construction contract award amount

- For Design-Build: Total contract award minus pre-construction and design costs
  - Initial premiums and deductible collateral for each project
  - Updated, final / completed premiums and deductible collateral for each project based on final labor costs and loss rates.
  - Total premiums and deductible collateral for all projects
  - Audited final labor costs
  - Final labor costs as a percentage of the Initial Construction Contract Value for each project
  - Estimated final value for reduced contractor insurance costs for each project
  - Claims & loss report with actual to date loss rate (provided separately).
3. For the initial Program Period (OCIP I), the Program Administrator's billings to CSURMA will be based on the programs' fixed premiums and a 68% loss rate of the maximum aggregate deductible, which equates to a 2.072 percent project billing rate relative to the Initial Construction Contract Value (a total of \$10,358,204.00 program cost).
  4. CSURMA's billings to CPDC will be based on a pro-rata portion of the fixed premiums at the same 2.072 percent project billing rate relative to the Initial Construction Contract Value of projects as enrolled.
  5. For OCIP I, CPDC will provide a guarantee for the remaining \$1,519,400 of Deductible Collateral and Loss Adjusting Factor to cover the difference between the 68% loss rate CSURMA has billed for and the 100% loss rate. This guarantee will be backed by CPDC's seismic self-insured trust fund account. If OCIP I's loss rate exceeds a 68% loss rate, CPDC will reimburse CSURMA the actual cost difference up to \$1,519,400.
  6. When the Program Administrator reconciles the total program costs for OCIP I with CSURMA based on actual percentage loss of the deductible collateral, CSURMA shall reconcile its invoicing to CPDC to reflect those adjusted actual costs, and, if the loss rate is under 68%, CSURMA shall credit CPDC as appropriate for the actual program costs. Reconciliation of OCIP I is expected 18-24 months after the completion of the initial 5-year program, but may happen sooner.
  7. If there is a credit described in Paragraph 6 above, the credit may, upon agreement by CPDC, be applied to a second OCIP II program, and/or any unapplied funds shall be returned by CSURMA to CPDC for deposit in the system-wide seismic self-insured trust fund account.

## Section 2: OCIP Enrollment and Invoicing

1. The Program Administrator shall enroll new projects in OCIP with an Initial Construction Contract Value of \$10 million or more during the construction contract award process. There will be a pre-enrollment period for contractors and their subcontractors in the months leading up to a construction contract award. During this time the contractors will receive enrollment and safety information and will submit cost of insurance documentation for the policies the CSURMA OCIP will replace.
2. Projects with an Initial Construction Contract Value that is less than \$10M may enroll in OCIP upon the recommendation of CPDC and approval by the Program Underwriters.
3. The Program Administrator shall provide a quarterly report, adding new projects that have started construction during the quarter, along with the initial premium for each project. The Program Administrator will also provide updated information to the existing projects in the quarterly report. The Program Administrator shall submit the quarterly report to Accounting and CPDC program administrators simultaneously for review and approval.

4. When CPDC and CSURMA approve the quarterly reports Accounting will use them as the basis to invoice CPDC for the initial insurance costs of the enrolled projects based on a 2.072 percent of Initial Construction Contract Value. CPDC will approve or reject CSURMA invoices via email within 10 business days of receipt.
5. All invoicing shall be done on templates as agreed upon by CPDC and CSURMA.
6. Upon approval of the invoices by CPDC, CSURMA shall collect the monies invoiced for the projects via Cash Posting Order (CPO).
7. CPDC shall maintain a separate account for OCIP, and CSURMA shall collect the monies invoiced from that account via CPO.

### Section 3: OCIP Project Completion Activities

1. At the completion of a project The Program Administrator shall add to the quarterly report:
  - Final labor costs
  - Project completion date
  - Final premium amounts
  - Confirmation that all contractor closeout materials have been submitted. Within 30 days of completion the Program Administrator shall separately provide a clearance letter to CPDC for release of contractor retention.
  - Other required information as described in “Procedure” Section #2.
2. As described above, the Program Administrator shall submit the quarterly report to Accounting and CPDC for review and approval.
3. The Program Administrator’s quarterly reports will be used as the basis for Accounting to invoice CPDC for the final additive or deductive reconciliation of insurance costs for the enrolled projects, based on final labor costs.
4. To benefit enrolled projects with predictable OCIP insurance costs, there shall be no premium adjustment for projects that are completed within five percent (5%) of their original projected premium cost. Projects that are completed with a final calculated premium cost exceeding 105% of their original projected premium cost shall be invoiced at .73 % of the amount exceeding 105%. Projects that are completed with a final calculated premium cost lower than 95% of their original projected premium cost shall be credited the amount less than the original projected premium cost.
5. Upon CPDC’s approval of the invoices, CSURMA shall collect the monies invoiced via CPO to recover, or credit as necessary, the final premiums from the project.

### Section 4: OCIP Program Closeout

1. After completion of a project, and over the duration of OCIP policy coverage, the Program Administrator shall continue to administer project claims.
2. Following completion of the initial OCIP I program term (expected to achieve program target enrollment by 36 months from January 1, 2012), CSU, acting through CPDC, may close out or re-enroll in a second CSURMA OCIP II program with the Program Administrator and the carrier(s). At that time premium dividends and deductible obligations will be subject to a final settlement based on total construction value and actual loss rates. During and after this time the Program Administrator

and the carriers may still be actively involved with outstanding claims, but the projects' premiums and dividends may be closed.

3. Any additive or deductive adjustments made to the total program costs based on the reconciliation(s) described above shall be passed through to CPDC via a CSURMA reconciliation billing. This is expected no later than 18-24 months after the CSURMA OCIP I program closeout.
4. In no case shall CPDC pay in excess of CSURMA's actual costs for OCIP I, as identified in Section 1 (3). These actual costs are anticipated to be \$10,358,204 as adjusted by actual loss rates and the total cost of enrolled projects.
5. Because the benefits of the OCIP apply systemwide, CSURMA shall not allocate a charge for missed investment income on advanced premiums.

## **PART B: CSURMA BRIP**

### Section 1: General Administration

1. Annually by the program anniversary date of July 1, the Program Administrator, the Program Underwriters, and CPDC shall develop a quarterly payment schedule based on anticipated project enrollment. A schedule of premium deposits would include: July 1 for new policy year deposit, October 1, first quarter premiums, January 1 for second quarter premiums, and April 1 for third quarter premiums. For subsequent years, the July 1 deposit would include all projects enrolled in the fourth quarter along with the new policy year deposit.
2. The quarterly payment schedule of premium deposits may be adjusted by mutual agreement with the underwriters if project starts or construction amounts vary from the information on which the anticipated payment schedule is based.
3. a) Premium Deposit Invoice.  
The Program Administrator shall provide quarterly premium deposit invoices to CPDC based upon the agreed upon quarterly premium deposit payment schedule, and these invoices will include the project name and CPDC project number. CPDC will pay these premium deposit invoices within 30 business days of receipt.
- b) Reconciliation Invoice.  
The Program Administrator shall also provide quarterly reconciliation invoices to CPDC, based on CPDC's quarterly reports. These reports shall contain, for the preceding quarter detail of initial premiums for actual new construction starts and final premium adjustments on completed projects that are deemed closed by CPDC. The quarterly reconciliation invoices shall also detail all CPDC payments of premium deposit invoices made and credit previous payment of premium deposit invoices from the actual amount due on each invoice. If the quarterly reconciliation invoice after the application of previously paid premium deposit invoices, is 1) a net credit, this credit shall be debited from the next quarterly premium deposit invoice due as identified in the premium deposit payment schedule, 2), if a net add, the amount shall be carried over to the following quarterly premium deposit invoice or year-end premium audit invoice calculation.
4. The Program Administrator will identify and include applicable premium taxes / fees to be added to each invoice at the rates established by the Department of Insurance. CPDC completed, closed projects exceeding \$5,000,000 in construction cost will pay the applicable final adjusted premium and tax /fee rate, when invoiced, based on the policy year when originally enrolled in BRIP.

5. The Program Administrator will provide the carrier's endorsements to CPDC naming each project enrolled with each reconciliation invoice. The endorsements will include each project's name and CPDC project number. Additionally The Program Administrator will prepare and send evidence of coverage certificates immediately as each project is enrolled as required by campuses for their contractors performing work on enrolled projects.

### **PART C: Definitions**

As used in this Policy and Procedure, the following terms are defined:

**Accounting (Department):** CSURMA has engaged the CSU Chancellor's Office Department of Financial Services to perform OCIP and BRIP accounting duties on behalf of the CSURMA.

**BRIP Construction Cost** – varies by procurement method as follows:

- o Design-Bid-Build: Construction Contract Value less 12% for OH&P.
- o CM at Risk: Construction Contract Value less Construction Phase Services/Site Management Fee, CM Contingency, and CM OH&P.
- o Design-Build: Contract Value less preconstruction and design services and 12% for OH&P.

Final Construction Cost –Construction Cost plus all construction contract change orders.

**CSURMA:** CSURMA is the California State University Risk Management Authority which is a joint powers authority separate from the CSU and its participating auxiliary organizations. CSURMA has established various programs for insurance and self-insurance to serve the University and the OCIP and BRIP programs are programs of the CSURMA.

**CPDC:** CSU's Department of Capital Planning, Design and Construction in the Chancellor's Office is the primary client for the OCIP and BRIP programs and the designated representative for managing the programs internal to the CSU.

**OCIP Initial Construction Contract Value** - varies by procurement method as follows:

- For CM at Risk or Design-Bid-Build: total construction contract award amount
- For Design-Build: total contract award less pre-construction and design costs

**Program Administrator:** CSURMA has appointed Alliant Insurance Services, Inc. as Program Administrator responsible for designing and implementing the programs serving the CSU and auxiliary organization participants.

**Program Underwriters:** The insurance companies that underwrite the OCIP and BRIP insurance policies.

**Systemwide Office of Risk Management:** CSURMA has engaged the CSU Chancellor's Office Department of Risk Management and Public Safety to provide risk management consulting services to the CSURMA including oversight of programs.

**EXECUTIVE COMMITTEE  
RESOLUTION NO. 07-13 (EC)**

**Resolution to Adopt Owner Controlled Insurance Program and Builder's Risk Insurance  
Program Policy and Procedure**

The Executive Committee of the California State University Risk Management Authority ("CSURMA") finds and determines as follows:

1. CSURMA developed and implemented an Owner Controlled Insurance Program ("OCIP") and Builder's Risk Insurance Program ("BRIP").
2. Improved administration and communication of the OCIP and BRIP programs can be achieved by adoption of a policy and procedure that describes key elements of the program.

In consideration of the foregoing findings and determinations,

IT IS RESOLVED by the Executive Committee of the California State University Risk Management Authority as follows:

1. The CSURMA Executive Committee does hereby adopt Policy and Procedure No. \_\_\_\_ on the subject of Owner Controlled Insurance Program and Builder's Risk Insurance Program.
2. The OCIP rates described in the Policy and Procedure shall be effective retroactive to January 1, 2012 and CSURMA Accounting shall, upon the request from CSU Chancellor's Office Assistant Vice Chancellor and verified by the Program Administrator, return any prior payments calculated on rates that exceed the adopted rates
3. CSURMA Accounting shall prepare for the CSURMA Executive Committee's consideration at their next regularly scheduled meeting a report of charges accrued to the OCIP Fund for missed investment income due to advanced premiums during start-up of the program and the Executive Committee may take action to abate those charges.

\* \* \* \* \*

I hereby certify that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted and passed at a meeting of the Executive Committee of the California State University Risk Management Authority held on September 12-13, 2013 which was approved by the following votes:

AYES, and in favor thereof, members:

NOES, members: None.

ABSTAIN, members:

ABSENT, members:

ATTEST: \_\_\_\_\_

Cynthia Teniente-Matson, Chair

\_\_\_\_\_, Secretary-Auditor

**Schools Excess Liability Fund Workers' Compensation Program Fund Assessment**

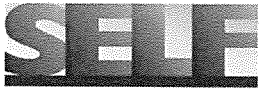
**ISSUE:** The CSU participated in the Schools Excess Liability Fund's (SELF's) Excess Workers' Compensation Program (EWCP) from July 1, 1995 to June 30, 2004. SELF has previously reported that the EWCP is substantially underfunded and notified members of assessments. CSU has paid previous assessments and CSURMA has carried a liability for future assessments. Recently SELF adopted a policy and procedure with a 10 year plan to fund the remaining outstanding liability. A number of former members have concerns with SELF's plan, and a meeting was held on August 20, 2013 to voice concerns and discuss possible actions. Zachary Gifford and Daniel Howell attended the meeting and will be present at today's meeting to report on the recent developments.

**RECOMMENDATION:** The Executive Committee may take action or provide direction as appropriate as respects considerations regarding SELF's assessment and plan.

**FISCAL IMPACT:** The CSURMA Accountant has established a reserve for SELF EWCP assessments. Action at today's meeting may result in some expense to the Campus Workers' Compensation Program Fund.

**BACKGROUND:** None.

**ATTACHMENT(S):** 1) SELF Letter dated July 8, 2013 with attachments  
2) SELF EWCP WC Committee Exploratory Agenda, August 20, 2013



Schools  
Excess  
Liability  
Fund

July 8, 2013

California State University  
Charlene Minnick, Assistant Vice Chancellor  
401 Golden Shore, 5th Floor  
Long Beach, CA 90802-4210

RE: SELF Excess Workers' Compensation Program Assessment Model

Dear Charlene:

As a result of the recent Excess Workers' Compensation Program (EWCP) stakeholders meetings and input gained over the past 12 months, the SELF Board, via the SELF Finance Committee, staff, insurance brokers and actuaries, has approved a 10 year assessment model. The model includes estimated future income and future expenses for the next 10 years to meet the following SELF Board directives and EWCP stakeholder priorities:

1. Definitive in time-retirement of portfolio;
2. Stability/predictability as to amount-smoothing the number;
3. Restore confidence in the program;
4. Program communication to EWCP stakeholders.

Attached you will find six documents with the values as of 12-31-12:

1. Actuarial calculation of the EWCP Required Assessment by Program year which includes Incurred But Not Reported claims (IBNR); (Page 1)
2. Revenue and Expense calculation for the EWCP-All Members/All Years; (Page 2)
3. The history of all member participation in the EWCP which includes claims reported, open claims, EWCP reimbursement on all claims, and EWCP estimate of future liability on all claims; (Page 3)
4. The history for **your** year(s) of participation in the EWCP including:
  - Total number of claims reported to SELF;
  - EWCP reimbursements on those reported claims;
  - EWCP reserves of future liability on open claims;
  - Contributions received for years of participation; (Page 4)
5. Your fixed assessment for the next 10 years; (Page 5)
6. The EWCP Shared Risk Layer Plan Fund Adjustment Policy and Procedure as amended. (Page 6 through Page 9)

1531 "I" Street  
Suite 300  
Sacramento, CA 95814  
(916) 321-5300  
(916) 321-5311 fax  
www.selfjpa.org



A Public Agency  
Joint Powers Authority

Charlene Minnick  
July 8, 2013  
Page 2

The 10 year model includes the following parameters:

1. Funding at the actuarially determined 65% confidence level;
2. Discount Rate of 2.75%;
3. The inclusion of IBNR in all years of the program;
4. Funding for future pool expenses for actuary, data call and analysis, claim audit per SELF policy, and claim audit for problematic portfolios, for example.

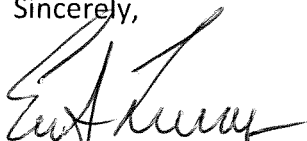
Also, the amended SELF EWCP Policy language contains “triggers” for recalculation in addition to the five year target recalculation. Please note the language under 2.5 Procedure 3. d, e, and f for those triggers.

As the program moves forward and actuarial stability is determined, the need for yearly data calls and the audit of problematic portfolios will subside. For the present however, it is planned to fund for those activities.

SELF will be communicating to EWCP JPA stakeholders the year end results. This communication can include a meeting/teleconference as done this past December or any forum the EWCP JPA stakeholders may find convenient.

Please contact SELF if you have any questions on the material provided.

Sincerely,



Eric J. Lucas, JD, CPCU, ARM  
Chief Executive Officer

Enclosures

cc: Denise Jaramillo

**REQUIRED ASSESSMENT BY PROGRAM YEAR**

	Beginning Assessment Receivable	Assessments Expected to be Received in 2012/13	Assessment Receivable after 2012/13 Payments	Total Estimated Future Admin	Total Required Assessment
89/90	(546,998)	40,593	(506,405)	(73,747)	(580,152)
90/91	(2,247,175)	166,762	(2,080,413)	(117,817)	(2,198,229)
91/92	(422,572)	31,359	(391,213)	(86,258)	(477,471)
92/93	(255,402)	18,953	(236,448)	(76,568)	(313,016)
93/94	346,932	-	346,932	(77,972)	268,960
94/95	(3,600,827)	267,216	(3,333,611)	(168,004)	(3,501,615)
95/96	(9,748,844)	723,458	(9,025,386)	(282,049)	(9,307,435)
96/97	(5,605,047)	415,949	(5,189,099)	(224,678)	(5,413,777)
97/98	(13,162,237)	976,765	(12,185,472)	(362,864)	(12,548,335)
98/99	(10,834,332)	804,012	(10,030,320)	(303,431)	(10,333,751)
99/00	(11,451,706)	849,827	(10,601,879)	(354,864)	(10,956,743)
00/01	(11,489,548)	852,635	(10,636,912)	(324,662)	(10,961,574)
01/02	(4,306,264)	319,566	(3,986,698)	(182,079)	(4,168,776)
02/03	2,280,245	-	2,280,245	(141,100)	2,139,145
03/04	2,884,764	-	2,884,764	(184,827)	2,699,937
04/05	4,345,863	-	4,345,863	(126,473)	4,219,390
05/06	3,067,430	-	3,067,430	(85,030)	2,982,400
06/07	(156,084)	11,583	(144,501)	(125,125)	(269,626)
07/08	(1,218,228)	90,404	(1,127,824)	(125,426)	(1,253,250)
08/09	(2,444,248)	181,387	(2,262,861)	(127,135)	(2,389,995)
09/10	(1,176,285)	87,292	(1,088,993)	(99,895)	(1,188,888)
<b>Totals</b>	<b>(65,740,563)</b>	<b>5,837,762</b>	<b>(59,902,801)</b>	<b>(3,650,000)</b>	<b>(63,552,801)</b>

**Schools Excess Liability Fund**  
**Excess Workers' Compensation Program**  
**Total Required Assessment All Years**  
**As of December 31, 2012**

**REVENUES (ALL MEMBERS/ALL YEARS)**

Member Contributions	\$53,723,162
Investment Income	20,576,953
Assessments collected through 6/30/13	40,009,630
	114,309,745
<b>Total revenues</b>	<b>114,309,745</b>

**EXPENSES (ALL MEMBERS/ALL YEARS)**

Administrative expenses	7,851,621
Claims paid	48,418,086
Estimated future liability for loss and LAE:	
Case reserves	88,827,070
IBNR	40,697,214
ULAE	3,949,009
Risk margin to 65% confidence level	6,170,014
Less: net present value adjustment at 2.75%	(21,700,468)
Sub-total estimated future liability for loss and LAE	117,942,839
	174,212,546
<b>Total expenses</b>	<b>174,212,546</b>

<b>Required Assessment (excludes future pool administration costs)</b>	<b>(59,902,801)</b>
Estimated future pool administration costs	(3,650,000)
	(\$63,552,801)
<b>Total Required Assessment</b>	<b>(\$63,552,801)</b>

**Schools Excess Liability Fund**  
**Excess Workers' Compensation Program**  
**History of all Member Participation**  
**As of December 31, 2012**

**REVENUES(ALL MEMBERS/ALL YEARS)**

Member Pooled Layer Contributions	\$53,723,162
Member Assessment Received	<u>\$40,009,630</u>
<b>Total Revenues</b>	<b>\$93,732,792</b>

**CLAIMS(ALL MEMBERS/ALL YEARS)**

	Total Reported Claims	Total Open Claims	Closed Claims with SELF Payments	Open Claims with SELF Reserves
Claims Reported to SELF	2903	733	166	403
Total SELF Paid	\$48,418,805	\$26,715,088	\$21,703,717	
Total SELF Reserves	\$94,343,516	\$94,343,516		
Total Reductions for Late Reporting	(\$5,516,447)	(\$5,516,447)		
<b>Total SELF Incurred</b>	<b>\$137,245,874</b>	<b>\$115,542,157</b>		

**Schools Excess Liability Fund**  
**Excess Workers' Compensation Program**  
**History of California State University**  
**As of December 31, 2012**

Years of Participation in Pooled Layer      7/1/1995-6/30/2004

Number of Years in the Pooled Layer                      9

**REVENUES**

Member Pooled Layer Contributions                      \$7,695,241

Member Assessment Received                      6,524,949

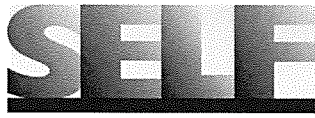
Total Revenues                      \$14,220,190

**CLAIMS**

	Total Reported Claims	Total Open Claims	Open Claims with SELF Reserves	SELF Payments Closed Claims	Claims with SELF Reserves Open for Future Medical
Claims Reported to SELF	348	73	47		46
Total SELF Paid			\$3,868,647	\$1,896,704	
Total SELF Reserves			\$9,435,427		
Total SELF Incurred			\$13,304,074		

**Schools Excess Liability Fund**  
**Excess Workers' Compensation Program**  
**California State University**  
**As of December 31, 2012**

Total Assessment Obligation ( 10 Year Model):	\$13,632,062
<b>Total Yearly Payment (10 Year Model):</b>	<b>\$1,363,206</b>
Prior Year Total Assessment Payment:	\$1,345,542
Total Payment Increase:	1%



## **2.5 WORKERS' COMPENSATION SHARED RISK LAYER PLAN FUND ADJUSTMENT**

Date Approved: 12/6/02

Date Revised: 6/23/06, 6/22/07, 4/12/13

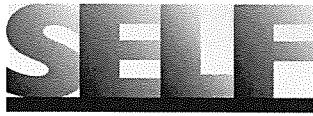
### **Policy:**

It shall be the goal of Schools Excess Liability Fund (SELF) to maintain funds in the SELF Excess Workers' Compensation Program EWCP sufficient to fund for the liability for unpaid loss and loss adjustment expenses, a reasonable contingency margin, and any other estimated future expenses deemed necessary by the Board. SELF shall annually review the EWCP's financial position for each open program year based on program year accounting, recent actuarial reports and other estimates of future income or expense. The review will evaluate the appropriateness for declaring either a refund or an assessment to Members, i.e., to the individual public entities providing educational programs or services to the community, that participate in the shared risk layer of the SELF Excess Workers' Compensation Program (EWCP). The methods upon which dividends and assessments are based shall provide for consistency and predictability and be easily understood by the Members.

When determined to be fiscally responsible by the Board of Directors, the adjustments will be declared in accordance with the provisions outlined in this policy and procedure.

### **Procedure:**

1. An evaluation of the financial position of the EWCP shall be performed and presented to the Board of Directors annually.
2. A "total required assessment" or "total available funding" shall be determined based on the total of all "deficit program years" and "surplus program years" and include "cumulative contributions from members", "cumulative investment income earned", "cumulative assessment proceeds collected", "board approved assessments receivable from members", "cumulative administrative expenses paid", cumulative claim payments made", "ultimate unpaid liability for loss and loss adjustment expenses", "approved risk margin" and "estimated future administration costs".
  - a. "cumulative contributions from members" shall be the total of loss fund contributions received from member for all program years.

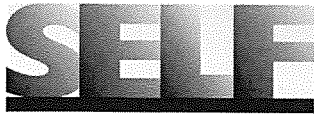


## **2.5 WORKERS' COMPENSATION SHARED RISK LAYER PLAN FUND ADJUSTMENT (CONT.)**

Date Approved: 12/6/02

Date Revised: 6/23/06, 6/22/07, 4/12/13

- b. "cumulative investment income earned" shall be the total of all investment income allocated to the EWCP.
- c. "cumulative assessment proceeds collected" shall be the amount of all assessments collected from members on current and prior assessment programs"
- d. "board approved member assessments receivable" shall be the total amount receivable from members for board approved assessment plans.
- e. "cumulative administrative expenses paid" shall be the total of all administrative expenses allocated to the EWCP.
- f. "cumulative claims payments" shall be the total of all claims payments made from the EWCP for all program years.
- g. "ultimate unpaid liability for loss and loss adjustment expenses" shall be obtained from the most recently completed actuarial report on the EWCP; shall be inclusive of case based reserves, incurred but not reported (IBNR), allocated loss adjustment expenses (ALAE), and unallocated loss adjustment expenses (ULAE); shall be net of ceded liabilities; shall be stated at the expected confidence level, and discounted to net present value using an interest rate approved by the Board.
- h. "approved risk margin" shall be an amount added to the ultimate unpaid liability for loss and loss adjustment expenses as approved by the Board, and shall be based on the most recently completed actuarial report on the EWCP.
- i. "estimated future administration costs" shall be the estimated annually as of June 30, and include the total estimated future pool administration costs allocated to the EWCP .

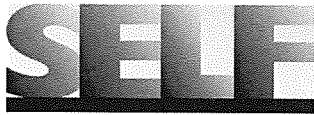


## **2.5 WORKERS' COMPENSATION SHARED RISK LAYER PLAN FUND ADJUSTMENT (CONT.)**

Date Approved: 12/6/02

Date Revised: 6/23/06, 6/22/07, 4/12/13

- j. "total required assessment" shall exist if there is insufficient funding after taking into consideration items (a) through (i).
  - k. "total available funding" shall exist if there is surplus funding after taking into consideration items (a) through (i).
  - l. "deficit program year" shall exist if for any program year there is insufficient funding after taking into consideration items (a) through (i) that are attributable to that program year.
  - m. "surplus program year" shall exist if for any program year there is surplus funding after taking into consideration items (a) through (i) attributable to that program year.
3. Assessments:
- a. The "total required assessment" will be allocated to all deficit program years proportionately based on the deficit in each year as it relates to the sum of all deficit program years.  
  
The "total required assessment" amount allocated to each deficit program year shall be allocated to all members who participated in the deficit program year proportionately based on the member's pooled contribution in that year.
  - b. The "total required assessment" will be billed to members in ten (10) annual installments.
  - c. The annual installments will remain fixed for the first five (5) years of the assessment.
  - d. The "total required assessment" will be recalculated annually based on the actual investment earnings, expenses, assessment collections, and updated actuarial analyses.



## **2.5 WORKERS' COMPENSATION SHARED RISK LAYER PLAN FUND ADJUSTMENT (CONT.)**

Date Approved: 12/6/02

Date Revised: 6/23/06, 6/22/07, 4/12/13

- e. If after the conclusion of any fiscal year the total estimated ultimate loss for all program years increases or decreases by more than 10%, the "total required assessment" will be recalculated and presented to the Board for consideration of an adjustment to the annual assessment amount.
  - f. If after the conclusion of any fiscal year there is a material change in the EWCP (e.g. member assumption of liabilities, change in the net present value interest rate assumptions), or other events that materially impact the net assets of the EWCP, the "total required assessment" will be recalculated and presented to the Board for consideration of an adjustment to the annual assessment amount.
  - g. After the fifth year of the assessment, the "total required assessment" will be recalculated and adjustments will be presented to the Board for consideration.
4. A Member failing to meet the payment schedule above shall be charged interest in the manner and amount earned on funds deposited in LAIF or the manner and amount earned on our current portfolio whichever is greater.
  5. Refunds
    - a. If Applicable refunds will be considered at the close of the program at the discretion of the Board.

**SELF EWP CLAIMS COMMITTEE  
EXPLORATORY MEETING  
Tuesday August 20, 2013  
1:30 p.m. – 3:00 p.m.**

**AGENDA**

**I. INTRODUCTIONS**

- a. Name, Title, and Organization

**II. PURPOSE OF THE MEETING**

- a. Blame is Inappropriate and Irrelevant
- b. Goals / Objectives of the Group
- c. Perceived Obstacles to Achieving the Goals
- d. Should we CONTINUE to pursue this opportunity?

**III. WHAT ARE WE PREPARED TO DO?**

**a. Poll the Membership**

- i. Will member agree to participate?
- ii. Will member release their data to the committee?
- iii. Will member allow committee access to ALL file notes, reserves, etc.?
- iv. Will member cooperate with the recommendations made by the committee?

**b. Open Claims Management / Review Available Resources**

- i. Can we inventory the combined claims management resources available by member and do we have the combined resources available to review all open claims?
- ii. Can we review ALL open claims for ALL members?
- iii. Can we create and communicate recommended course(s) of action for each file to include authority, litigation plan, etc.?
- iv. How do we achieve the review process through the different TPA's, members, etc.?

**IV. SELF PERFORMANCE and DOCUMENT REVIEW DISCUSSION**

- a. Who is our expert regarding the SELF documents and the responsibilities SELF has to the members?
- b. **Should the documents be reviewed to determine whether SELF is meeting the expectations of the members?**
  - i. Is SELF doing what we need them to do?
  - ii. If not, how do we communicate our concerns and direct SELF to behave differently?
  - iii. What else do we need SELF to do to support us?
  - iv. New liaison with SELF? Cannot be Mike Simmons...

**V. WHAT NEXT?**

- a. Shall we continue?
- b. Task list (checklist) of things to accomplish?
- c. Assign accountability to members of the committee?
- d. Timeframe for tasks complete?
- e. Next meeting date and time?

**VI. ADJOURN**

### **Foreign Travel Software**

**ISSUE:** At previous meetings, staff has discussed with the executive Committee the need for a software package that would facilitate enrolling, tracking and communicating with CSU's travelers abroad. Previously Systemwide Risk Management had evaluated purchasing licenses for all campuses to use Terra Dotta's "Studio Abroad" software product. But, the cost of that product would be over \$400,000 and several campuses already have solutions in place.

The CSURMA Chair directed staff to evaluate other options that would resolve Systemwide Risk Management and CSURMA's needs without necessarily imposing new software on the campuses. Two options have emerged as likely solutions:

1. Purchase additional Studio Abroad licenses for Systemwide Risk Management and CSURMA under the Chancellor's Office International Programs' agreement with Terra Dotta; and,
2. Purchase a more limited product from Horizons that should meet our needs.

**RECOMMENDATION:** The Executive Committee may take action or provide direction as necessary as respects evaluation, selection and purchase of an international travel software package.

**FISCAL IMPACT:** Horizons has provided a quote of \$7,500 (recurring fees) and \$2,500 (non-recurring fees) with optional professional services ranging from \$500-\$4,500. The additional Studio Abroad licenses would cost less than \$25,000 to implement. CSURMA Board has established a budget for the software programs.

**BACKGROUND:** Following is a needs analysis by Systemwide Risk Management;

- Ability to input and record all FTIP (travel) and high hazard travel requests that are processed through CSURMA into a single database.
- Ability to create or use canned reports, summary statistics etc.
- Ability to send announcements to applicable travelers, i.e. provide direction as to changing conditions in the country being visited, providing resource contact information, etc.
- One-stop database with comprehensive traveler information.
- Ability to send "batch" communications.
- Incident reporting and easy linking with Europe Assist, the insurer's service and claims intake manager.

The concept is that as requests for FTIP come into Alliant, the data would simply be input into software product. No need to duplicate entries and presumably when issues arise we would have a quick and efficient manner of identifying where our travelers are located, and communicating with them accordingly. Further, for underwriting purposes we may be able to craft reports that would improve our ability to define our traveler risk profile and thereby reduce the cost of insurance.

**ATTACHMENT(S):** None.

## **Program Administration Request for Proposal**

**ISSUE:** CSURMA engages its Program Administrator following a request for proposals (RFP) solicitation. The most recent RFP was in the fall of 2008. Zachary Gifford in the Systemwide Office of Risk Management worked with Dawn Locher in the Chancellor's Office Department of Contract Services and Procurement to conduct the RFP for CSURMA Program Administration. At the last meeting the CSURMA Executive Committee appointed a task group to review the RFP responses, conduct interviews as necessary and make a recommendation to the Executive Committee. The Program Administration RFP Evaluation Task Group includes:

- Mary Ann Rodriguez, CSURMA Vice Chair
- Michael Thorpe, CSURMA Executive Committee Member
- Kurt Borsting, CSURMA AORMA Chair and Executive Committee Member
- George Ashkar, CSURMA Treasurer and Executive Committee Member (alternate)

Responses have been submitted and oral interviews were conducted on August 1, 2013. The Task Group will be present at today's meeting to discuss their recommendation.

**RECOMMENDATION:** It is recommended that the Executive Committee review the RFP Task Group's recommendation and take action or provide direction as appropriate.

**FISCAL IMPACT:** The budgeted cost of the Program Administration and Brokerage Services Agreements is included in the CSURMA Budget. Actual cost will be as negotiated and agreed.

**BACKGROUND:** None.

**ATTACHMENT(S):** None.

## **AORMA PROGRAMS UPDATE**

**ISSUE:** The Auxiliary Organizations Risk Management Alliance (AORMA) continues to address the insurance and risk management needs of its members. All 90+ Auxiliary Organizations in Good Standing purchase insurance coverage through the AORMA.

Kurt Borsting, AORMA Chair, will report on the activities of the AORMA Committee.

**RECOMMENDATION:** No action is required on this item at today's meeting.

**FISCAL IMPACT:** None.

**BACKGROUND:** The AORMA was first marketed to CSU Auxiliary Organizations in 1998. Since that time, the program has grown from 12 members to 90+ members, and represents 100% participation.

**PUBLICATION:** None.

**ATTACHMENT(S):** None.

## **2014 AOA ANNUAL CONFERENCE UPDATE**

**ISSUE:** The annual Auxiliary Organizations Association (AOA) Conference will be held January 12 – 15, 2014 in Sacramento, CA, continuing the theme, *Supporting the Educational Mission of California's State Universities*. The AORMA Committee Chair, Dwayne Brummett will be on hand at the meeting to discuss the upcoming conference.

AORMA will be involved in the following 2014 AOA Conference sessions:

1. Electronic Signatures, Waivers and Files. When to Waiver and When to Not, including Risk Assessment for Ropes Courses, Rock Walls, Bouncy Houses, Zip Lines, Campus Carnivals, Off-Campus Activities, 15 Passenger Vans, Pre-Trip Orientations, Student Conduct Expectations, etc. (Zach Gifford, Daniel Howell and attorney TBD)
2. Best Practices for Protecting Minors on Campus (Praesidium)
3. Managing the Risk of Serious Injuries in Collegiate Sports (CSU Trainer TBD)
4. AORMA Breakfast Presentation (Dwayne Brummett)

**RECOMMENDATION:** No action is requested on this item. The Executive Committee may provide direction as appropriate.

**FISCAL IMPACT:** Last year, the CSURMA AORMA Committee approved a renewal of AORMA's \$18,000 "Premier" level sponsorship. The cost of this sponsorship is allocated to the AORMA Program funds. Three of the seven complimentary registrations included in the "Premier" sponsor packet were assigned to the Chair, Vice Chair, and Past Chair of the CSURMA AORMA Committee.

The AoA Conference Planning Committee allowed CSURMA AORMA to defer two of these free registrations until the 2014 AoA Conference.

**BACKGROUND:** The AOA Conference is a great opportunity for the CSURMA 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.

**ATTACHMENT(S):** None

**REVIEW OF FY 2013/2014  
LONG RANGE PLANNING GOALS**

**ISSUE:** Each year the Executive Committee conducts a Long Range Action Plan meeting to gauge progress and to re-evaluate where efforts should be focused. The Committee will review and discuss the FY 2013/2014 Long Range Planning Goals.

**RECOMMENDATION:** None.

**FISCAL IMPACT:** No fiscal impact is expected from today's meeting.

**BACKGROUND:** The CSURMA Executive Committee adopts the FY 2013/2014 Long Range Planning goals to be accomplished. The Committee will receive a report from Staff on the assigned responsibilities and deadlines of the FY 2013/2014 Long Range Planning goals.

**ATTACHMENT(S):** FY 2013/2014 CSURMA Long Range Action Plan Timeline

# FY 2013/14 CSURMA LONG RANGE ACTION PLAN

**DRAFT**

GOAL	ACTION / TASK	RESPONSIBLE ENTITY	DEADLINE	STATUS
<b>LRP-1 ALTERNATIVE MEDICINES ON CAMPUS</b>				
<b>Draft Systemwide Policy regarding use of Alternative Medicines on Campus.</b>	1. Research existing Systemwide policy regarding permissible usage of alternative medicines on campuses.	1. PA, SRM	1. July 2013	
	2. Research existing Campus policy regarding permissible usage of alternative medicines on campus.	2. PA, SRM	2. August 2013	
	3. Identify other types of alternative medicines that are used on campus and determine whether or not such usage shall be permitted on campus.	3. PA, SRM, OGC, Student Health Centers, Human Resources	3. September 2013	
	4. Identify stake holders and enlist support.	4. PA, SRM, OGC, Student Health Centers, Human Resources	4. October 2013	
	5. Draft Policy & Procedure regarding permissible usage of alternative medicines on campus.	5. PA, SRM, OGC, Student Health Centers, Human Resources	5. November 2013	
	6. Determine whether the draft Policy & Procedure should be an Executive Order, Technical Letter or other.	6. CO	6. December 2013	
	7. Finalize draft Policy & Procedure.	7. PA, SRM	7. January 2014	
	8. Obtain appropriate sign off.	8. CO	8. January 2013	
	9. Roll out to campuses.	9. CO	9. January 2013	
<b>LRP-2 CSURMA WEBSITE ENHANCEMENTS</b>				
<b>Improve CSURMA website.</b>	1. Draft goals for website enhancements: identify what is working well, how utilized, areas to improve.	1. PA	1. January 2013	
	2. Work with website administrator to program needed/desired changes/enhancements.	2. PA, Website Administrator	2. Feb-Mar 2013	
	3. Beta testing.	3. PA, Website Administrator	3. Apr-May 2013	
	4. Populate website.	4. PA, Website Administrator	4. June-July 2013	
	5. Develop demo presentation.	5. PA	5. August 2013	
	6. Present enhanced website to SRM, EC, BOD.	6. PA	6. September 2013	
	7. Roll out to CSURMA members.	7. PA	7. October 2013	
<b>LRP-3 INTRAMURAL/RECREATIONAL SPORTS COVERAGE</b>				
<b>Develop coverage program for Intramural &amp; Recreational Sports.</b>	1. Develop coverage specification and proposed rating structure.	1. PA	1. May 2013	
	2. Market plan to underwriters.	2. PA	2. May 2013	
	3. Obtain and evaluate carrier quotes.	3. PA	3. May 2013	
	4. Draft coverage plan summary and rates.	4. PA	4. June 2013	
	5. Obtain necessary approvals from SRM, EC, BOD.	5. PA, SRM	5. July 2013	
	6. Roll out to CSURMA Members.	6. PA	6. August 2013	
<b>LRP-4 STUDENT PERSONAL PROPERTY &amp; LIABILITY INSURANCE</b>				
<b>Develop coverage program for</b>	1. Develop coverage specification and proposed rating structure.	1. PA	1. May 2013	
	2. Market plan to underwriters.	2. PA	2. May 2013	

## FY 2013/14 CSURMA LONG RANGE ACTION PLAN

**DRAFT**

GOAL	ACTION / TASK	RESPONSIBLE ENTITY	DEADLINE	STATUS
<b>Student Personal Property &amp; Liability Insurance.</b>	3. Obtain and evaluate carrier quotes.	3. PA	3. May 2013	
	4. Draft coverage plan summary and rates.	4. PA	4. June 2013	
	5. Obtain necessary approvals from SRM, EC, BOD.	5. PA, SRM	5. July 2013	
	6. Roll out to CSURMA Members.	6. PA	6. August 2013	
<b>LRP-5 EARTHQUAKE COVERAGE PROGRAM</b>				
<b>Develop coverage program for Earthquake Insurance.</b>	1. Develop coverage specification and proposed rating structure.	1. PA	1. January 2014	
	2. Market plan to underwriters.	2. PA	2. Feb-Mar 2014	
	3. Obtain and evaluate carrier quotes.	3. PA	3. Apr-May 2014	
	4. Draft coverage plan summary and rates.	4. PA	4. Apr-May 2014	
	5. Obtain necessary approvals from SRM, EC, BOD.	5. PA, SRM	5. May 2014	
	6. Roll out to CSURMA Members.	6. PA	6. July 2014	
<b>LRP-6 SERVICE ANIMALS ON CAMPUS</b>				
<b>Draft Systemwide Policy regarding use of Service Animals on Campus.</b>	1. Research existing Systemwide policy regarding permissible usage of service animals on campuses.	1. PA, SRM	1. July 2013	
	2. Research existing Campus policy regarding permissible usage of service animals on campus.	2. PA, SRM, Public Safety	2. August 2013	
	3. Draft Policy & Procedure regarding permissible usage of service animals on campus.	3. PA, SRM, OGC, Human Resources	3. September 2013	
	4. Determine whether the draft Policy & Procedure should be an Executive Order, Technical Letter or other.	4. CO	4. October 2013	
	5. Finalize draft Policy & Procedure.	5. PA, SRM	5. November 2013	
	6. Obtain appropriate sign off.	6. CO	6. December 2013	
	7. Roll out to campuses.	7. CO	7. January 2014	
<b>LRP-7 BICYCLES / SKATEBOARDS ON CAMPUS</b>				
<b>Draft Systemwide Policy regarding Bicycle &amp; Skateboard Safety on Campus.</b>	1. Research existing Systemwide policy regarding safety protocols for bicycles, skateboards, etc. on campuses.	1. PA, SRM	1. July 2013	
	2. Research existing Campus policy regarding safety protocols for bicycles, skateboards, etc. on campus.	2. PA, SRM, Public Safety	2. August 2013	
	3. Draft Policy & Procedure regarding safety protocols for bicycles, skateboards, etc. on campus.	3. PA, SRM, OGC	3. September 2013	
	4. Determine whether the draft Policy & Procedure should be an Executive Order, Technical Letter or other.	4. CO	4. October 2013	
	5. Finalize draft Policy & Procedure.	5. PA, SRM	5. November 2013	
	6. Obtain appropriate sign off.	6. CO	6. December 2013	
	7. Roll out to campuses.	7. CO	7. January 2014	

## FY 2013/14 CSURMA LONG RANGE ACTION PLAN

**DRAFT**

GOAL	ACTION / TASK	RESPONSIBLE ENTITY	DEADLINE	STATUS
<b>LRP-8 PERIODIC REVIEW OF CSURMA POLICIES &amp; PROCEDURES</b>				
<b>Establish Plan for Regular Periodic Review of CSURMA Policies &amp; Procedures.</b>	1. Outline a timetable to review each CSURMA Policy & Procedure (P&P), at least one per month.	1. PA	1. July 2013	
	2. Outline a format to document P&P items to be reviewed.	2. PA	2. August 2013	
	3. Draft report of findings and recommendation for review and discussion with Systemwide Risk Management & Public Safety.	3. PA, SRM	3. September 2013	
	4. Present findings and recommendation as agreed with SRM to EC.	4. PA, SRM, EC	4. EC meetings	
	5. Execute plan of action as directed by SRM and EC. This step may also require BOD approval if Memorandum of Coverage is to be amended.	5. PA, SRM, EC, BOD	5. After EC meetings	
	6. Obtain appropriate sign off, and BOD approval if necessary.	6. PA, SRM, EC, BOD	6. BOD meetings	
<b>LRP-9 NEW MEMBER ORIENTATION FOR EXECUTIVE COMMITTEE AND BOARD OF DIRECTORS</b>				
<b>Establish Plan for Regular Periodic Orientation to CSURMA for New Members</b>	1. Establish regular time and site for CSURMA Orientation, usually the day before EC's September meeting.	1. PA	1. July 2013	
	2. Maintain log of EC and BOD members who have attended orientation, date, etc., and members who still need orientation.	2. PA	2. August 2013	
	3. Schedule teleconference or webinars for members who are unable to attend orientation in person.	3. PA, Members	3. September 2013	
	4. Report orientation attendance to SRM and EC.	4. PA, SRM, EC	4. October 2013	
<b>LRP-10 THEATER RISK MANAGEMENT &amp; SAFETY</b>				
<b>Develop Systemwide Policy and Training regarding Theater Safety on Campus.</b>	1. Research existing Systemwide policy regarding public safety of theaters on campuses.	1. PA, SRM	1. July 2013	
	2. Research existing Campus policy regarding public safety of theaters on campus.	2. PA, SRM, Public Safety	2. August 2013	
	3. Research training programs and costs offered by UC.	3. PA, SRM, OGC	3. September 2013	
	4. Develop schedule to provide on-campus training on Theater Safety.	4. CO	4. October 2013	
	5. Engage service provider.	5. PA, SRM	5. November 2013	
	6. Obtain appropriate sign off.	6. CO	6. December 2013	
	7. Roll out to campuses.	7. CO	7. January 2013	
<b>LRP-11 MINORS ON CAMPUS</b>				
<b>Develop Systemwide Policy and Training regarding Safety of Minors on Campus.</b>	1. Research existing Systemwide policy on safety of minors on campuses.	1. PA, SRM	1. July 2013	
	2. Research existing Campus policy on safety of minors on campus.	2. PA, SRM, Public Safety	2. August 2013	
	3. Research training programs and costs offered by Praesidium, Inc.	3. PA, SRM, OGC	3. September 2013	
	4. Develop schedule to provide on-campus training on Safety of Minors.	4. CO	4. October 2013	
	5. Engage service provider.	5. PA, SRM	5. November 2013	
	6. Obtain appropriate sign off.	6. CO	6. December 2013	
	7. Roll out to campuses.	7. CO	7. January 2013	

**FY 2013/14 CSURMA LONG RANGE ACTION PLAN**

**DRAFT**

<b>GOAL</b>	<b>ACTION / TASK</b>	<b>RESPONSIBLE ENTITY</b>	<b>DEADLINE</b>	<b>STATUS</b>
<b>LRP-12 ENTERPRISE RISK MANAGEMENT</b>				
<b>Develop plan to promote Synergy among campuses in regards to Risk Management functions.</b>	1. Establish baseline for minimum essential risk management operations on campuses.	1. PA, SRM	1. July 2013	
	2. Identify SRM and Campus resources, especially subject matter experts.	2. SRM	2. Aug-Sep 2013	
	3. Identify opportunities to synergize risk management among campuses, possibly creating regional spheres of influence.	3. SRM, Campus RMs	3. Oct-Nov 2013	
	4. Create network among campuses for risk management resources.	4. SRM	4. December 2013	
	5. Roll out to campuses.	5. SRM	5. January 2014	
<b>LRP-13 SPONSORED TRAINING FOR EMPLOYEES</b>				
<b>Develop plan to provide Sponsored Training opportunities for Members.</b>	1. Identify training opportunities that may be beneficial to members. These may include conferences, seminars, webinars, and programs leading to professional credentials (e.g., CPCU, ARM, CSP, AIC, AIS, CRM, etc.), and may include regional sessions on campus to economize learning opportunities.	1. PA, SRM	1. July 2013	
	2. Identify needed training subjects and prioritize.	2. PA, SRM, Campus RMs	2. August 2013	
	3. Establish funding for sponsored training.	3. PA, SRM, EC	3. September 2013	
	4. Establish criteria for sponsored training and application.	4. PA, SRM	4. October 2013	
	5. Draft schedule for training.	5. PA, SRM	5. November 2013	
	6. Roll out to campuses.	6. PA, SRM	6. December 2013	

Key:

**BOD:** CSURMA Board of Directors

**CABO:** CSU Chief Administrators and Business Officers

**CO:** Chancellor's Office

**EC:** CSURMA Executive Committee

**OGC:** CSU Office of General Counsel

**PA:** CSURMA Program Administrator

**SRM:** CSU Systemwide Risk Management & Public Safety

**Public Safety Crowd Control Training Project Update**

**ISSUE:** At the September 14, 2012 meeting, the CSURMA Executive Committee approved funding of a systemwide public safety crowd control training project, subject to review and approval of the final project scope by the Chancellor's Office Department of Risk Management and Public Safety. The project has now been partially completed and attached report summarizes the current status. Training is being performed at campuses throughout the state rather than at a centralized location. Dr. Benjamin F. Quillian, CSU's Senior Executive Vice Chancellor, Business and Finance/Chief Financial Officer approved funding of the endeavor in advance of the project scope review by CSURMA and in consideration of the acute need to provide such training in a timely manner.

**RECOMMENDATION:** This is an information item. No action is requested.

**FISCAL IMPACT:** The CSURMA Executive Committee approved a budget not to exceed \$175,000. The actual project cost through 6/30/13 has been \$68,923.33. Completion of the project is not expected to exceed the previously approved not to exceed budget amount.

**BACKGROUND:** None.

**ATTACHMENT(S):** 1) CSU Systemwide Training Proposal for Crowd Control  
2) Managing Events After Action Report  
3) Managing Events Attendance Compliance



CSU Police Services

# **Crowd Management Regional CSU PD COST Projections Training Proposal**

Completed by: Chief Fernando M. Solórzano, CSULB PD & CRU Chief &  
Lieutenant Christopher Schivley, CSULB PD & CRU Commander

CSU CRU  
9/12/2012

# **Crowd Management Regional CSU PD COST projections Training Proposal**

## **Introduction**

This training proposal is was developed because of a directive to develop a CSU system wide training course in Crowd Management for all CSU Police Officers. The purpose of this training will be to equip all CSU Police Officers with the training and tactics needed to handle major events in a safe and effective manner. All CSU Police Officers will be trained using the same tactics and training so they may work together throughout the state, responding properly to critical incidents, protests, and civil unrest.

I have developed and attached an 8 hour course, hourly distribution. Will you please review it and let me know if this aligns with your goals and needs for the class. I gave a 30 minute break for lunch to be taken on site in this distribution, but that can be changed as you see fit.

The training program will consist of a pre-training (home station) preparation, lecture with materials directly from the POST Crowd Management Intervention and Control Guidelines, and any policies you provide me. The total projected costs are our mobile field force presentation will be the updated version of the method taught and used by CRU.

I also would like to include us distributing two laminated cards for all officers who attend. The cards would fit in the uniform shirt pocket. Card one would be two sided, side one would have a (CO approved) dispersal order and Miranda statement, and side two would be the ICS command structure. Card two would have the hand signals and commands for our mobile field force movements. This way all officers would have the most basic needed information for ICS, dispersals and field commands on their person while on duty. I do not believe we would need any other handouts.

All materials will be delivered to POST for certification prior to the training.

## **Training Considerations**

Effective crowd management training requires several components. The performance standards set by our organizations and the background of the officers to be trained are factors in determining the scope and length of training needed to meet our goals. Currently there is no one best practice standard accepted by the law enforcement community as a whole, but rather several accepted practices for crowd management tactics and movements. Use of force training varies regionally, and regularly changes because of legislation and case law. Because of this the Police Officers in the CSU system ranging from Humboldt to San Diego, have received different local academy instruction. Therefore to unify the CSU agencies into one crowd

management school of thought will require teaching formations, commands and organizational structure from square one.

Because of the nature of crowds and the teamwork required for crowd management, training should, if financially reasonable, include sufficient numbers of officers to carry out practical physical exercises. Normally a platoon of officers consists of 4 squads ranging from 8-12 officers per squad. The platoon would have leadership of a squad leader in each squad, a platoon commander and assistant platoon commander. A platoon can be as small as 2 squads, is less effective, but is commonly used due to the size of our agencies. Each campus varies in size from a few to 30 police officers, which would make it less feasible to have each campus train individually. I believe it will be more practical to have larger regionalized training several times throughout the year, so each campus can cycle their employees through and maintain staff for campus needs.

An approach for a regional training site will require the following; a large grinder (blocked off parking lot) for movements and practical exercises, a classroom with a projector or large screen compatible for laptop hookups, DVD and sound, and logistics of nearby restrooms and eating facilities. The Commission on Peace Officer Standards and training (POST) has no exact recommendation on student to instructor ratio; however my experience for manipulative skills training is 1 instructor per 10 students with a 2 instructor minimum for safety. For this course to be given in platoon formation of 32-48 officers I would recommend 8 instructors (2 instructors at each of the 4 instruction sites). I would also recommend no more than 48 officers per course due to manageability of personnel.

Currently the CSU has a resource of the Critical Response Unit (CRU), which regularly trains in crowd management. CSU CRU already maintains leadership and skilled instructors with experience teaching crowd management techniques. I believe soliciting a pool of 8 instructors from CRU (8 from the northern region, and 4 from the southern region) will be sufficient to carry out the mission of teaching all of the CSU Officers. I believe this group of instructors will need a full 8 hour block of instruction to learn the curriculum approved for this class, develop safety protocols and to organize materials.

### **Recommended Methodology**

Regionalized Training would likely take place in Southern California, and Northern California with a make-up training date located in Central California to minimize travel time and lodging requirements per collective bargaining agreements and CSU policy.

The CSU System has roughly 460 sworn police officers, 42 are already train in our crowd management tactics with CRU leaving about 420 officers who need instruction. With a class size of about 40 officers, there would be 5 dates of instruction in Northern California, 5 dates of

instruction in Southern California and 1 makeup date in Central California. For cost savings I would recommend larger campuses provide the training facilities required on their non-academic days; A blocked off parking lot, classroom facility for 40 students with desks, and projectors.

We recommend a pre-course packet sent out to each campus to include any CSU implemented policy regarding crowd management guidelines, and the POST crowd management DVD for review prior to attending the course. Each officer would sign a roster stating completion in having read and understand the guidelines in the packet and having viewed the POST training DVD when they arrive to the on-site course. This pre-course requirement would be completed during normal working hours with no anticipated overtime costs. That pre-course roster would be collected and maintained along with the student roster by the instructors and maintained by the training staff to be forwarded to the office of the CO.

We recommend an 8 hour training day for the crowd management course, 8 am to 4pm. This training day would include 10 minute breaks and a 45 minute lunch break, leaving 8.5 hours of actual instruction. The first half of the day would be classroom instruction of policy, use of force, a case study of the BOT meeting incident, our system wide tactics, formations, and the command structure. The second half of the day would be practical exercises and officers will assume different roles within the platoon.

Officers would be required to wear appropriate clothing and equipment including, their duty boots, training pants, comfortable shirt or jacket, riot control baton, helmet and gas mask provided by their home CSU agency.

## Course Outline

### **8 Hour “Crowd Management” Course Hourly Distribution**

<i>0800-0815</i>	Sign in, Instructor Introductions, Course Goals and Objectives (Lecture)
<i>0815-0900</i>	Principals of Crowd Management, Incident Command Structure, Case Studies
<i>0900-1000</i>	Use of Force law, Case Law, CSU Policies, Applicable Statutes, Dispersal Orders (Dispersal Order/Miranda Cards distributed to class)
<i>1000-1015</i>	Break
<i>1015-1130</i>	Mobile field force, Intervention and Control Strategies (Field Commands/ICS Cards distributed to class)
<i>1100-1130</i>	Lunch Break on site
<i>1130-1345</i>	Mobile field force practical applications, Movements, Command (Platoon formations, skirmish lines, Commands)
<i>1345-1400</i>	Break
<i>1400-1550</i>	Mobile field force practical applications, Movements, Commands (Platoon formations, skirmish lines, Commands)
<i>1550-1600</i>	Wellness Checks, Certificate Distribution

**COST/BUDGET**

Because of the collective bargaining agreement, the campus locations, and CSU travel policies there are several considerations which will make anticipating the actual costs of this training difficult;

- Travel times will vary,
- Mileage reimbursement for travel if personal vehicles are used
- Overnight lodging expenses for any training sites farther than 50 miles from the officers home campus
- Rank and step pay rate of each officer in the system
- Officers attending a make-up training will likely have greater travel expenses and distance

Additionally my accuracy of anticipated costs is limited due to unknown factors of ratios of sergeants, corporals and officers in the system and their pay rates. I factored in average cost of labor by averaging the rate for officers, corporals and sergeants. All calculations will be factored in at 1.5 hourly rates. I calculated travel time as 1 hour travel time each way per training day for each officer and instructor due to unknown training locations.

Labor Costs	\$137,280
Travel / Administration	\$ 21,064
Contingency (10%)	\$ 13,408
<b><u>Estimated Total for Training</u></b>	<b><u>\$158,344</u></b>

<u>Instructor Costs</u>	<u>Number of instructors</u>	<u>Hours</u>	<u>Sub Total Hrs.</u>
Initial Training Session	8	10	80
11 Training Sessions	8	88	704
Administrative Hours	2	16	32

<u>Students Costs</u>	<u>Number of Students</u>	<u>Hours</u>	<u>Sub Total Hrs.</u>
11 Training Sessions w/travel(OT)	420	8	3360/2=1680

Total Hours	2496
OT Rate	\$ 55.00
Labor Cost	\$ 137,280

**Administrative Costs Summary**

Postage, distribution, materials, & DVDs, etc.	\$ 1,000
Instructors' Hotel and Travel	<u>\$ 20,004</u>
	\$ 21,004

# Managing Events in the 21<sup>st</sup> Century

## After Action Report

FY2012/13

Completed by Lieutenant Hall, Lieutenant Shrum and Captain Schivley

**Completed June 13, 2013**

### **Situation:**

In March 2013 the California Peace Officer Standards and Training (POST) published new guidelines for Crowd Management, Intervention and Control. These guidelines provided updated information regarding managing events and the police response to civil unrest. In a response to the U.C. Davis Pepper spray incident and the new POST guidelines, the Office of the Chancellor set out a mandate that all California State University, (CSU) Police Officers are to complete updated training. The Office of the Chancellor created a Chief's taskforce to determine a course of action to prepare the CSU Police Officers for future events, which may require crowd management and intervention.

### **Mission:**

The CSU Police Chiefs Taskforce determined that an 8 hour Police Officer Training course be delivered to all sworn CSU Police Officers during FY2012/2013. This training would be our course of action to satisfy the directives of the Chancellor and prepare our officers for managing events. This taskforce with the approval of the system Chiefs assigned three police managers to develop and deliver an instructor course for a select group of instructors to all CSU officers.

### **Execution:**

#### Course Development

Lt. David Hall of CSU Dominguez Hills, Lt. Lupe Shrum of CSU Fresno and I met and conferred several times over the course of several months developing curriculum for both the system instructors and the 8 hour course. We created a two day course for instructor development and a one day course for CSU Officers. Using our past training and experiences we drew information from

- CSU Critical Response Unit training model
- LAPD's Mobile Field Force training model
- California Peace Officer Standards Training Guidelines to Crowd Management
- California LEO Guide to Emergency Operations, SEMS, ICS, IAP sections
- UC Pepper spray incident, Reynoso report LAPD After Action Executive Summary, May Day 2007
- Current Case Law, Young v. County of Los Angeles and Graham v. Connor
- CSU BOT Meeting Nov 2011, Independent Review report

- CSU Handbook of Free Speech Issues

Course Delivery

Because the CSU system is spread throughout the State of California, we created three regional areas to train in. Northern, Central and Southern regions were developed and assigned specifically to Lt. Hall, Lt. Shrum and I. Each master instructor coordinated training courses in their region and was responsible for its delivery. By regionalizing the training there was a reduction in travel related expenses and opportunity for larger class sizes.

Course delivery was managed by having at least one Master Instructor (Lt. Hall, Lt. Shrum, or Capt. Schivley) present to ensure the curriculum was consistent and accurate. The course was developed under the concept of managing events that would require a platoon formation (50-60 officers). Our planning facilitated for this by having 4-6 instructors per course. Each squad of 12-16 officers would have an instructor assigned to them to keep instructor to student ratios appropriate for proper control.

The Following Courses were delivered:

INSTRUCTOR COURSE

Chancellor’s Office- LB	3/25-26/13
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OFFICERS COURSES

Southern

CSU Long Beach	4/5/2013
CSU Long Beach	5/10/2013
CSU San Marcos	6/10/2013

Central

CSU Fresno	4/15/2013
CSU Fresno	4/26/2013

Northern

CSU Sacramento	5/31/2013
CSU San Jose	6/4/2013
CSU Chico	6/7/2013

### Course Attendance

These courses were offered to all 23 CSU Police Departments over a period of 3 months with notification going to all CSU Police Chiefs. Utilizing POST roster forms we determined the following information regarding compliance to this training. We trained a total of 305 CSU Police Officers. Below is the number of students from each CSU Police Department who participated in this training.

### Participation

<u>Campus</u>	<u>Number of Students</u>	<u>Reported Number of Sworn not MPP</u>	<u>Compliance Percentage</u>
Bakersfield	11	9	122%
Channel Islands	9	13	69%
Chico	18	15	120%
Dominguez Hills	15	15	100%
<b>East Bay</b>	<b>0</b>	<b>14</b>	<b>0%</b>
Fresno	19	21	90%
Fullerton	26	24	108%
Humboldt	10	12	83%
Long Beach	21	21	100%
Los Angeles	16	18	89%
Maritime	8	9	89%
Monterey Bay	10	13	77%
Northridge	21	23	91%
Pomona	16	16	100%
Sacramento	24	21	114%
San Bernardino	7	14	50%
<b>San Diego</b>	<b>0</b>	<b>21</b>	<b>0%</b>
San Francisco	16	34	47%
San Jose	22	24	92%
San Luis Obispo	9	14	64%
San Marcos	11	14	79%
Sonoma	4	9	44%
Stanislaus	12	10	120%

<b>Campus</b>	<b>Area</b>	<b>Number of Students Completed Including MPP's</b>	<b>Department Sworn Total Non MPP (Reported by SUPA) (From Fall 2012)</b>	<b>% Compliance (does not account for vacancies, leave or disability)</b>
Bakersfield	Central	11	9	122%
Channel Islands	Central	9	13	69%
Chico	North	18	15	120%
Dominguez Hills	South	15	15	100%
<b>East Bay</b>	<b>North</b>	<b>0</b>	<b>14</b>	<b>0%</b>
Fresno	Central	18	21	86%
Fullerton	South	26	24	108%
Humboldt	North	10	12	83%
Long Beach	South	21	21	100%
Los Angeles	South	16	18	89%
Maritime	North	8	9	89%
Monterey Bay	North	10	13	77%
Northridge	South	21	23	91%
Pomona	South	16	16	100%
Sacramento	North	24	21	114%
San Bernardino	Central	7	14	50%
<b>San Diego</b>	<b>South</b>	<b>0</b>	<b>21</b>	<b>0%</b>
San Francisco	North	16	34	47%
San Jose	North	22	24	92%
San Luis Obispo	North	9	14	64%
San Marcos	South	11	14	79%
Sonoma	North	4	9	44%
Stanislaus	Central	12	10	120%

	<b># of Students</b>	<b>Department Sworn Non MPP</b>	<b>% Compliance Including MPP</b>
<b>Total</b>	<b>304</b>	<b>384</b>	<b>79%</b>

**Course Location      Date      Number of Students      Status**

**Instructors**

Long Beach	3/25-26/13	16	Completed
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**Southern**

Long Beach	4/5/2013	36	Completed
Long Beach	5/10/2013	45	Completed
San Marcos	6/10/2013	39	Completed

**Central**

Fresno	4/15/2013	25	Completed
Fresno	4/26/2013	39	Completed

**Northern**

Sacramento	5/31/2013	41	Completed
San Jose	6/4/2013	46	Completed
Chico	6/7/2013	17	Completed

<b>Total</b>	<b>304</b>
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### **CSURMA Website and Other Technology**

**ISSUE:** The csurma.org website has been re-launched and is now more functional for our members. We are continuing to work on improvements and add content. The attached announcement went to all CSURMA contacts, and describes how a login can be obtained.

The second attachment is an article that provides food for thought on where CSURMA may want to look for future technology innovations. The AORMA committee is already working on safety training modules that can be delivered via tablet or smart phone. While some of the vision is related to personal lines insurance, the Program Administrator sees possibilities related to such areas as:

- Obtaining electronic foreign travel identification and service resource cards
- Ordering certificates of insurance
- Reporting safety concerns on campus

**RECOMMENDATION:** It is recommended that the Executive Committee review the attachments and provide direction to staff as appropriate.

**FISCAL IMPACT:** No direct fiscal impact is expected from action at today's meeting.

**BACKGROUND:** None.

**ATTACHMENT(S):** 1) CSURMA.org web site announcement to contacts  
2) Accenture article on use of technology applications in insurance

## Myron Leavell

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**From:** Myron Leavell  
**Sent:** Tuesday, July 16, 2013 3:16 PM  
**To:** Myron Leavell  
**Subject:** CSURMA - Website Changes

Dear CSURMA website user,

The CSURMA website has changed and requires that you re-register to access its resources.

Follow this link to the Registration Page: <http://www.csurma.org/Pages/Register.aspx> and complete the brief New Member Registration form. Your request will then be routed for approval and you will receive an acknowledgement email. When your registration is active, you will receive a confirming welcome email.

As always, please let us know if you have any questions or other concerns as you are accessing the new site!

\*\*\* Please disregard this message if you have already completed the New Member Registration Form. Thank you! \*\*\*

Regards,

Myron Leavell | Account Manager - Lead, Team Lead

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Alliant Insurance Services, Inc.  
100 Pine Street, 11th Floor, San Francisco, CA 94111-5101  
Direct: 415.403.1404 Fax: 415.874.4813  
Main: 415.403.1400 Mobile: 415.350.4407  
[mleavell@alliant.com](mailto:mleavell@alliant.com)  
[www.alliant.com](http://www.alliant.com)  
License No: 0C36861

## **Insurance User Experiences by Design: Satisfying the needs of four major consumer segments**

New expectations for user experiences, driven by the everyday transactions of consumers, are quickly redefining application design for industry—and property and casualty insurance is no exception. Enterprise users, such as claim handlers and underwriters, are looking to interact with their work applications in the same way they interact online in their personal time—like when they shop for music or apparel on the Internet.

They want applications that are visually attractive, simple, familiar and engaging. Other enterprise users, like customer service reps, may also be game enthusiasts after work hours.

They would want to interact collectively with coworkers, have dynamic views of policyholder information and receive real-time feedback on their performance as needed. Collaboration apps and tools that nurture input from customers and co-workers, and even award points for achieving positive outcomes, would satisfy such users.

In this, the everyday-to-enterprise (E2E) shift, technology is blurring the lines between users' work, shop and play.

Current and future workers will expect better user experiences in their workplace. They will even leave a job if they don't have it—a reality that begs insurers to better retain talent in an industry that anticipates a 50 percent workforce turnover over the next 15 years, according to the Assurex Global Generational Workplace Audit.

To enhance the user experience, insurers should take pointers from other consumer-facing industries and incorporate the best examples in their improvement blueprints.

A first step would be to clearly identify system users and what they look for in an online experience. To simplify this task, Accenture has identified four user types that are pulling consumer expectations into the insurance enterprise—the “Free Spirit”, the “Go-Getter”, the “Enthusiast”, and the “Data Junkie” —and how insurers can use technology to satisfy the new workforce behaviors.

It is important to note that the job function can be similar across these groups. The difference is how each segment wants to use technology to achieve the same business objective.

### **The Free Spirit**

*Don't box them in. Rather, let them change it up through multi-screen experiences.*

The Free Spirit prefers the freedom of being on-the-go, owning and relying on multiple devices (whether a smartphone, tablet, computer or some new emerging device) to shop, work and play. In insurance, it's not uncommon to see an underwriter working with dual computer monitors. Some field adjusters already switch back and forth between using a tablet on the road and a desktop in the office.

Insurance work is now portable and can happen on multiple devices in different locations. Users should

not be constrained, but free to easily access work information and track workflow progress across devices whether at home, office or in the field. If they stopped on step six while processing a policy at work, they want to start on step six when they resume working on the claim from their home computer. To respond to this user, insurers should adapt their culture to recognize the importance of multi-screen experiences and proactively look into how the presence of multiple devices affects user experience.

Does the Free Spirit use his or her devices for the same or different purposes? Are they used sequentially (policy underwriting) or simultaneously (look up prior loss information on one device while managing the claim on another device)?

**Update on Concussive Injuries Initiative**

**ISSUE:** CSU's approach to preventing and managing concussive injuries was a significant topic during the Liability Insurance Program renewal negotiations with underwriters. While operating plans are in place and reviewed as a part of compliance with the NCAA, CSU has been considering proactive and innovative approaches to preventing and assessing injuries. Recently the CSU Council of Presidents received a presentation on such an approach. Zachary Gifford will be present at today's meeting to discuss the topic.

**RECOMMENDATION:** This is an information item. No action is requested; however the Executive Committee may provide staff direction.

**FISCAL IMPACT:** No fiscal impact is anticipated from this item.

**BACKGROUND:** None.

**ATTACHMENT(S):** None.

**Listing of CSURMA Policies and Procedures**

**ISSUE:** This item is provided as an information item to advise the Executive Committee of the Policies and Procedures currently in effect prior to this meeting. The attached list comes from the csurma.org web site where the policies and procedures are available to the Committee. The AORMA program has additional Policies and Procedures.

**RECOMMENDATION:** It is recommended that the Executive Committee review the list of CSURMA Policies and Procedures and provide direction to staff as appropriate.

**FISCAL IMPACT:** No direct fiscal impact is expected from action at today's meeting.

**BACKGROUND:** None.

**ATTACHMENT(S):** Listing of CSURMA Policies and Procedures



California State University Risk Management Authority

[ABOUT](#) [RESOURCES](#) [CAMPUS](#) [AORMA](#) [SHARED](#)

- > Meetings
- > Administration
- > Policies & Procedures
- > Request a Certificate of Insurance
- > Request Foreign Travel
- > Organizational Chart
- > IRIC Manual
- > Resources Presentations
- > Contact Us

### Policies & Procedures

Title:	Effective Date:
 P & P No. 1 - Assessments and Disbursements	8/5/1999
 P & P No. 2 - Resolution of Coverage and Claim Disputes	3/26/2009
 P & P No. 3 - Records Retention	8/8/1999
 P & P No. 4 - Periodic Actuarial Studies	7/1/1999
 P & P No. 5 - Claims Audits	7/1/1999
 P & P No. 6 - Payment Policy	5/19/2010
 P & P No. 7 - Self-Insured Program Funding	1/1/2000
 P & P No. 8 - Coverage Determinations for Claims Designated "Systemwide"	10/28/2009
 P & P No. 9 - Property Coverage for State-Owned Buildings Leased to an Auxiliary	3/26/2009
 P & P No. 10 - Member Loans	5/13/2011
 P & P No. 11 - CSURMA Operating Budget Development and Adoption	3/26/2009
 P & P No. 12 - Committee Members Attendance of Professional Development Conferences	3/24/2011
 P & P No. 13 - Campus Risk Pool Programs Target Reserve Funding Goal	10/28/2011
 P & P No. 14 - Campus Risk Pool Dividends and Assessments	10/28/2011
 P & P No. 15 - Responsibilities of Treasurer and Secretary-Auditor	12/9/2011
 P & P No. 16 - Use of CSURMA Equipment	3/22/2012
 P & P No. 17 - Reimbursement of Travel Expenses	3/22/2013
 P & P No. 18 - Board of Directors Participation Executive Committee Nominations and Elections	3/22/2013
 P & P No. 19 - Campus Risk Pool Claims Settlement Authority	5/10/2013

**CSURMA Administrative Service Calendar**

**ISSUE:** This item is provided as an information item to advise the Executive Committee of the various recurring administrative activities and when they take place over the course of the year. It includes items noting when they appear before the Executive Committee and Board of Directors. It is to be provided for information with each agenda packet.

**RECOMMENDATION:** It is recommended that the Executive Committee review the CSURMA Administrative Service Calendar and provide direction to staff as appropriate.

**FISCAL IMPACT:** No direct fiscal impact is expected from action at today's meeting.

**BACKGROUND:** None.

**ATTACHMENT(S):** CSURMA Administrative Services Calendar

# CSURMA SERVICE CALENDAR

AS = Alliant Insurance Services Staff  
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Date	Activity	Completed by
<b>JANUARY</b>		
01/06/14	Statement of Facts – Roster of Public Agencies - file with State & County	AS
01/10/14	Form 700 - mail to BD and Committee members – return deadline 03/21/14	AS
01/31/14	WC/Liability – estimated WC payroll	AS
<b>FEBRUARY</b>		
<b>02/17/14</b>	<b>Reminder – Form 700s to Board and Alternate Members</b>	<b>AS/JPA Admin</b>
<b>02/20/14</b>	<b>Send email to EC/AORMA reminding of 3/20/14 meeting - Quorum</b>	<b>AS</b>
<b>02/24/14</b>	<b>EC/EC LRP/AORMA Agenda Prep meeting – Agenda out 03/10/14</b>	<b>AS/JPA Admin</b>
<b>MARCH</b>		
03/03/14	Actuarial Study - receive draft and send to Jim Marta	AS
<b>03/03/14</b>	<b>EC/EC LRP/AORMA Agenda Prep Meeting – Agenda out 03/10/14</b>	<b>AS/JPA Admin</b>
<b>03/10/14</b>	<b>EC/EC LRP/AORMA Committee – mail agendas for 03/20/14 meetings</b>	<b>AS/JPA Admin</b>
<b>03/20/14</b>	<b>AORMA Committee Meeting</b>	<b>AORMA</b>
<b>03/20/14</b>	<b>Executive Committee Meeting</b>	<b>EC</b>
<b>03/21/14</b>	<b>Executive Committee LRP</b>	<b>EC</b>
(meeting)	4 <sup>th</sup> quarter Investment Reports (as of 12/31) - submit for review	EC
(meeting)	4 <sup>th</sup> quarter Financials (as of 12/31) - submit for review	EC
(meeting)	Claims Auditor - evaluate and consider RFP (Liability odd years/WC even years)	EC
(meeting)	Service Provider Performance Evaluations - submit responses for review	EC
(meeting)	quarter Investment Reports - submit for approval	BD
(meeting)	quarter Financials (as of 12/31) - submit for approval	BD
May	FY 2014/15 Budget - submit for review	BD
(meeting)	Liability WC Banking & Shared Risk Layers-deposit calculations for review (excess WC & Liability & Admin costs pending)	BD
(meeting)	Appoint Campus Risk Pool Rating Plans Task group every 3 years (2014, 2017, 2020)	EC
(meeting)	Annual review of data security polices	EC
(meeting)	Annual review of all policies and procedures (Even & Odd Years)	EC
(meeting)	Appoint Nominating committee	EC
(meeting)	Annual review of applicable ICSUAM policies	EC
<b>03/21/14</b>	<b>Form 700s - receive from Board Members and Alternates</b>	<b>AS/JPA Admin</b>
(meeting)	Status of form 700's to EC	<b>AS</b>

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Date	Activity	Completed by
<b>APRIL</b>		
04/01/14	Form 700s - file with FPPC	AS/JPA Admin
04/08/14	Send email to BOD reminding of 05/09/14 meeting - Quorum	AS/JPA Admin
04/09/14	Send email reminding of 05/09/14 meeting - Quorum	AS/JPA Admin
<b>04/14/14</b>	<b>EC &amp; BOD Agenda Prep Meeting</b>	<b>AS/JPA Admin</b>
04/15/14	Alliant begins contact with various contractors regarding renewal terms	AS
04/15/14	1 <sup>st</sup> Quarter DE-6 (as of 03/31) - request to members	AS
04/15/14	Send annual renewal certificate spreadsheets to members – due 1 month	AS
04/15/14	1 <sup>st</sup> quarter Losses - receive from Sedgewick (as of 03/31)	JM
<b>04/21/14</b>	<b>EC &amp; BOD Agenda Prep Meeting</b>	<b>AS/JPA Admin</b>
<b>04/29/14</b>	<b>EC &amp; BOD Agendas - mail agendas for 05/09/14 meetings</b>	<b>AS/JPA Admin</b>
<b>MAY</b>		
<b>05/08/14</b>	<b>AORMA Committee Meeting</b>	<b>AORMA</b>
<b>05/09/14</b>	<b>Executive Committee Meeting</b>	<b>EC</b>
<b>05/09/14</b>	<b>Board of Directors Meeting</b>	<b>BD</b>
(meeting)	Quarter Financials (as of 03/31) - submit for approval	EC
(meeting)	Quarter Investment Reports (as of 03/31) - submit for approval	EC
(meeting)	Liability and WC Program Deposits - review 2014 revisions	EC
(meeting)	FY 2014/15 Budget - submit for adoption	BD
(meeting)	Program Administration Contract – submit for approval (as needed)	EC
(meeting)	Systemwide Risk Services Sgreement	EC
(meeting)	WC Claims Administration Contract - submit for approval <i>(as needed)</i>	EC
(meeting)	Accounting Services MOU - submit for approval <i>(as needed)</i>	EC
(meeting)	Legal Services MOU - submit for approval <i>(as needed)</i>	EC
(meeting)	Conflict of Interest Code-submit for approval <i>(every even-numbered year)</i>	EC
(meeting)	Insurance renewal delegation of authority	EC
(meeting)	Liability Memorandum of Coverage FY 2014/15 – submit for approval	EC
(meeting)	WC Memorandum of Coverage FY 2014/15 – submit for approval	EC
(meeting)	FY 2014/15 Budget - submit for review	EC
(meeting)	Liability and WC FY 2011/12 Banking & Shared Risk Layer Program	BD
(meeting)	2014 Nominating Committee - select & nominate	EC
(meeting)	Elections to Board of Directors	BOD
<b>JUNE</b>		
06/15/14	Begin preparation of CAJPA Standards review (2014 and every 3 years thereafter)	AS
06/25/14	Send certificates to Certificate Holders and Members	AS
<b>JULY</b>		
07/01/14	Send renewal binders invoices & summaries to Members	AS

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Date	Activity	Completed by
07/10/14	Submit FY YR ascend claim data to actives	AS
07/15/14	Final FY Payroll - request from chancellor's office	AS
07/21/14	Upon receipt of loss data begin semi annual loss charts for RM meeting in October and to be sent to Members	AS
07/29/14	Send 2 <sup>nd</sup> quarter DE-6 (as of 06/30) to CJPRMA	AS
07/29/14	Financial audit prep	AC/RM/AS
<b>AUGUST</b>		
08/11/14	EC – email reminding of 09/12/14 meeting - quorum	AS/JPA Admin
08/11/14	EC – Agenda Prep meeting – Agenda out 09/02/14	AS/JPA Admin
08/18/14	EC – Agenda Prep meeting – Agenda out 09/02/14	AS/JPA Admin
<b>SEPTEMBER</b>		
09/02/14	EC Agenda - mail for 09/12/14 meetings	AS/JPA Admin
09/10/14	AORMA Committee LRP	AORMA
09/11/14	AORMA Committee Meeting	AORMA
09/11/14	Executive Committee Orientation	EC
09/12/14	Executive Committee Meeting	EC
(meeting)	2 <sup>nd</sup> quarter Investment Reports (as of 06/30) - submit for approval	EC
(meeting)	2 <sup>nd</sup> quarter Financials (as of 06/30) - submit for approval	EC
(meeting)	Review financial audit or DRAFT	AC
(meeting)	Review and approve actuarial studies	EC
(meeting)	Campus Risk Pool Rates	EC
(meeting)	Investment policy	FC
09/12/14		JM
09/11-13/14	2014 CAJPA Fall Conference and Training Seminar	
09/24/14	EC & BOD – email reminding of meeting - quorum	AS/JPA Admin
09/30/14	EC & BOD – Agenda Prep meeting – Agenda out 10/13/14	AS/JPA Admin
<b>OCTOBER</b>		
10/01/14	Annual Report of Financial Transactions	
10/01/14	Public Self Insurer's Annual Report for JPA & Members - file	AS/SEDGWICK
10/07/14	EC & BOD – Agenda Prep meeting – Agenda out 10/13/14	AS/JPA Admin
10/12/14	AORMA Agenda - mail for 10/23/14 meeting	AS/JPA Admin
10/13/14	EC Agenda - mail for 10//14 meeting 11/6	AS/JPA Admin
10/13/14	Board of Directors Agenda - mail for 10/24/14 meeting 11/6	AS/JPA Admin
10/23/14	AORMA Meeting	AORMA
10/24/14	EC Meeting	EC
10/24/14	Board of Directors Meeting	BD
(meeting)	Financial Audit – review draft submission	EC
(meeting)	2014 Meeting Calendar - submit for approval	EC
(meeting)	2014 Service Calendar - submit for approval	EC

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Date	Activity	Completed by
(meeting)	3 <sup>rd</sup> quarter Investment Reports (as of 09/30) - submit for approval	BD
(meeting)	3 <sup>rd</sup> quarter Financials (as of 09/30) - submit for approval	BD
(meeting)	2014 Meeting Calendar - submit for approval	BD
(meeting)	2014 Service Calendar - submit for approval	BD
(meeting)	Investment Policy - submit for approval	BD
(meeting)	CAJPA review report (2014 and every 3 years thereafter)	BD
(meeting)	Marketing Plan & Renewal Timeline - submit for approval	BD
(meeting)	Claims Administration Audit ( <i>GL odd years, WC even years</i> ) - submit for approval	EC/AIME/AOR MA
(meeting)	2 <sup>nd</sup> quarter Investment Reports - submit for approval	BD
(meeting)	2 <sup>nd</sup> quarter Financials (as of 6/30) - submit for approval	BD
(meeting)	Target Equity Presentation – September AORMA	AS
(meeting)	FY 2013/14 Financial Audit - submit for approval	BD
(meeting)	Financial Audit – review and update	AC
(meeting)	Loss Analysis charts (as of 06/30) SEPTEMBER	AORMA
<b>NOVEMBER</b>		
<b>11/04/14</b>	<b>EC– Agenda Prep meeting – Agenda out 11/24/14</b>	<b>AS/JPA Admin</b>
11/15/14	Property (location schedules) - request member review	AS
11/15/14	Property Schedules to Members for review – deadline 30 days	AS
<b>11/11/14</b>	<b>EC– Agenda Prep meeting – Agenda out 11/24/14</b>	<b>AS/JPA Admin</b>
<b>11/23/14</b>	<b>AORMA Agenda - mail for 12/04/14 meeting</b>	<b>AORMA</b>
<b>11/24/14</b>	<b>Executive Committee Agenda - mail for 12/05/14 meeting</b>	<b>EC</b>
11/28/14	Property (PEPIP) binders – prepare and send to Members	AS
	Confirm BOD Member & Alternate on file	AS
	Campus risk pool deductible – Confirm (Every 3 years - 2014, 2017, 2020)	AS
	Confirm holders of Campus Claims Settlement Authorities	AS
	Send campus risk pool renewal budget	AS
<b>DECEMBER</b>		
12/1	Send out member survey	RM
	Annual review of Conflict of Interest Code	EC
<b>12/04/14</b>	<b>AORMA Committee Meeting</b>	<b>AORMA</b>
<b>12/05/14</b>	<b>Executive Committee Meeting</b>	<b>EC</b>
(meeting)	3 <sup>rd</sup> Quarter Financials (as of 09/30) - submit for approval	EC
(meeting)	Claims Audit ( <i>GL odd years, WC even years</i> ) - review and provide recommendations to BD	EC
(meeting)	FY 2014/15 Marketing Plan & Renewal Timeline - submit for approval	EC
12/30/14	Financial Audit - mail to State and Counties of members	AC

**CSURMA EXECUTIVE COMMITTEE AND STAFF TELEPHONE,  
POSTAL ADDRESS AND E-MAIL LIST**

**ISSUE:** Attached is a list of telephone numbers, postal addresses and e-mail addresses for members of the Executive Committee and Staff.

**RECOMMENDATION:** It is recommended that members review the list at each meeting for accuracy and make any changes or additions. If there are any changes contact Myron Leavell at 415-403-1404 or via email at [mleavell@alliant.com](mailto:mleavell@alliant.com).

**FISCAL IMPACT:** None.

**BACKGROUND:** An accurate and current list facilitates better communication among Committee Members and Staff.

**ATTACHMENT(S):** CSURMA Executive Committee and Staff Telephone, Postal Address and E-mail List.

<u>Location</u>	<u>Organization</u>	<u>First Name</u>	<u>Last Name</u>	<u>Title</u>	<u>Street Address</u>	<u>Phone/Fax/E-mail</u>
Chancellor's Office	California State University, Office of the Chancellor	George V.	Ashkar	Assistant Vice Chancellor, Financial Services	401 Golden Shore, 5th Floor Long Beach, CA 90802-4210	Tel: 562-951-4671 Fax: 562-951-4865 Email: gashkar@calstate.edu
Chancellor's Office	California State University, Office of the Chancellor	Dr. Benjamin F.	Quillian	Executive Vice Chancellor/CFO	401 Golden Shore, 5th Floor Long Beach, CA 90802-4210	Tel: 562-951-4600 Fax: 562-951-4970 Email: bquillian@calstate.edu
Chico	California State University Chico	Michael	Thorpe	Risk Manager	400 West First Street First And Normal Chico, CA 95929	Tel: 530-898-6588 Fax: 530-898-4513 Email: methorpe@csuchico.edu
Dominguez Hills	California State University Dominguez Hills	Mary Ann	Rodriguez	Vice President, Administration & Finance	1000 East Victoria Street Welch Hall, 4th Flr, B-470 Carson, CA 90747	Tel: 310-243-3750 Fax: 310-243-3869 Email: marodriguez@csudh.edu
Fresno	California State University Fresno	Cynthia	Teniente-Matson	Vice President for Administration	5241 North Barton Avenue, M/S ML 52 Fresno, CA 93740-0052	Tel: 559-278-2083 Fax: 559-278-2928 Email: cmatson@csufresno.edu
Fullerton	California State University Fullerton	Lori	Gentles	Vice President, Human Resources	800 N. State College Blvd. Fullerton, CA 92831-3599	Tel: 657-278-2560 Fax: 657-278-8788 Email: lgentles@fullerton.edu
Long Beach	Forty-Niner Shops, Inc. California State University Long Beach	Robert	de Wit	Chief Financial Officer	1250 Bellflower Blvd. Long Beach, CA 90840	Tel: 562-985-5549 Fax: Email: Robert.Dewit@csulb.edu
Sacramento	California State University Sacramento	Ming Tung (Mike)	Lee	Vice President, Administration and Chief Financial Officer	6000 J Street, MS 6038 Sacramento, CA 95819	Tel: 916-278-5933 Fax: 916-278-5783 Email: mikelee@csus.edu
San Luis Obispo	Associated Students, California Polytechnic State University	Dwayne	Brummett	Director of Business Services	University Union Bldg 65, Rm 212 San Luis Obispo, CA 93407	Tel: 805-756-5768 Fax: 805-756-5420 Email: dbrummet@calpoly.edu
San Marcos	California State University San Marcos	Linda	Hawk	Vice President, Finance & Administrative Services	333 So Twin Oaks Valley Rd San Marcos, CA 92096-0001	Tel: 760-750-4950 Fax: 760-750-4949 Email: lhawk@csusm.edu

<u>Organization</u>	<u>First Name</u>	<u>Last Name</u>	<u>Title</u>	<u>Street Address</u>	<u>Phone/Fax/Email</u>
CSU Chancellor's Office, Office of General Counsel	William	Hsu	University Counsel for the CSU	401 Golden Shore, 4th Floor Long Beach, CA 90802	Tel: 562-951-4500 Fax: 562-951-4956 Email: whsu@calstate.edu
CSU Office of the Chancellor	Charlene	Minnick	Assistant Vice Chancellor of Systemwide Risk Management & Public Safety	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4580 Fax: 562-951-4859 Email: cminnick@calstate.edu
CSU Office of the Chancellor	Zachary	Gifford	Associate Director of Systemwide Risk Management	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4568 Fax: 562-951-4859 Email: zgifford@calstate.edu
CSU Office of the Chancellor	Rebecca	Skidmore	Senior Risk Management Administrative Analyst	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4574 Fax: 562-951-4859 Email: rskidmore@calstate.edu
CSU Office of the Chancellor	Leona	Ching	Risk Management & Public Safety Administrative Assistant	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4580 Fax: 562-951-4859 Email: lching@calstate.edu
CSU Office of the Chancellor	Kelly	Cox	Associate Director of Accounting	401 Golden Shore, 5th Floor Long Beach, CA 90802-4210	Tel: 562-951-4611 Fax: 562-951-4865 Email: kcox@calstate.edu
CSU Office of the Chancellor	Alice	Kim	Enterprise & CO Reporting Manager	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4627 Fax: 562-951-4865 Email: akim@calstate.edu
CSU Office of the Chancellor	Rima	Tanuwidjaja	Financial Reporting Analyst	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4621 Fax: 562-951-4865 Email: rtan@calstate.edu
CSU Office of the Chancellor	Mandy	Wong	CSURMA Accountant	401 Golden Shore, 5th Floor Long Beach, CA 90802	Tel: 562-951-4578 Fax: 562-951-4865 Email: mwong@calstate.edu
Alliant Insurance Services	Robert	Frey	Senior Vice President, Claims	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1445 Fax: 415-874-4810 Email: rfrey@alliant.com
Alliant Insurance Services	Jacki	Graf	Senior Workers' Compensation Claims Consultant	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1438 Fax: 415-874-4810 Email: jgraf@alliant.com

<u>Organization</u>	<u>First Name</u>	<u>Last Name</u>	<u>Title</u>	<u>Street Address</u>	<u>Phone/Fax/Email</u>
Alliant Insurance Services	Daniel	Howell	Program Director	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1426 Fax: 415-874-4810 Email: dhowell@alliant.com
Alliant Insurance Services	Hsan	Htein	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1452 Fax: 415-874-4810 Email: hhtein@alliant.com
Alliant Insurance Services	Myron	Leavell	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1404 Fax: 415-874-4810 Email: mleavell@alliant.com
Alliant Insurance Services	Robert	Leong	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1441 Fax: 415-874-4810 Email: rleong@alliant.com
Alliant Insurance Services	Mimi	Long	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1423 Fax: 415-402-0773 Email: mlong@alliant.com
Alliant Insurance Services	Dennis	Mulqueeney	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1421 Fax: 415-874-4810 Email: dmulqueeney@alliant.com
Alliant Insurance Services	Van	Rin	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1408 Fax: 415-874-4810 Email: vrin@alliant.com
Alliant Insurance Services	Michael	Simmons	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1425 Fax: 415-874-4810 Email: msimmons@alliant.com
Alliant Insurance Services	Stacey	Weeks	Program Administrator	100 Pine Street, 11th Floor San Francisco, CA 94111-5101	Tel: 415-403-1448 Fax: 415-874-4810 Email: sweeks@alliant.com