

**CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
(CARMA)**

**MINUTES OF THE BOARD OF DIRECTORS'
MEETING OF JANUARY 15, 2010**

A regular meeting of the Board of Directors of CARMA was held on January 15, 2010, at the Bodega Bay Lodge & Spa, Bodega Bay, California.

BOARD MEMBERS PRESENT: Geoff Grote, BCJPIA, President
John Stroh, VCJPA
Jake O'Malley, MPA, Treasurer

BOARD MEMBERS ABSENT: Kent Rice, MBASIA
Joe Donabed, CSJVRMA

ALTERNATE MEMBERS PRESENT: Linda Abid-Cummings, CSJVRMA
Robert Ewing, MPA
Robert Galvan, MBASIA

OTHERS PRESENT: Karen Thesing, Executive Director
Sandra Spiess, Board Secretary
Nancy Broadhurst, Accounting Manager
Linzie Kramer, Litigation Manager
Craig Farmer, Legal Counsel
Rob Kramer, Bickmore Risk Services
Jeanette Workman, Bickmore Risk Services
Brian Kelley, Bickmore Risk Services
Mike Simmons, Alliant Insurance Services
Susan Adams, Alliant Insurance Services
Carlos Oblites, PFM (*exited at 9:40 a.m.*)

1. CALL TO ORDER

The January 15, 2010, Board of Directors' meeting was called to order at 9:05 a.m. by President Geoff Grote.

2. INTRODUCTIONS

Those in attendance introduced themselves.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Jake O'Malley moved to approve the agenda as amended. Seconded by John Stroh. Motion passed unanimously.

4. PUBLIC COMMENTS

None.

5. CONSENT CALENDAR

John Stroh moved to approve/accept the following items: A) Minutes of the September 11, 2009, Board Meeting; B) Warrant Listings for September 1, 2009, through December 31, 2009; C) Treasurer's Report at September 30, 2009; D) Internal Financial Statements for the Quarter Ended September 30, 2009; E) CAJPA Journal Volume 22, No. 4 – Winter 2009; F) PFM Assignment Response Letter and PowerPoint Presentation. Seconded by Robert Galvan. Motion passed unanimously.

6. ANNUAL WORKSHOP RECAP

A. Establishment of Goals and Objectives

Ms. Karen Thesing reviewed items of interest discussed during the Workshop held the previous day and confirmed the goals and objectives established by the Board:

Coverage

- Determine if airport vehicles operating off airport property are covered
- Research uninsured/underinsured motorists law coverage and the effect on the CARMA Memorandum of Coverage
- Seek quotes for \$3 x \$1 million and \$2 x \$1 million coverage for the 2010/2011 program year
- Revisit the MOC and inverse condemnation coverage
- Investigate sub-limits for inverse condemnation coverage

Communications/Marketing

- Staff will establish a schedule to attend Board meetings of the members JPAs to present information about CARMA

Operations

- Create and evaluate scenarios for creating special inverse funding. Evaluate methods for allocating cost of the fund amongst the members
- Evaluate length of time claims are taking to resolve and close

The Board discussed coverage options for the 2010/2011 program year and determined it would be prudent have Ms. Susan Adams, Alliant Insurance Services, obtain quotes for quota sharing for reinsurance coverage for the 2010/2011.

7. **FINANCIAL MATTERS**

A. Financial Issues

The Board confirmed there was no action to be taken on financial matters at this time.

B. California Asset Management Program Portfolio Review

Mr. Carlos Oblites, Public Financial Management (PFM), reviewed CARMA's investment performance at December 31, 2009, and provided a detailed review of the current market conditions. Mr. Oblites explained that yields have gone down dramatically and have been under one percent for the last eighteen months; however, active management of the CARMA portfolio has been the driver of the returns on the CARMA portfolio for the last six months.

Mr. Oblites confirmed that the portfolio has generated a total return of 2.52% over the past year, which is a good return, considering yields for the last 18 to 24 months have been at one percent or less. Mr. Oblites went on to explain that initial estimates show that the economy grew 2.2% in the third quarter of 2009, the first sign of growth since the third quarter of 2007. The market is indicating an end to the recession; however, the official "announcement" won't come until well into the next big growth trend.

8. **ADMINISTRATIVE MATTERS**

A. Review of Resolution 2-2009/2010 Establishing Claims Reserving Policy

Ms. Karen Thesing explained that at the September 11, 2009, meeting, the Board established a claims reserving policy requiring all members to reserve claims up to the full value of the claims, beginning January 1, 2010. Ms. Thesing indicated that reporting claims in this manner will provide the CARMA brokers and actuary with accurate information for reports and marketing the program in the reinsurance and excess markets. Ms. Thesing indicated the resolution is being presented to the Board for formal approval at this time.

Linda Abid-Cummings moved to approve Resolution 2-2009/2010 Establishing Claims Reserving Policy as presented. Seconded by John Stroh. Motion passed unanimously.

B. Reaffirmation of the Conflict of Interest Policy

Ms. Thesing indicated the CARMA Conflict of Interest Policy must be reviewed by all public entities biennially to confirm that it is accurate and no changes are required. Ms. Thesing stated there are no changes are recommended at this time.

John Stroh moved to reaffirm the Conflict of Interest Policy for the 2010 and 2011 calendar years. Seconded by Linda Abid-Cummings. Motion passed unanimously.

C. CARMA/GENEX Contract – Medicare Reporting Agent and Set Aside Services

Ms. Thesing explained that staff has been apprising the Board of developments in the Medicare Reporting requirement for the last year and at the September 11, 2009, meeting, staff confirmed that Bickmore Risk Services (BRS) had selected GENEX as the firm to recommend to BRS clients for the performance of Reporting Agent services. At that time the Board consensus was to choose GENEX as the Reporting Agent for CARMA.

Ms. Thesing indicated that staff is now bringing a contract for Reporting Agent services with GENEX before the CARMA Board for review and approval. Ms. Thesing indicated services for the first year of the contract will be provided for free; however, the over-arching contract between BRS and GENEX requires that 150 medical set asides (MSA) be obtained for all BRS clients or each client will be charged \$12,000 for services in the second year of the contract.

Mr. Linzie Kramer explained the process of filing a MSA and that for the purposes of fulfilling the 150 quota, two mini MSAs will count as one MSA. Mr. Kramer confirmed that in light of the strict penalty that will be assessed in the event of non-reporting (\$1,000 per day, per claim) the identification language has been reviewed extensively.

Ms. Thesing explained that since BRS serves as the third party claims administrator for CARMA, language has been added to the BRS/CARMA contract in the form of an amendment to define BRS' role in the process and to include hold harmless language. Ms. Thesing confirmed there is no change to the pricing structure of the BRS/CARMA contract with the addition of these services.

Jake O'Malley moved to approve the CARMA/GENEX contact for reporting Agent and Medicare Set Aside Services. Seconded by John Stroh. Motion passed unanimously.

Robert Galvan moved to approve Addendum Three to the Bickmore Risk Services contract. Seconded by Linda Abid-Cummings. Motion passed unanimously.

9. COVERAGE MATTERS

A. Possible Memorandum of Coverage Expansion/Contractions of Coverage: Inverse Condemnation and Medical Malpractice

The Board confirmed there was no action to be taken on coverage matters at this time.

B. Discussion of Draft Late Notice Enforcement Policy

Mr. Linzie Kramer indicated that CARMA has recently received reports of two high exposure claims that were not reported to CARMA in a timely manner. Mr. Craig Farmer, Board Legal Counsel, sent a letter to the member which expresses CARMA's concern in regards to the late reporting and included a copy of the group's Memorandum of Coverage (MOC) which contains the strongly worded late notice language approved by the Board for the 2007 program year.

Mr. Linzie Kramer went on to explain that the Board revised the late reporting language in the MOC for the 2007 program year to emphasize the need for timely reporting and to emphasize the possible loss of coverage that may occur. Mr. Kramer indicated that Board Counsel has traditionally sent the letters of late reporting so as to avoid creating an adversarial relationship between the member and the litigation staff. The Board would then issue a formal decision if a reduction in coverage was determined to be reasonable, based on length of delay in reporting.

The question was posed as to how this language and the possible denial of coverage at the CARMA level could affect the reinsurance coverage layer. Mr. Mike Simmons indicated there could be a certain level of prejudice with regards to the reinsurance carrier and indicated he would look further into this matter.

Mr. Linzie Kramer indicated he is seeking guidance from the Board of Directors in regards to the issuance of the late reporting letter and whether the letter from Board Counsel should be an automatic response to untimely reporting. Mr. Linzie Kramer explained that since this issue involves a reduction in coverage the Board must be involved in the decision as to what constitutes an "unreasonable" delay in reporting claims.

After further discussion, the Board consensus was to keep the current language intact in the Memorandum of Coverage and include copies of any notice of late reporting letters in the Consent Calendar of the CARMA agendas to keep the Board apprised of these situations.

10. MARKETING MATTERS

A. Commercial Market Strategy

The Board confirmed there was no action to be taken on marketing matters at this time.

11. CLAIMS MATTERS

A. Closed Session Pursuant to Government Code Section 54956.95(a) to Discuss Claims

Mr. Linzie Kramer reported that there was no need for a closed session.

B. Report from Closed Session

None.

12. CLOSING COMMENTS

A. Board

None.

B. Staff

None.

13. ADJOURNMENT

The January 15, 2010, Board of Directors' meeting adjourned at 10:30 a.m. by general consensus of the Board.

Sandra Spiess

Sandra Spiess, Board Secretary