

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

**MINUTES OF THE BOARD OF DIRECTORS'
MEETING OF SEPTEMBER 11, 2009**

A regular meeting of the Board of Directors of CARMA was held on September 11, 2009, at the Embassy Suites Lake Tahoe, located in South Lake Tahoe, California.

BOARD MEMBERS PRESENT: Geoff Grote, BCJPIA, President
Jake O'Malley, MPA, Treasurer
Joe Donabed, CSJVRMA (*exited at 10:55 a.m.*)

BOARD MEMBERS ABSENT: Kent Rice, MBASIA
John Stroh, VCJPA, Vice President

ALTERNATE MEMBERS PRESENT: Linda Abid-Cummings, CSJVRMA (*joined at 9:25a.m.*)
Robert Galvan, MBASIA
Jim Wanderscheid, VCJPA (*exited at 10:55 a.m.*)

OTHERS PRESENT: Rob Kramer, Executive Director
Sandra Spiess, Board Secretary
Linzie Kramer, Litigation Manager
Karen Thesing, Bickmore Risk Services
Jeanette Workman, Bickmore Risk Services
Brian Kelley, Bickmore Risk Services
Adrienne Beatty, Bickmore Risk Services
Mike Simmons, Alliant Insurance Services
Susan Adams, Alliant Insurance Services
Bill Patterson, Sampson and Sampson (*exited at 10:20 a.m.*)
Craig Smith, Farmer Smith & Lane

1. CALL TO ORDER

The September 11, 2009, Board of Directors' meeting was called to order at 9:05 a.m. by President Geoff Grote.

2. INTRODUCTIONS

Those present introduced themselves.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Mr. Craig Farmer referenced a letter from his office to the Board of Directors dated August 31, 2009. The letter provided the Board with formal disclosure of dual representation by his office in the matter of Affholter, et al v. Franklin County Water District, et al. Mr. Linzie Kramer confirmed that he and Charlotte Hemker-Smith, CSJVRMA Board Legal Counsel, have both reviewed the letter and determined there is no conflict of interest evident in this situation.

As Mr. Farmer confirmed this was not an emergency matter, the Board requested the letter be submitted to the Board and CARMA Executive Director for formal review. If the Board of Directors has any questions they may be posed to the Executive Director or Mr. Farmer. If there are no questions then the document will be executed by Board President Geoff Grote.

Jake O'Malley moved to approve the agenda as presented. Seconded by Joe Donabed. Motion passed unanimously.

4. PUBLIC COMMENTS

None.

5. CONSENT CALENDAR

Robert Galvan moved to approve/accept the following items: A) Minutes of the June 17, 2009, Board of Directors' Meeting; B) Minutes of the July 2, 2009, Special Board of Directors' Meeting; C) Warrant Listings for June 1, 2009, through July 31, 2009; D) Internal Financial Statements for the Year Ended June 30, 2009; E) Treasurer's Report as of June 30, 2009; F) Reinsurance Binder Confirmation from Everest Reinsurance; G) Excess Binder Confirmation from Colony National Insurance Company; H) C.V. Starr and Company Claim Audit Letter; I) PARSAC Acceptance of Settlement Proposal; J) BCJPIA 2008 Claims Audit Report; K) CSJVRMA 2008 Claims Audit Report; L) MBASIA 2008 Claims Audit Report; M) MPA 2008 Claims Audit Report; N) PARSAC 2008 Claims Audit Report; O) VCJPIA 2008 Claims Audit Report; and P) CAJPA Journal Volume 23, No. 3 – Summer 2009. Seconded by Joe Donabed. Motion passed unanimously.

6. ADMINISTRATIVE MATTERS

A. Welcome and Review of CARMA for Visiting JPA Directors

Mr. Rob Kramer indicated this time was set aside on the agenda to provide guest JPA Directors with the opportunity to learn about the CARMA program; however there were no guests in attendance.

B. Update on CARMA Staffing Plan

Mr. Rob Kramer indicated that at the June 17, 2009, meeting he provided the Board with an update regarding the staffing plan to fill the position of Executive Director. At that time he indicated that Ms. Karen Thesing would be returning to employment with Bickmore Risk Services. Mr. Kramer further explained that Ms. Thesing served as the Administrator of the Bay Cities Joint Powers Insurance Authority (BCJPIA), providing her with extensive knowledge of the CARMA program. Mr. Kramer felt this experience, along with Ms. Thesing's extensive JPA management experience, would make her an excellent candidate for the Executive Director position.

Joe Donabed moved to approve the appointment of Ms. Karen Thesing as Executive Director for CARMA. Seconded by Jim Wanderscheid. Motion passed unanimously.

C. Discussion Regarding the 2009/2010 CARMA Board of Directors' Annual Workshop

Ms. Thesing explained that the Board has had previous discussions as to the possibility of moving to a bi-annual schedule for the Board Retreat and Workshop and this time was provided on the agenda so that the Board could revisit this conversation. Ms. Thesing further explained one additional item for discussion is alternative dates to hold the meeting, as the meeting location is unavailable on the currently scheduled meeting dates.

The Board discussed the need to hold the annual workshop and the possible matters of interest to include on the agenda. At the conclusion of the discussion, the Board consensus was to hold the Board Retreat and Workshop on January 14-15, 2010, in Bodega Bay, California.

The Board directed staff to make the appropriate arrangements and to draft an itinerary and agenda to be reviewed with Chairperson Geoff Grote.

D. Review of Claims Reserving Practices

Ms. Karen Thesing indicated that at the April 17, 2009, meeting, the Board discussed the issue of reserving practices, as well as the benefits and drawbacks of requiring the underlying JPA members to reserve claims to the full value of the claim. It was noted that requiring the members to reserve claims up to the full value of the loss will provide the CARMA actuary and brokers with accurate loss information for the purposes of the annual actuarial study and marketing the program to secure excess and reinsurance coverage.

Ms. Thesing explained this issue was included on the agenda for the purpose of formalizing the process. Ms. Thesing indicated staff has already initiated the process of sending the members copies of each check payment and invoice so that the

members can capture these amounts on their loss runs. Staff will also be providing members with reserve changes captured on the CARMA loss run on a quarterly basis.

Ms. Thesing indicated there is still some question as to the ability of members to go back and reserve closed claims up to the full value of the loss. Ms. Thesing indicated that while this process may be cumbersome on some members, it would provide CARMA with accurate historical loss information.

Discussion ensued as to the feasibility of this requirement and the need to input payments to update claim values upon the issue of each payment check by CARMA. It was noted this process is burdensome on the members. It was suggested that staff submit copies of checks to the members twice a year, allowing members to update and reconcile loss run information two times a year. It was noted the updates would need to occur prior to established dates to ensure the loss information is accurate for actuarial study and excess and reinsurance marketing activities. Staff will work with Ms. Adams and Mr. Simmons to determine the timeline.

After further discussion the Board arrived at a consensus to formalize the claims reserving practice and continue to have CARMA staff send the members copies of checks and invoices two times per year.

Jake O'Malley moved to approve adoption of a claims reserving practice requiring underlying members to reserve the full value of all current and future the claims, to be effective January 1, 2010. Seconded by Jim Wanderscheid. Motion passed unanimously.

E. Proposed Resolution Regarding Electronic Data Security and Disaster Recovery for CARMA Contractors

Ms. Thesing indicated that the California Association of Joint Powers Authorities (CAJPA) recently adopted a new standard concerning data security and disaster recovery for the Accreditation with Excellence designation. Ms. Thesing explained that while CARMA's current accreditation is effective through August 23, 2011, staff would like to proactively address the requirement with the Board.

Ms. Thesing indicated that in order to meet the new requirement staff has drafted Resolution 1-2009/2010, requiring CARMA's vendors to develop and implement policies in regards to the protection of electronic and disaster recovery procedures. BRS, as the Administrator for CARMA, will work with the other CARMA vendors to ensure all new and renewing contracts address this requirement.

Mr. Rob Kramer confirmed that BRS has submitted a data security and disaster plan to CAJPA and it has been approved.

Joe Donabed moved to approve Resolution No. 1-2009/2010 Regarding Electronic Data Security and Disaster Recovery as presented. Seconded by Robert Galvan. Motion passed unanimously.

F. Bickmore Risk Service Contract Amendments

Ms. Thesing first directed the Board's attention to Amendment Two of the BRS contract, explaining that the addition of this language to the BRS contract requires BRS, as a CARMA vendor, to implement data security and disaster recovery processes and procedures to satisfy the CAJPA Accreditation with Excellent requirement.

Ms. Thesing then directed the Board's attention to Amendment One to the BRS contract and explained this amendment formalizes the reduction in BRS contract fees due to the reduced workload subsequent to the withdrawal of PARSAC. Ms. Thesing confirmed the new contract fee amounts included in the amendment are the numbers reviewed and approved by the Board at the June 11, 2009, Board meeting.

Joe Donabed moved to approve Amendment One and Amendment Two to the Bickmore Services Agreement for Administrative, Litigation Management, and Financial Services. Seconded by Jim Wanderscheid. Motion passed unanimously.

G. Status Update Regarding Medicare Mandatory Reporting Requirements

Ms. Thesing indicated that as of the last update provided at the June 11, 2009, meeting, BRS has started the registration process for CARMA with the Centers for Medicare and Medicaid (CMS). All of the BRS JPA groups are now in a holding pattern while awaiting the finalization of pricing for the selected Reporting Agent.

Mr. Linzie Kramer explained that since the June 2009 meeting, the BRS Task Force has completed the process of vetting potential Reporting Agents for the BRS JPA clients. Mr. Kramer went on to further explain that after a comprehensive review of the materials submitted by three firms, the Task Force has selected GenEx as the firm that will be recommended to BRS' clients to serve as the Reporting Agent.

Mr. Kramer further explained that the Task Force is currently working with GenEx on the pricing structure. Mr. Kramer indicated in order to establish a preferred pricing *structure for BRS clients, GenEx will need an indication as to what BRS clients will be selecting them to serve as their Reporting Agent.* Mr. Kramer then confirmed that while CARMA was under no obligation to select GenEx to serve as the group's Reporting Agent, it is his recommendation that CARMA does select GenEx to provide reporting services to the group.

After a brief discussion of Mr. Linzie Kramer's recommendation, the Board arrived at a consensus to select GenEx as the Reporting Agent for CARMA.

Ms. Thesing indicated staff would bring the formal pricing structure and GenEx contract before the Board for review and approval at the January 2010 meeting.

7. FINANCIAL MATTERS

A. Consideration of June 30, 2009, Independent Financial Audit Prepared by Sampson and Sampson

Mr. Bill Patterson, Sampson and Sampson, reviewed the financial audit for the year ended June 30, 2009, and indicated that a qualified opinion was issued. Mr. Patterson informed the Board of Directors that CARMA experienced a four percent (4%) decrease in total revenues which can be attributed to a decrease in interest earnings and the fact that an assessment was not levied as it was in the 2008/2009 program. At the same time, CARMA experienced a thirty-two percent (32%) decrease in expenses, primarily due to decreased claims costs.

Mr. Patterson then reviewed the notes to the financial statements and answered subsequent questions.

Joe Donabed moved to receive and file the financial audit for the year ended June 30, 2009, as presented. Seconded by Jim Wanderscheid. Motion passed unanimously.

B. Public Financial Management Expansion of Ownership

Ms. Thesing indicated that CARMA recently received correspondence from CARMA's investment advisor, Public Financial Management (PFM), announcing a change to the corporate structure and ownership of the company. Ms. Thesing further explained that the correspondence requested the consent of CARMA to the deemed assignment of all investment advisory agreements between all public clients and PFM with the change in control of the company.

The Board expressed concern as to the change in control of PFM and posed a list of questions regarding the new institutional investors and banks associated with PFM. The Board expressed a desire to perform further due diligence in regards to this issue and directed staff and Board Legal Counsel to work together to obtain a written response containing answers to the questions posed by the Board. The Board indicated they would be comfortable with a review of the response by staff and legal counsel and provided staff with the authority to execute the release of assignment upon receipt of a satisfactory response from PFM.

Ms. Thesing indicated staff would work with Mr. Craig Farmer to notify PFM that CARMA was not accepting the 60-day assignment until a satisfactory response was received from PFM that addresses all concerns and questions posed by the Board. Ms. Thesing confirmed that if there were outstanding issues or if staff and legal counsel are not satisfied by PFM's response, the matter will be brought back before the Board for review at the January 2010 Board of Directors' meeting.

Jake O'Malley moved to grant staff authority to execute the Consent to Deemed Assignment of Investment Advisory Agreement upon receipt of satisfactory written responses to the questions and concerns posed by the Board. Seconded by Joe Donabed. Motion passed unanimously.

C. Consideration of Current Target Equity Position

Ms. Thesing provided the Board with a review of the current target equity position for CARMA, indicating that the group has moved from a "fail" to a "pass" status in the four ratio areas of equity to SIR; operating; one-year reserve development to equity; and changes in equity.

Ms. Thesing explained that a detailed review of the target equity position of CARMA will occur at the January 2010 meeting to determine the feasibility of declaring dividends or assessments.

Ms. Thesing directed the Board to the Summary of Member Equity included in the agenda and explained that the 2004/2005 program year is trending with a large loss development and that program year will be a topic of review and discussion during the January 2010 review.

8. COVERAGE MATTERS

A. Review of 2009/2010 Excess and Reinsurance Coverage Policies

Ms. Susan Adams, Alliant Insurance Services, provided the Board with a review of the 2009/2010 excess insurance renewal. Ms. Adams briefly reviewed the indication received from CSAC EIA and indicated that while the savings of \$500,000 would have been very positive, the exclusions of subsidence, inverse condemnation, dams, and fixed-route transit were not acceptable to CARMA.

Ms Adams confirmed the renewal with Everest Reinsurance and Colony National resulted in a decrease in premium; however, the decrease can be attributed the departure of PARSAC. The overall renewal was a flat renewal for CARMA.

Ms. Adams then went on to review the historical excess premiums and limits for CARMA and provided the Board with a detailed explanation as to the differences in excess and reinsurance coverage.

It was determined that the Board would review the differences, as well as the pros and cons, of excess and reinsurance coverage during the January 2010 Board Workshop.

9. MARKETING MATTERS

A. Update on Marketing Efforts

Ms. Thesing explained that in accordance with the CARMA Marketing Plan staff updated the marketing materials for the 2009/2010 program year and distributed the marketing letter and brochure to potential JPA prospects. The letter invited the JPA directors to attend the CARMA September 17, 2009, Board meeting to obtain more information about the program.

Ms. Thesing confirmed that the invitation did not result in any attendees at the September meeting; however, staff would continue to distribute the marketing materials as appropriate.

10. CLAIMS MATTERS

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

Pursuant to Government Code Section 54956.95(a), the Board convened to closed session at 10:55 a.m. to discuss the following claim for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers authority:

Katzman, et all v. Clayton

B. Report from Closed Session

The Board reconvened to open session at 11:15 a.m. The Board reported that authority had been granted to the Litigation Manager to retain consulting services in an amount not to exceed \$15,000.

11. CLOSING COMMENTS

A. Board

None

B. Staff

None

12. ADJOURNMENT

The September 11, 2009, Board of Directors' meeting adjourned at 11:20 a.m. by general consensus of the Board.

Sandra Spiess
Sandra Spiess, Board Secretary