

# **California Affiliated Risk Management Authorities**

**19<sup>th</sup> Annual Workshop  
January 12-13, 2012**

Bodega Bay Lodge,  
Bodega Bay, California

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# Workshop Agenda

**Introductions and Welcome**

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# Workshop Agenda

## **Current Status of CARMA**

- Review of the CARMA Mission Statement
  - Review 2009 SWOT Analysis
  - Past Initiatives
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# **CARMA's Mission Statement**

**CARMA is dedicated to innovative approaches in providing financial protection for its public entity members against catastrophic loss.**

# 2009 SWOT Analysis

## Strengths

- ◆ Ability to accommodate the needs of all the underlying pools.

## Weaknesses

- ◆ Price Sensitivity

## Opportunities

- ◆ Evaluate the "needs" versus the "wants" of CARMA
- ◆ What risk level is CARMA as a whole comfortable with?
- ◆ Confidence levels
- ◆ SIR Levels
- ◆ Where should CARMA be to be competitive?
- ◆ Additional coverage—EPL?

## Threats

- ◆ Underselling by other organizations
- ◆ Not able to bring other JPAs into CARMA (large JPAs)
- ◆ Equity level
- ◆ Competition

# Goals and Objectives—2009/2010 through 2011/2012

2009/2010	2010/2011	2011/2012
<p><b>Coverage:</b></p> <ul style="list-style-type: none"> <li>· Experience Modification Modeling</li> <li>· Alliant to market CARMA excess placement</li> <li>· Expansion/Contraction of Coverage, EPL, Subsidence</li> <li>· Analyze utilization of flexible SIRs</li> </ul>	<p><b>Coverage:</b></p> <ul style="list-style-type: none"> <li>· Determine if airport vehicles operating off airport property are covered</li> <li>· Research uninsured/underinsured motorist law coverage</li> <li>· Alliant seek quotes for \$3 M ex \$1 M and \$2 M ex \$1M coverage. Examine possibility of quota sharing</li> <li>· Revisit MOC and inverse coverage Investigate sub-limits for inverse coverage</li> </ul>	<p><b>Coverage:</b></p> <ul style="list-style-type: none"> <li>· Marketing of Excess/Reinsurance –More Aggressive Marketing and Quota Sharing Above the \$3 Million Pooling level.</li> </ul>
<p><b>Communication/Marketing:</b></p> <ul style="list-style-type: none"> <li>· Internal Marketing to Members</li> <li>· Branding CARMA in JPA industry</li> </ul>	<p><b>Communications/Marketing:</b></p> <ul style="list-style-type: none"> <li>· Establish a schedule for staff to attend member JPA Board meetings to present information about CARMA</li> </ul>	<p><b>Communications/Marketing:</b></p> <ul style="list-style-type: none"> <li>· Continued Outreach to Members</li> <li>· Emphasis on Claims Reporting and Litigation Management</li> </ul>
<p><b>Operations:</b></p> <ul style="list-style-type: none"> <li>· Transition Executive Director</li> <li>· Vendor Expectations/Evaluation Process</li> </ul>	<p><b>Operations:</b></p> <ul style="list-style-type: none"> <li>· Create/evaluate scenarios for special inverse funding. Evaluate methods to allocate cost of the fund amongst the members               <ul style="list-style-type: none"> <li>· Expand number of years used for ex-mod calcs</li> <li>· Evaluate a baseline to determine funding</li> </ul> </li> <li>· Evaluate how long claims are taking to resolve and close</li> </ul>	<p><b>Operations:</b></p> <ul style="list-style-type: none"> <li>· The application of the Ex-Mod to the Reinsurance Layer above the \$3 M x \$1 M pooled layer</li> <li>· Evaluate Method of Calculation and Member Allocation and clarify definition of “member equity.”</li> </ul>
<p><b>Governance:</b></p> <ul style="list-style-type: none"> <li>· Evaluate participation in other JPA – CSAC-EIA</li> </ul>		

# Workshop Agenda

## **Measurements of How We Are Doing**

- **First Tier – Claims Severity and Frequency Reports**
  - **Second Tier – Financial Benchmarks**
-

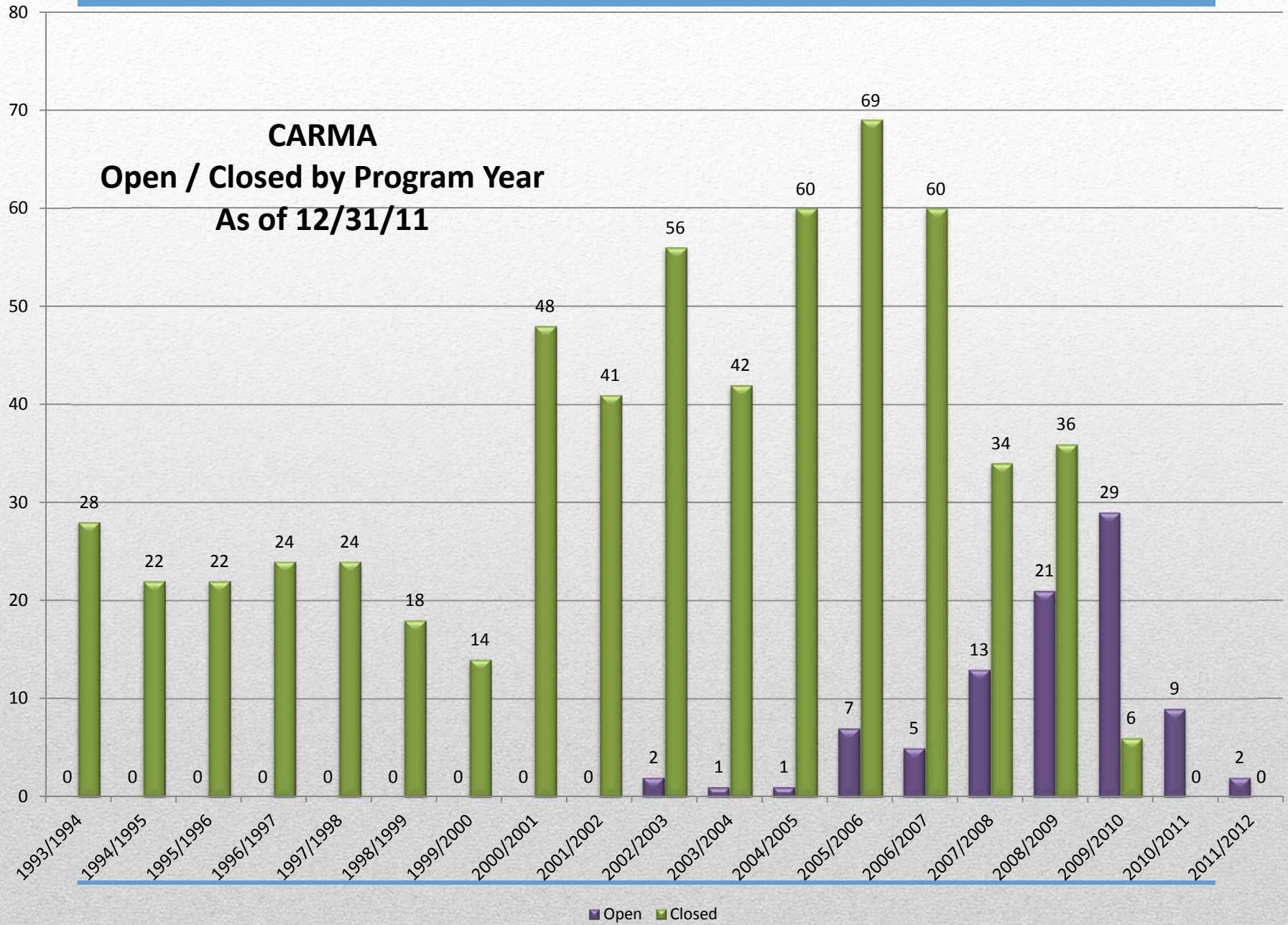


# **First Tier – Claims Severity and Frequency Reports**

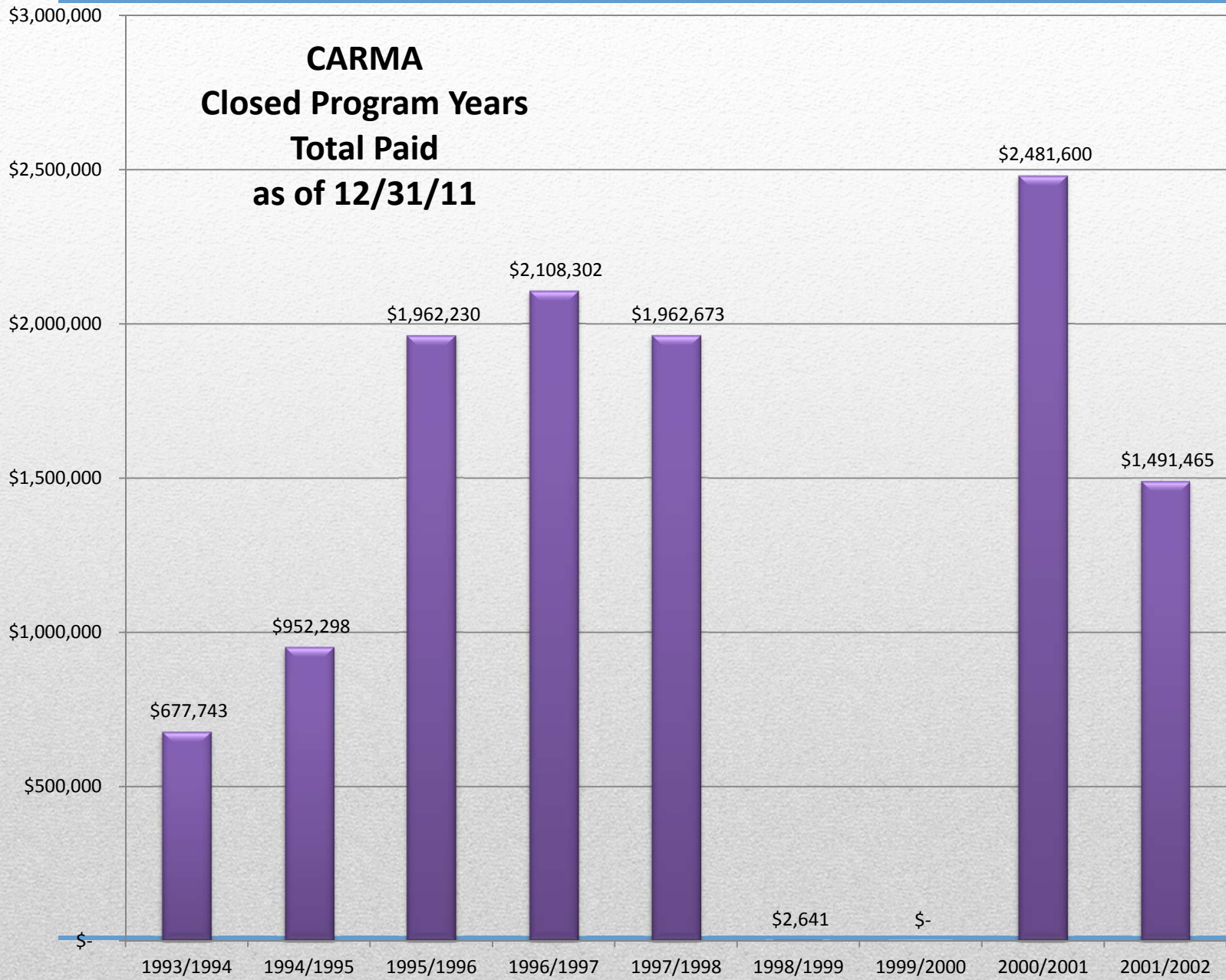
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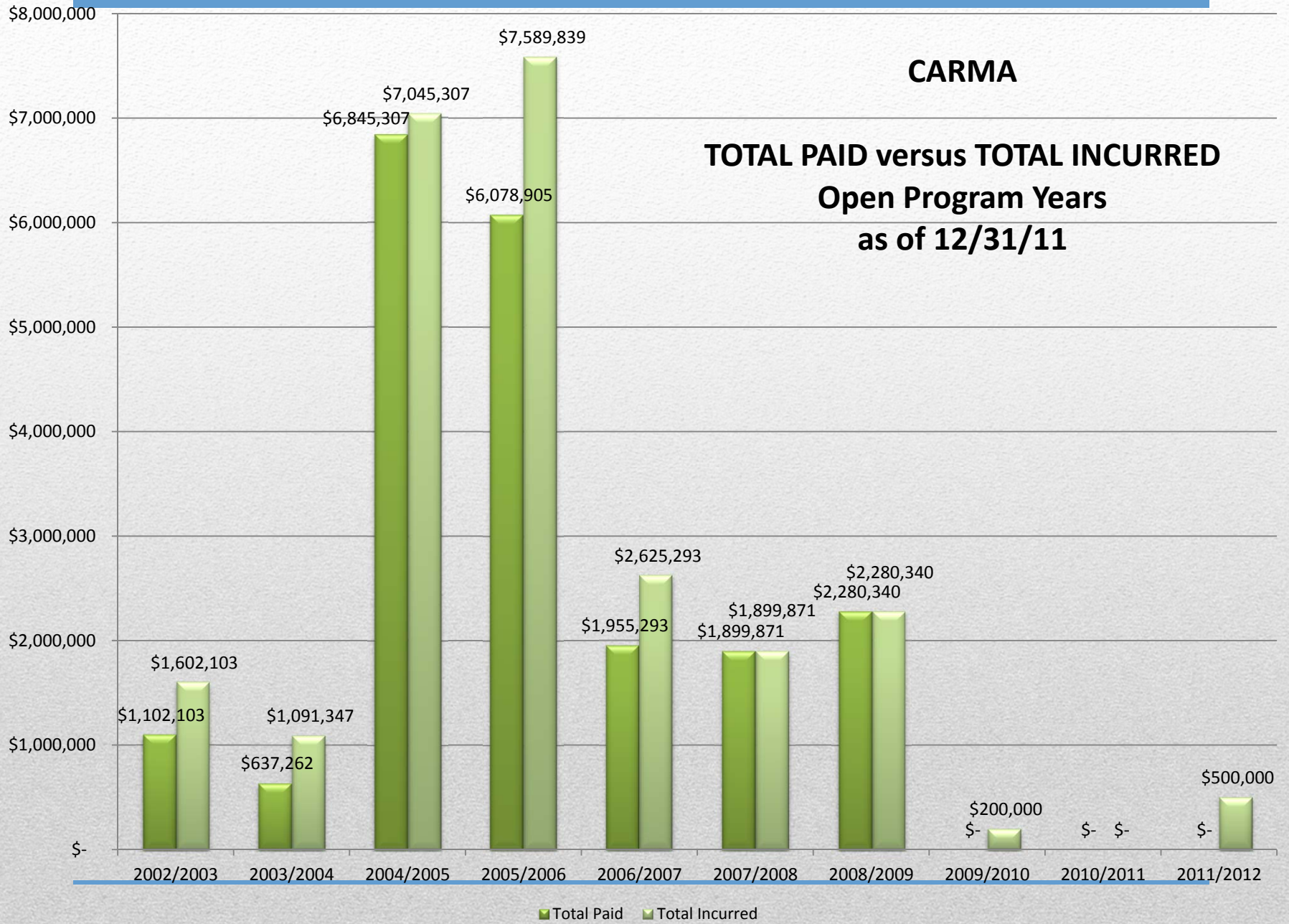


# CARMA Open / Closed by Program Year As of 12/31/11

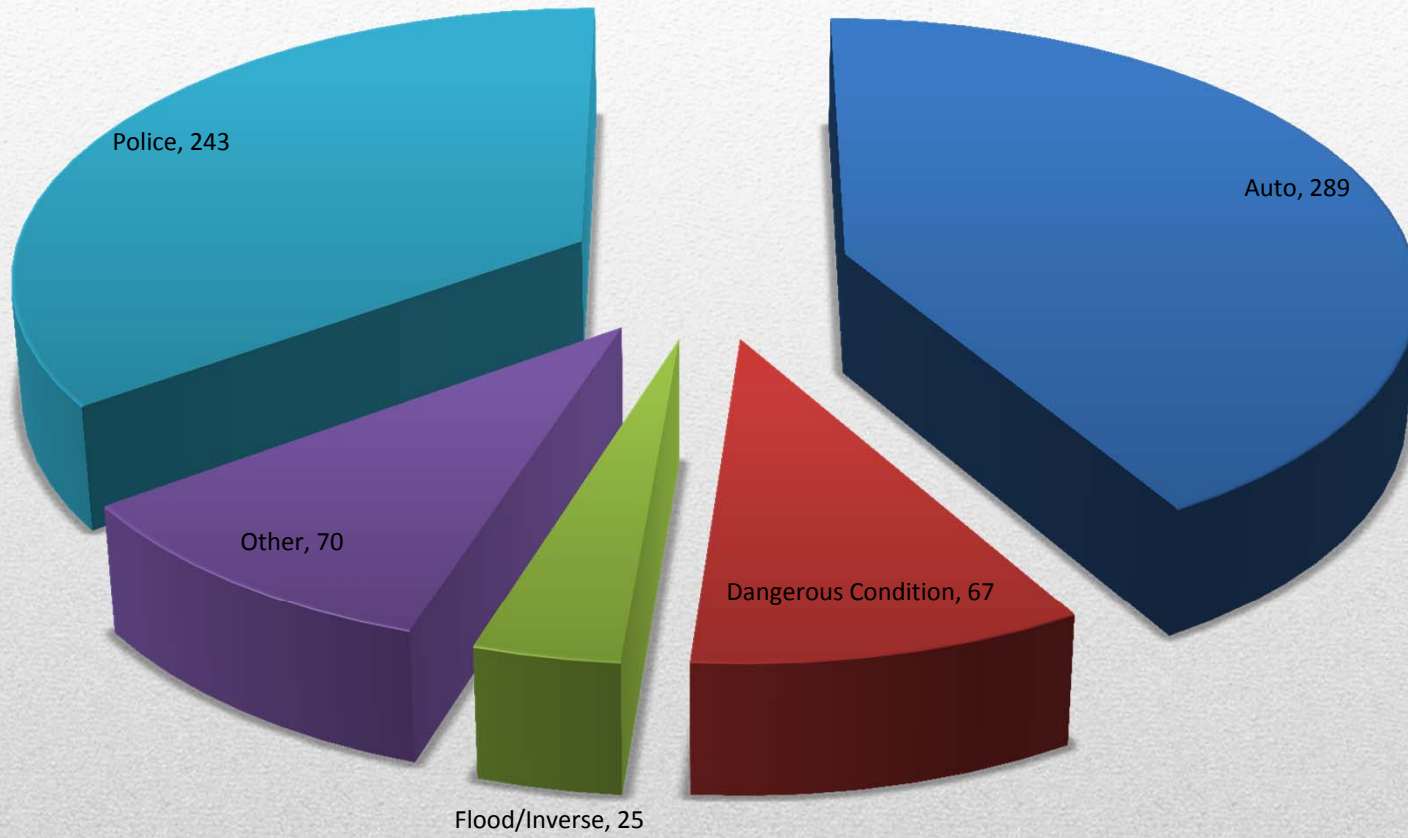


**CARMA  
Closed Program Years  
Total Paid  
as of 12/31/11**

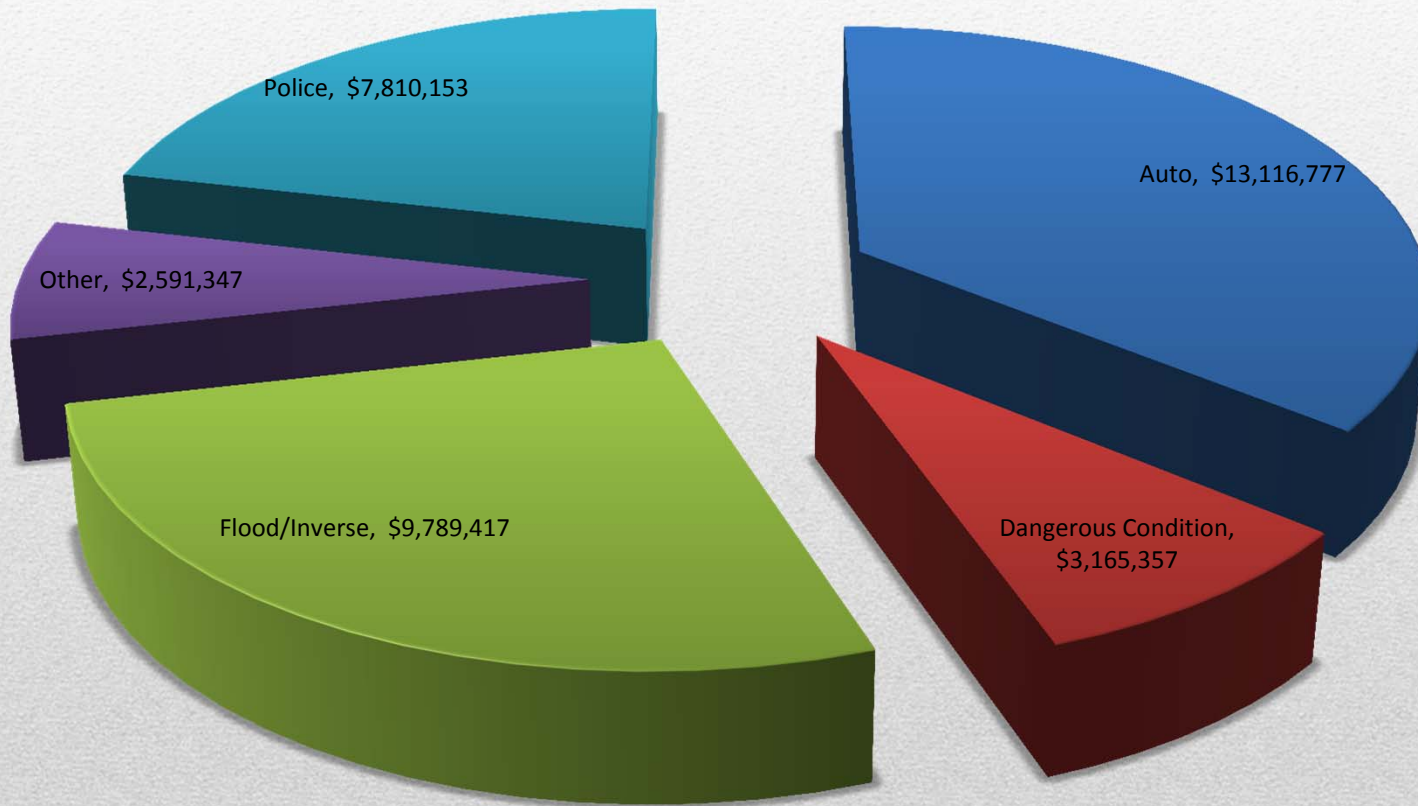




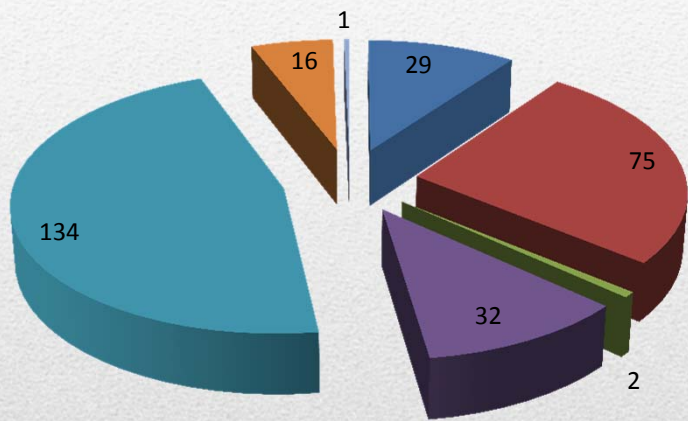
**CARMA - FREQUENCY**  
**All Program Years**  
**as of 12/31/11**



**CARMA - SEVERITY**  
**All Program Years**  
**as of 12/31/11**

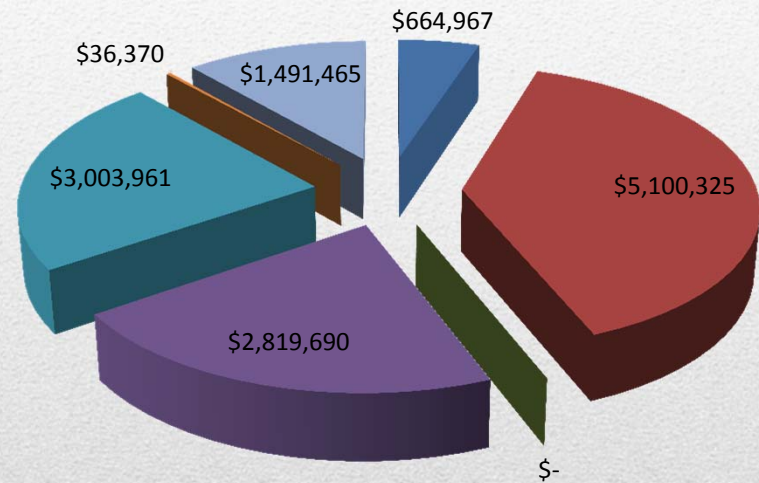


## AUTO CLAIMS FREQUENCY BY JPA All Program Years



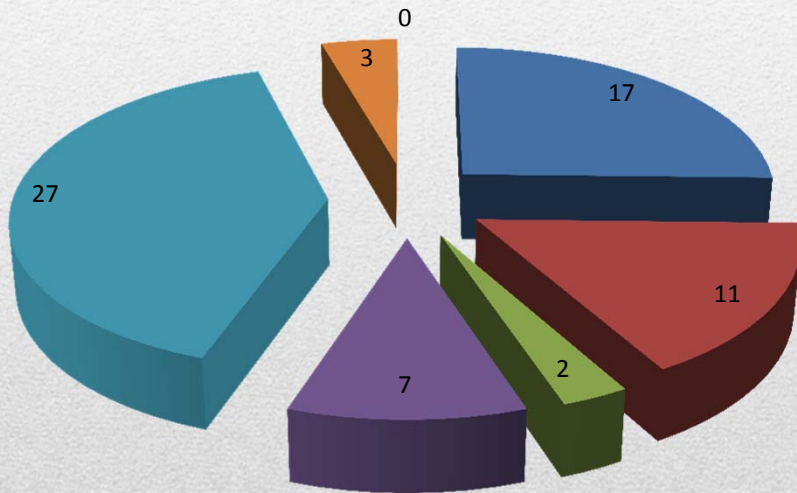
■ BCJPIA ■ CSJVRMA ■ MBASIA ■ MPA ■ PARSAC ■ PERMA ■ VCJPA

## AUTO CLAIMS SEVERITY BY JPA All Program Years

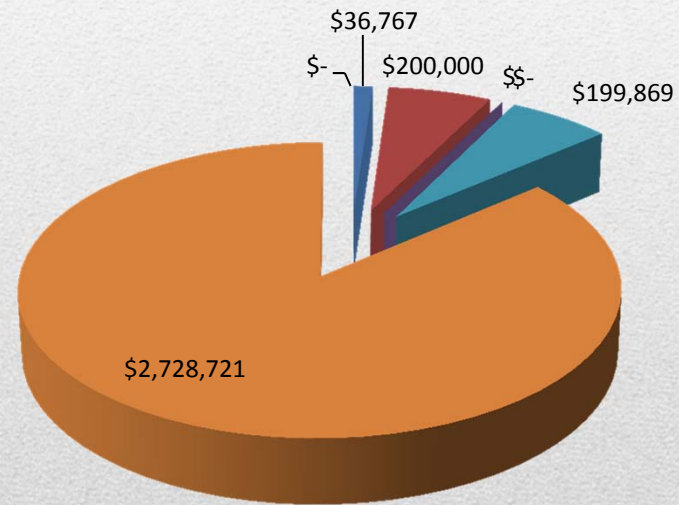


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## DANGEROUS CONDITION CLAIMS FREQUENCY BY JPA All Program Years



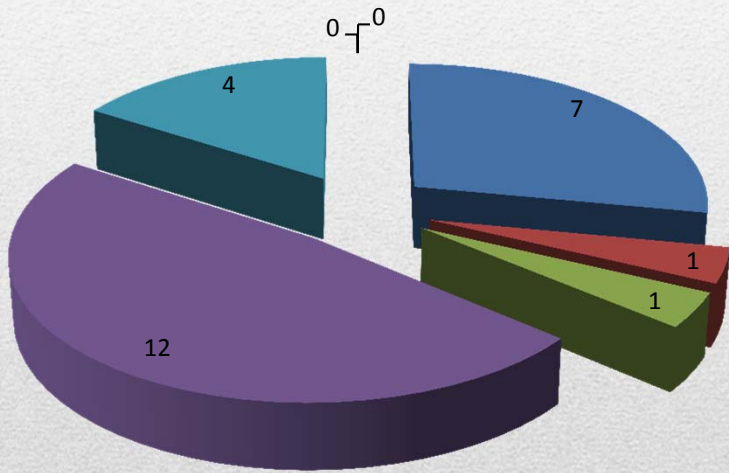
## DANGEROUS CONDITION CLAIMS SEVERITY BY JPA All Program Years



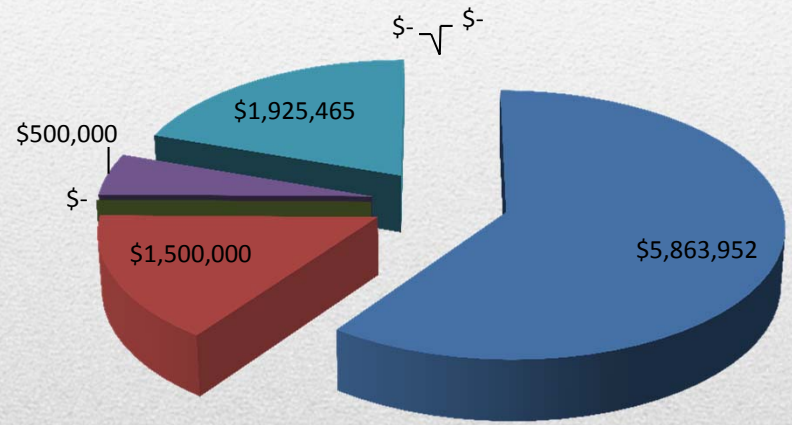
BCJPIA CSJVRMA MBASIA MPA PARSAC PERMA VCJPA

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**FLOOD/INVERSE CLAIMS  
FREQUENCY  
BY JPA  
All Program Years**



**FLOOD/INVERSE CLAIMS SEVERITY  
BY JPA  
All Program Years**

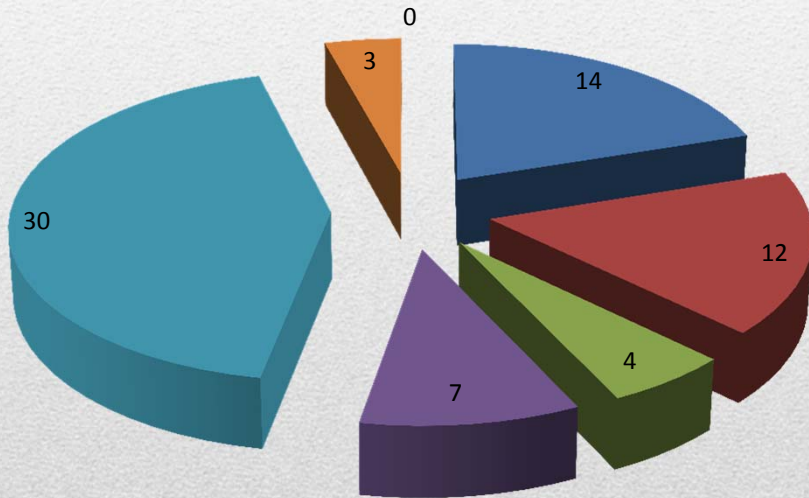


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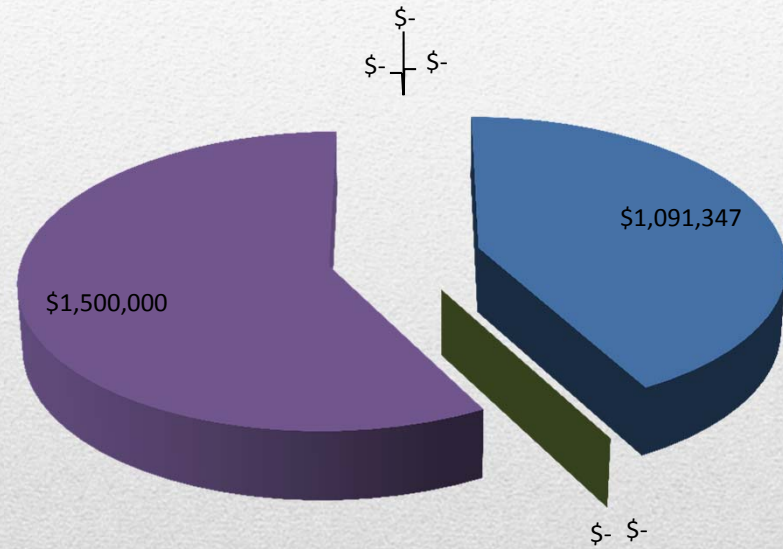


**"OTHER" CLAIMS FREQUENCY BY JPA  
All Program Years**



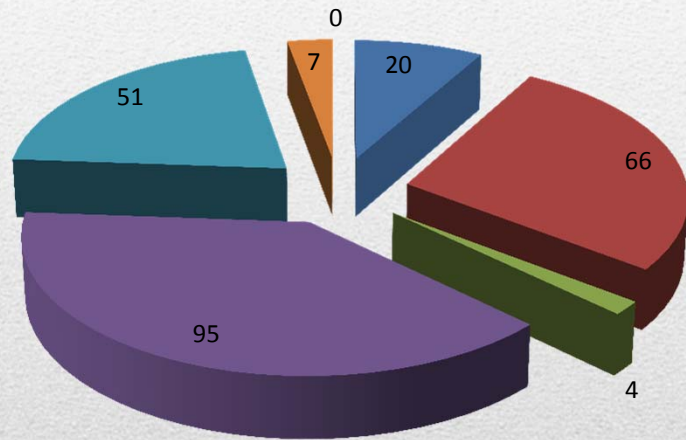
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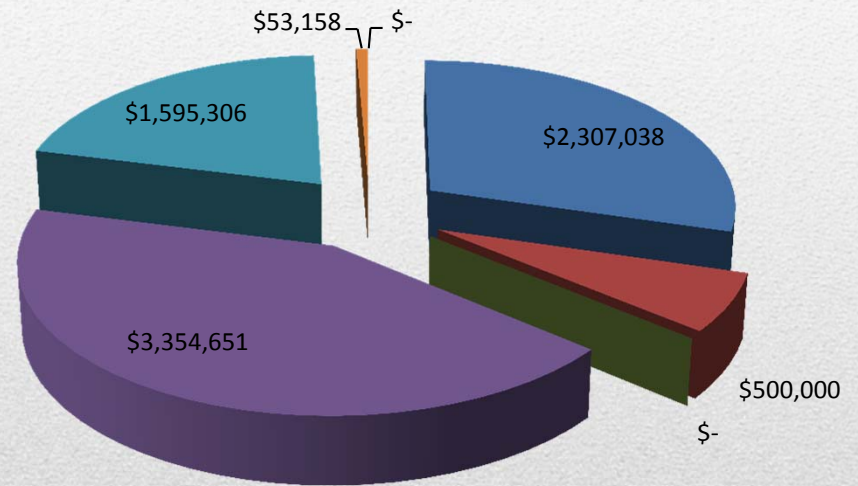


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**POLICE CLAIMS FREQUENCY BY JPA**  
All Program Years

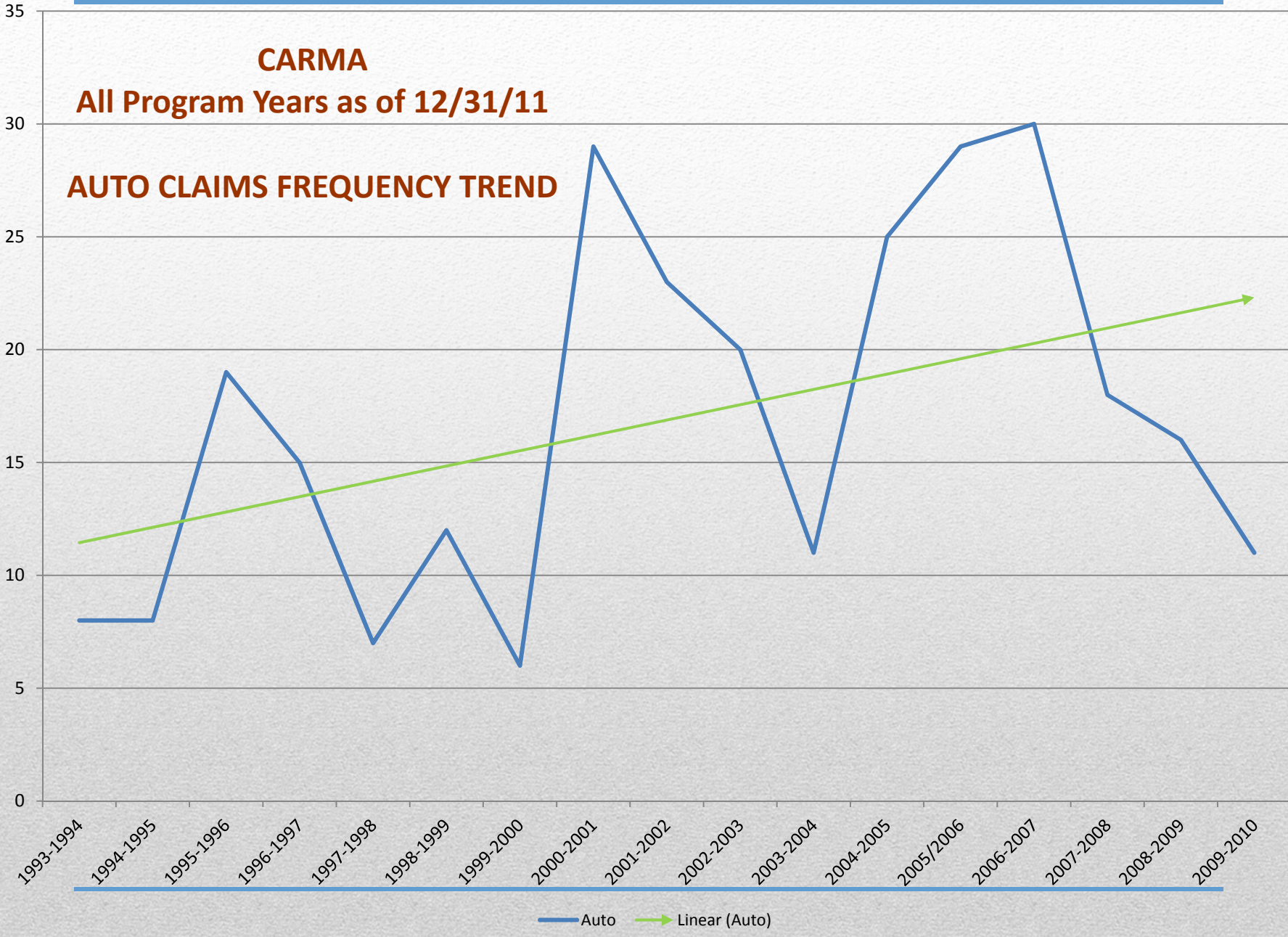


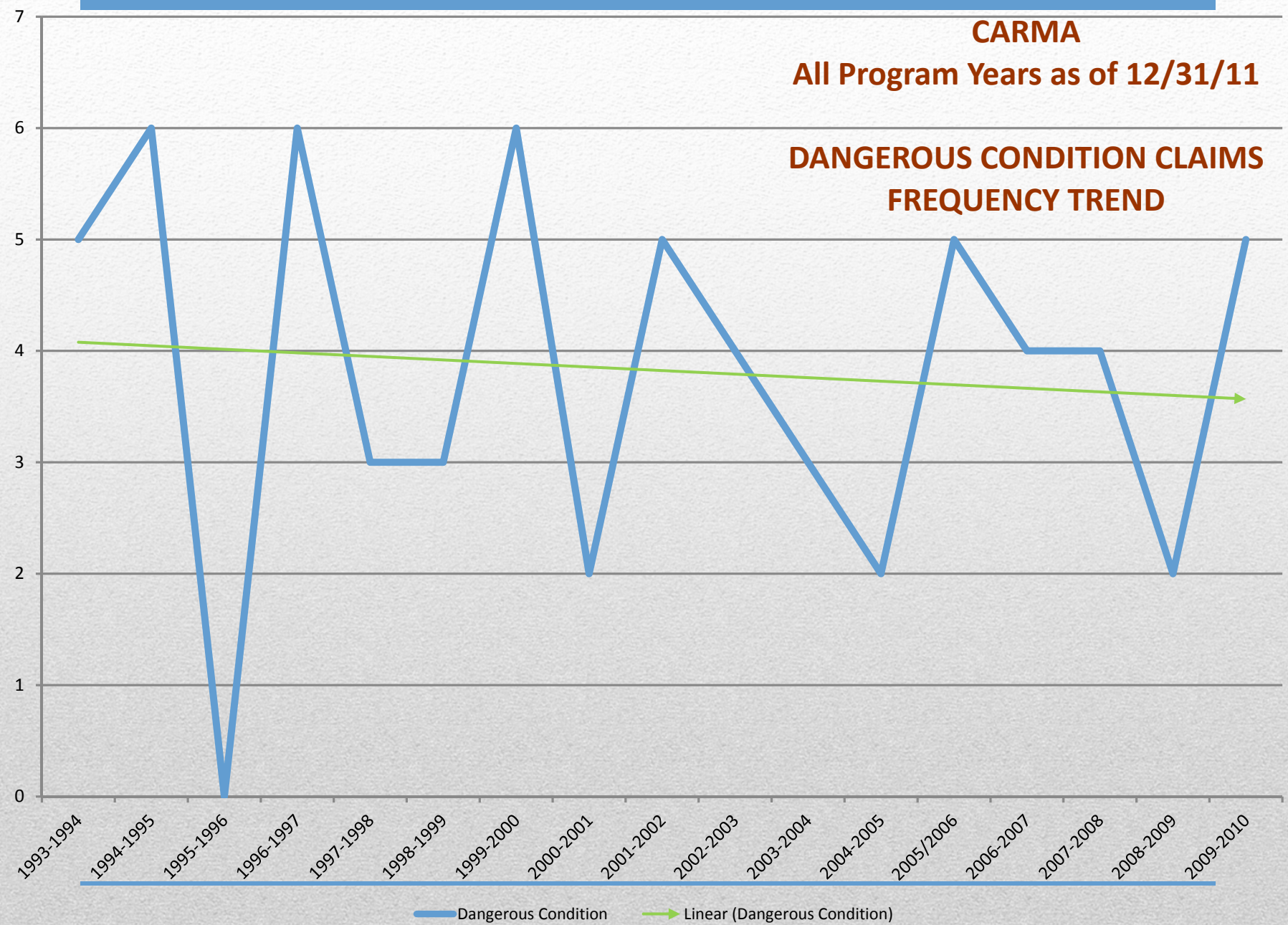
**POLICE CLAIMS SEVERITY BY JPA**  
All Program Years

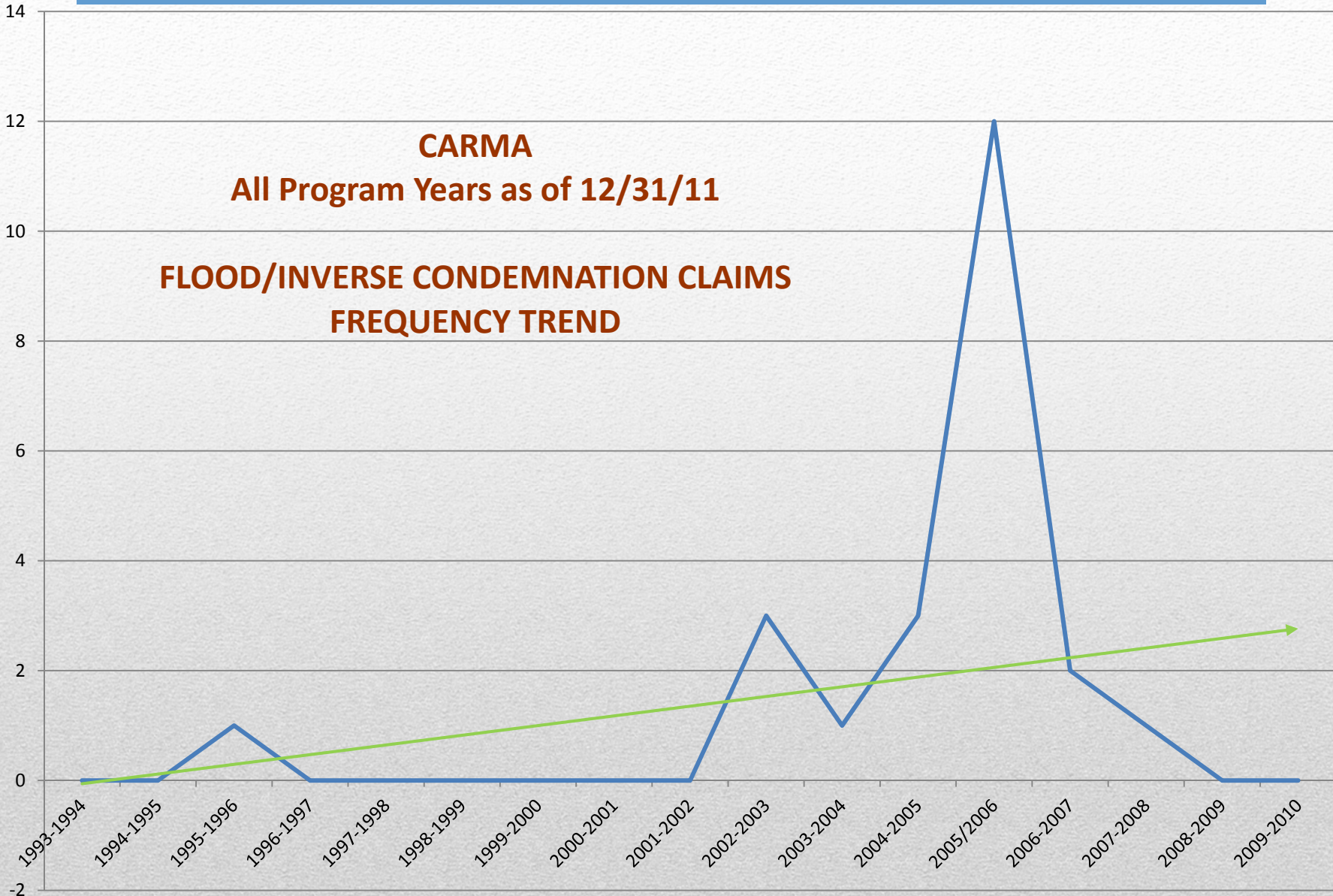


BCJPIA CSJVRMA MBASIA MPA PARSAC PERMA VCJPA

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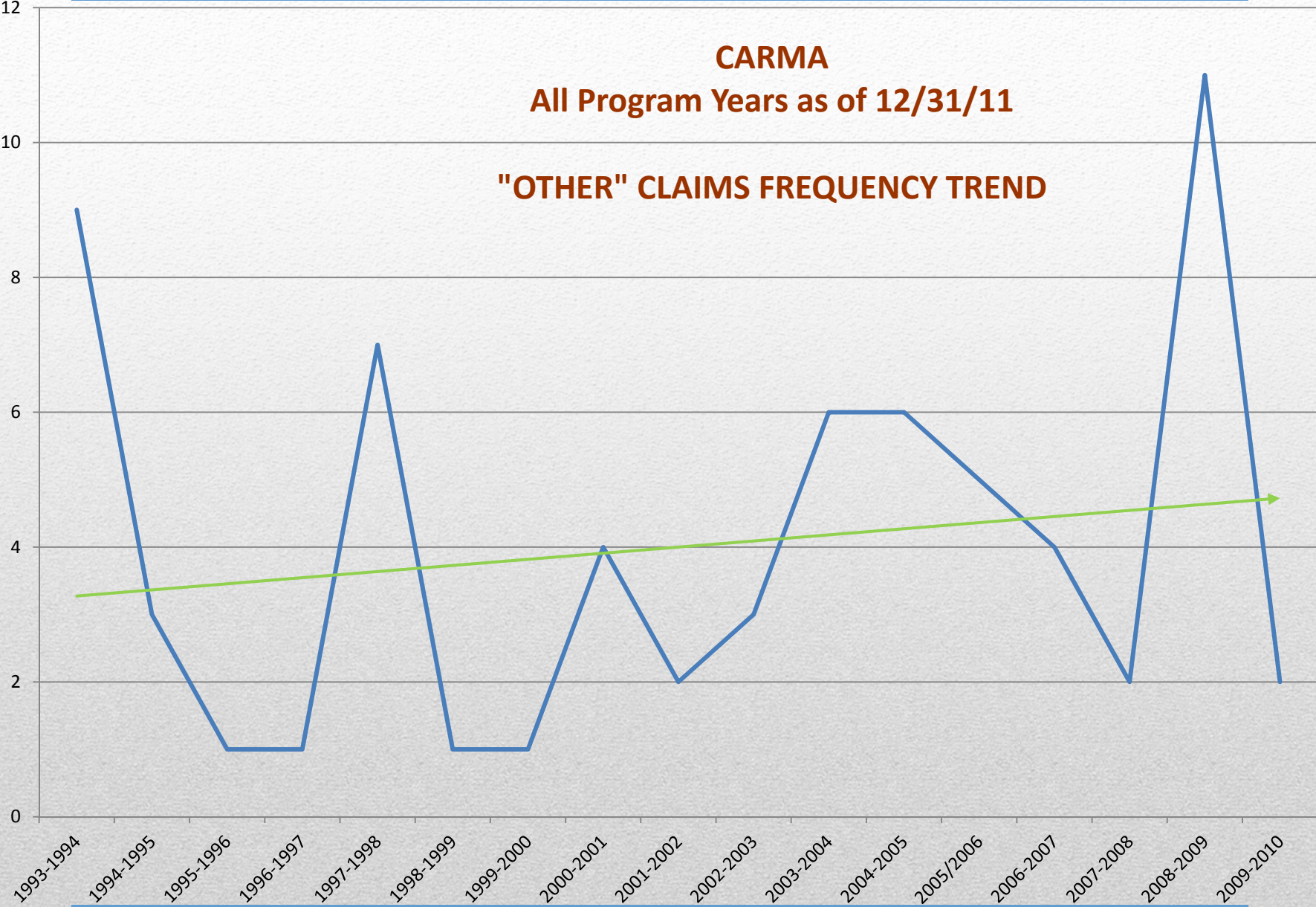


— Flood/Inverse    — Linear (Flood/Inverse)

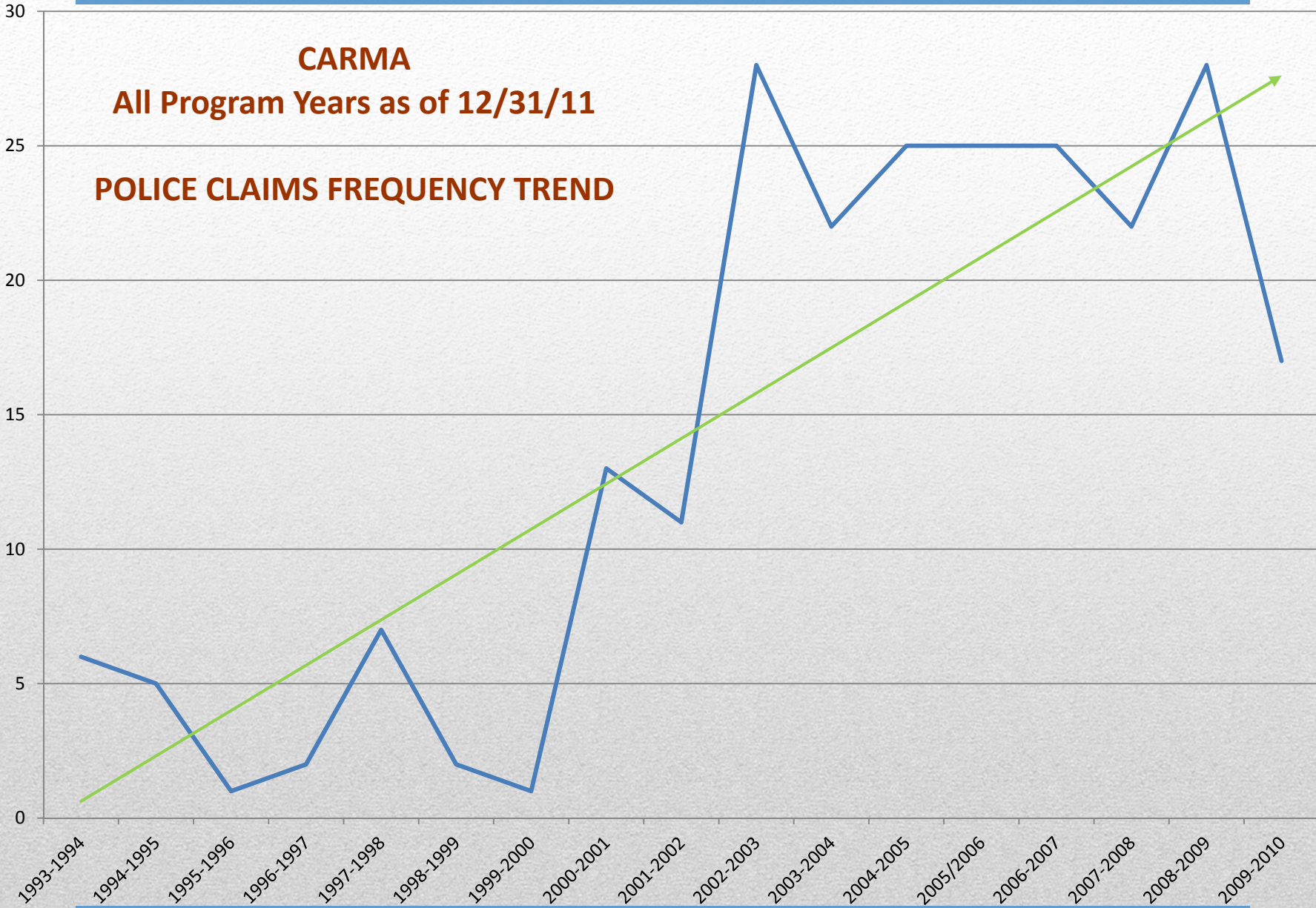


**CARMA**  
**All Program Years as of 12/31/11**

**"OTHER" CLAIMS FREQUENCY TREND**



— Other    —> Linear (Other)



**CARMA**

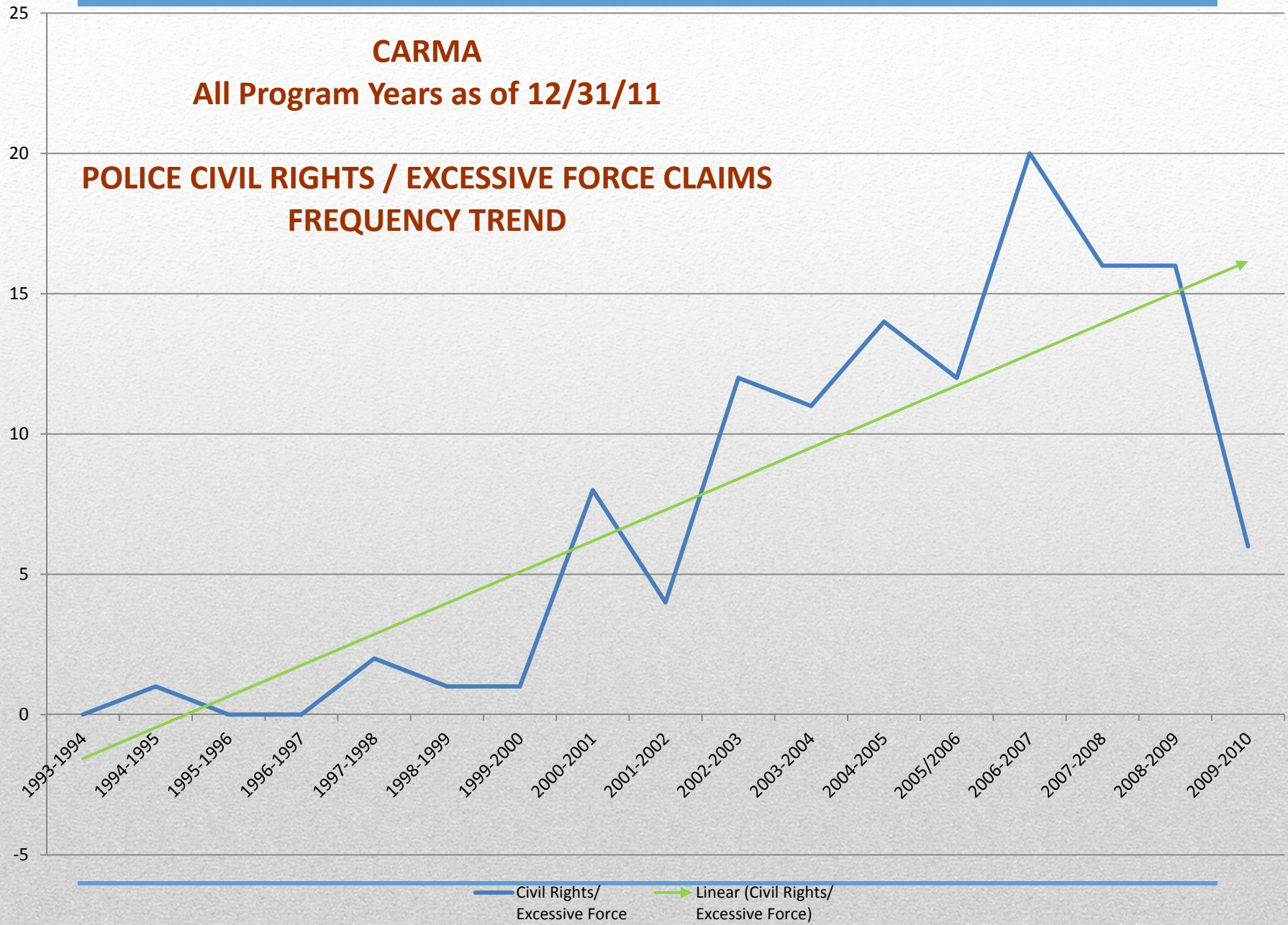
**All Program Years as of 12/31/11**

**POLICE CLAIMS FREQUENCY TREND**

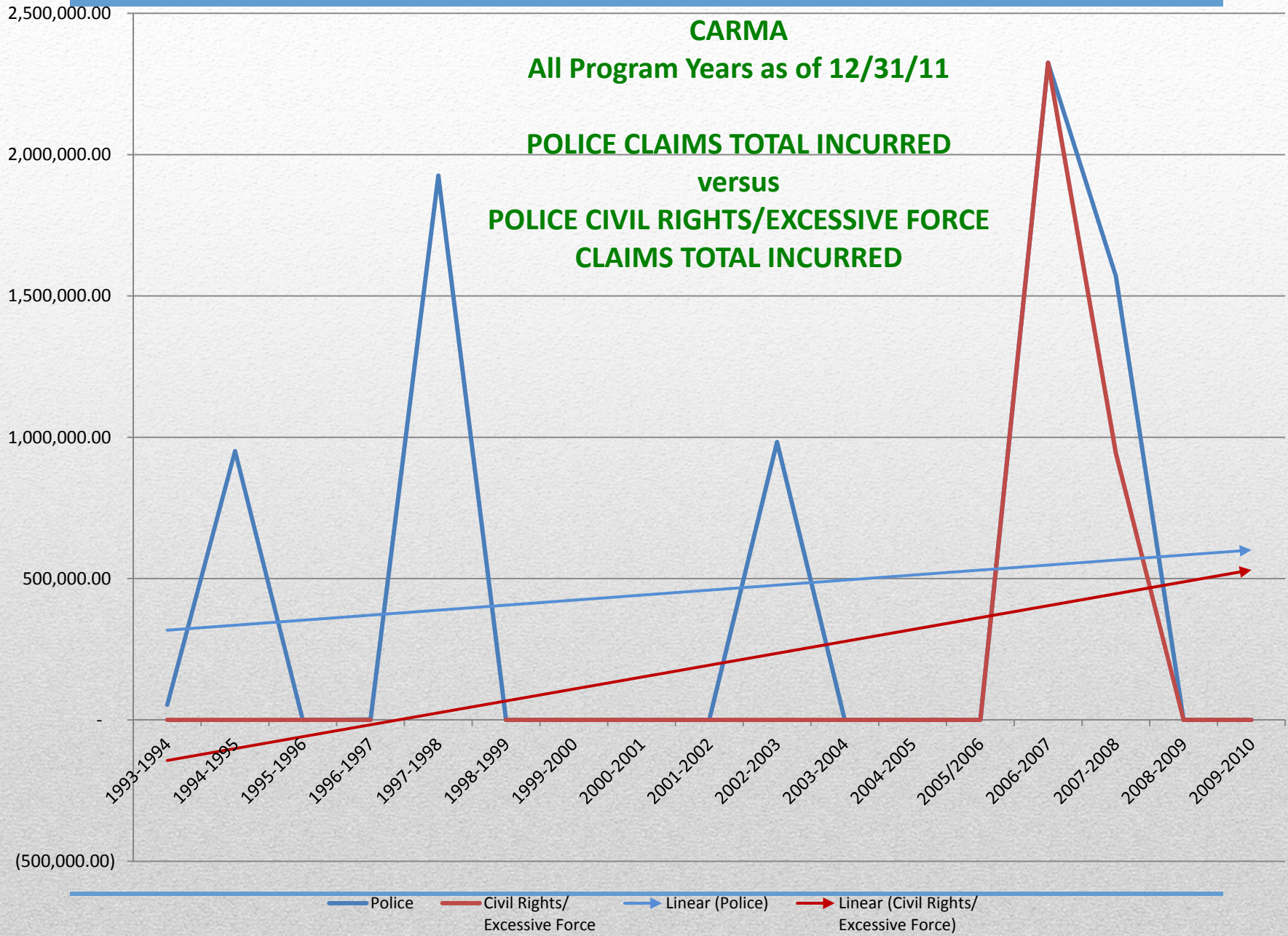
— Police    — Linear (Police)

**CARMA**  
**All Program Years as of 12/31/11**

**POLICE CIVIL RIGHTS / EXCESSIVE FORCE CLAIMS**  
**FREQUENCY TREND**





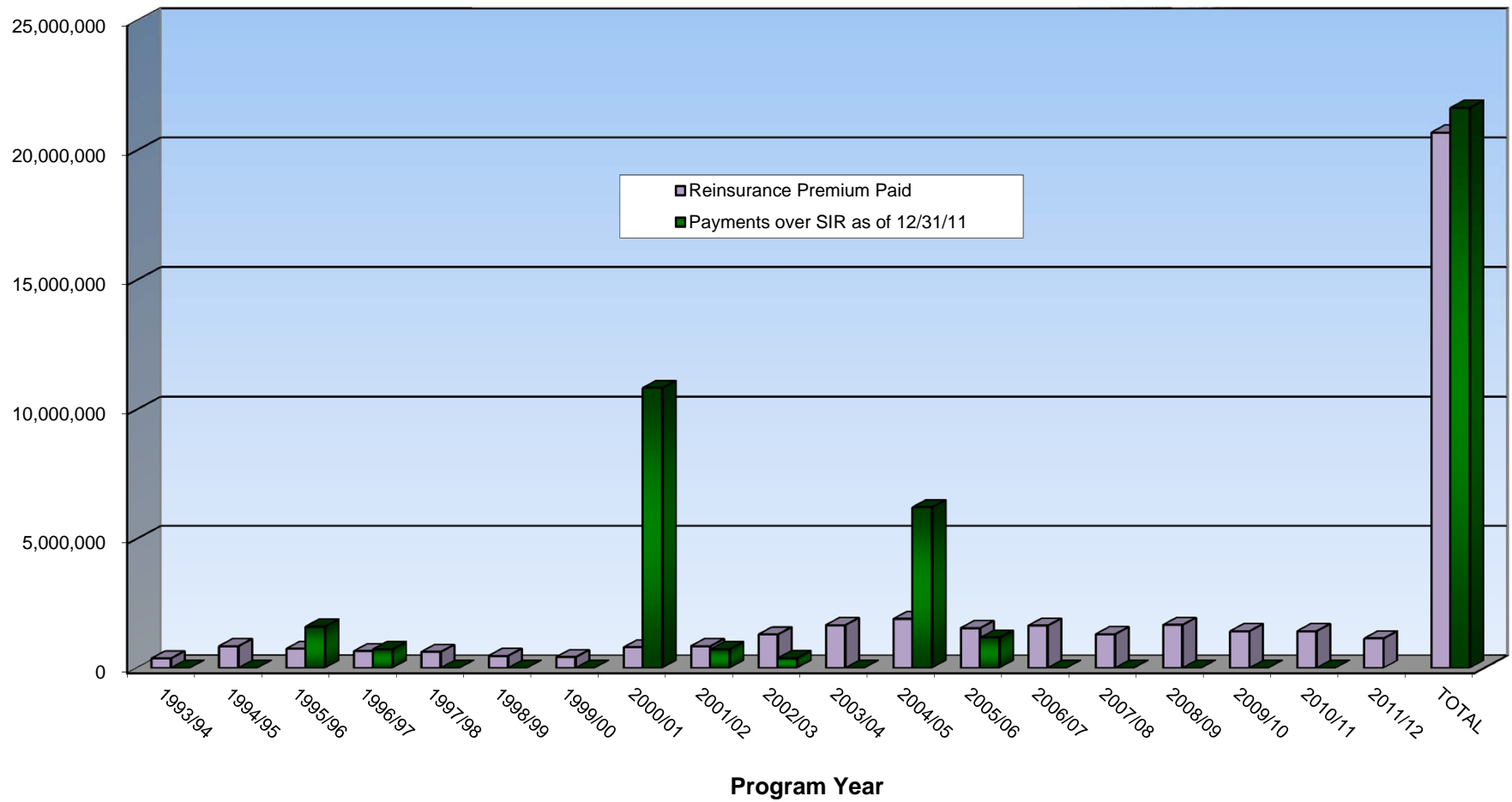




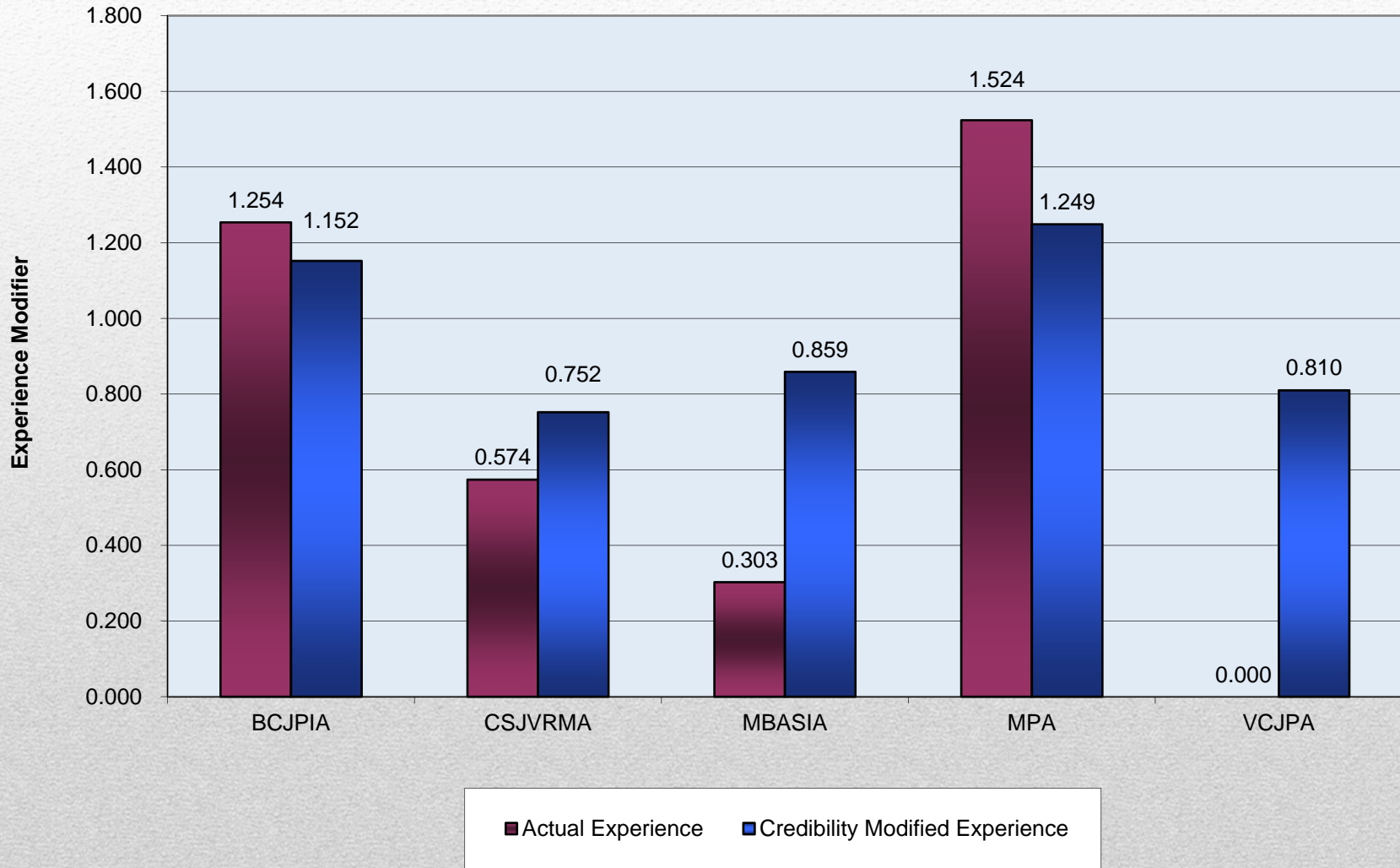
## **Second Tier – Financial Benchmarks**

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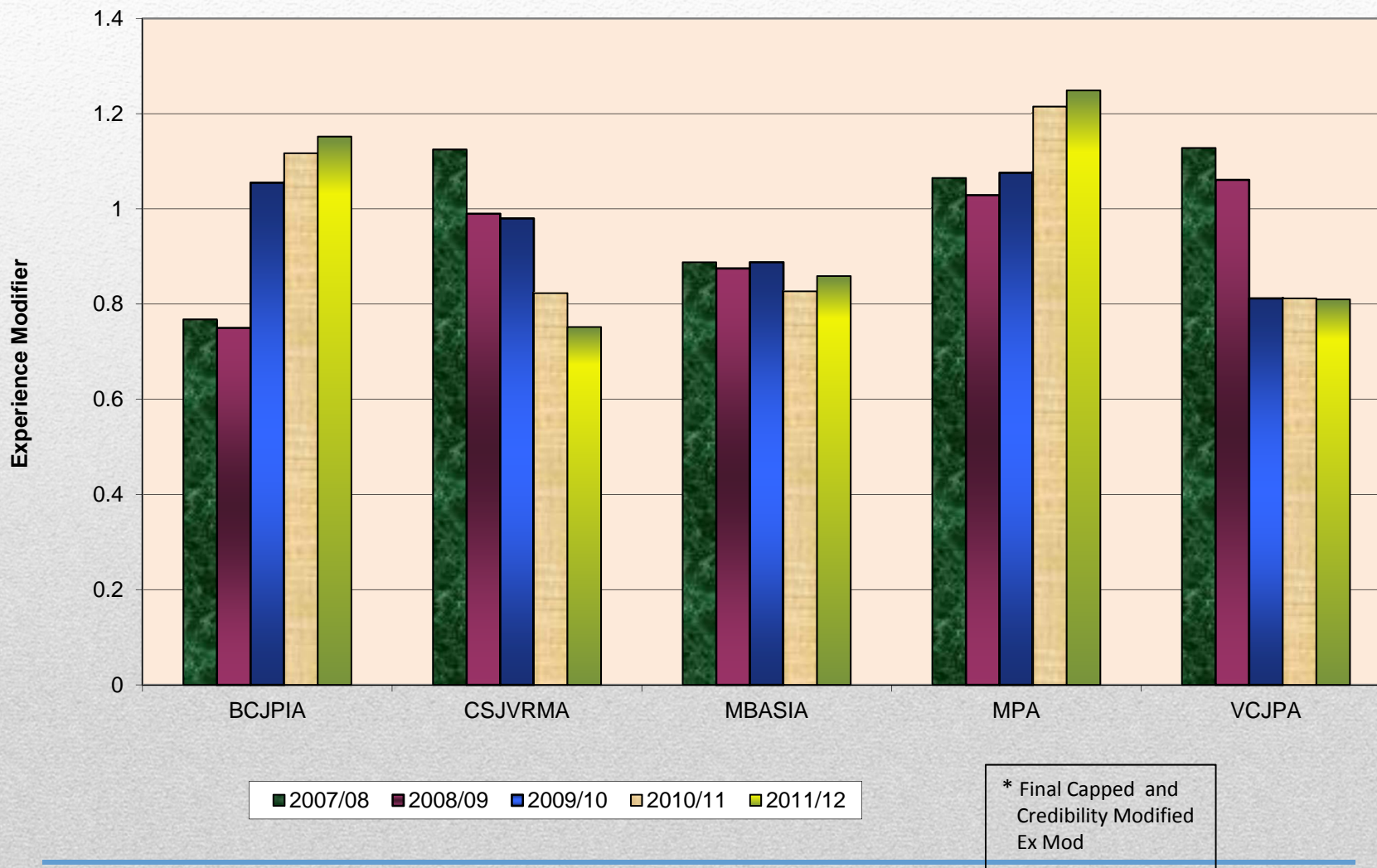
## CARMA Historical Reinsurance Premiums



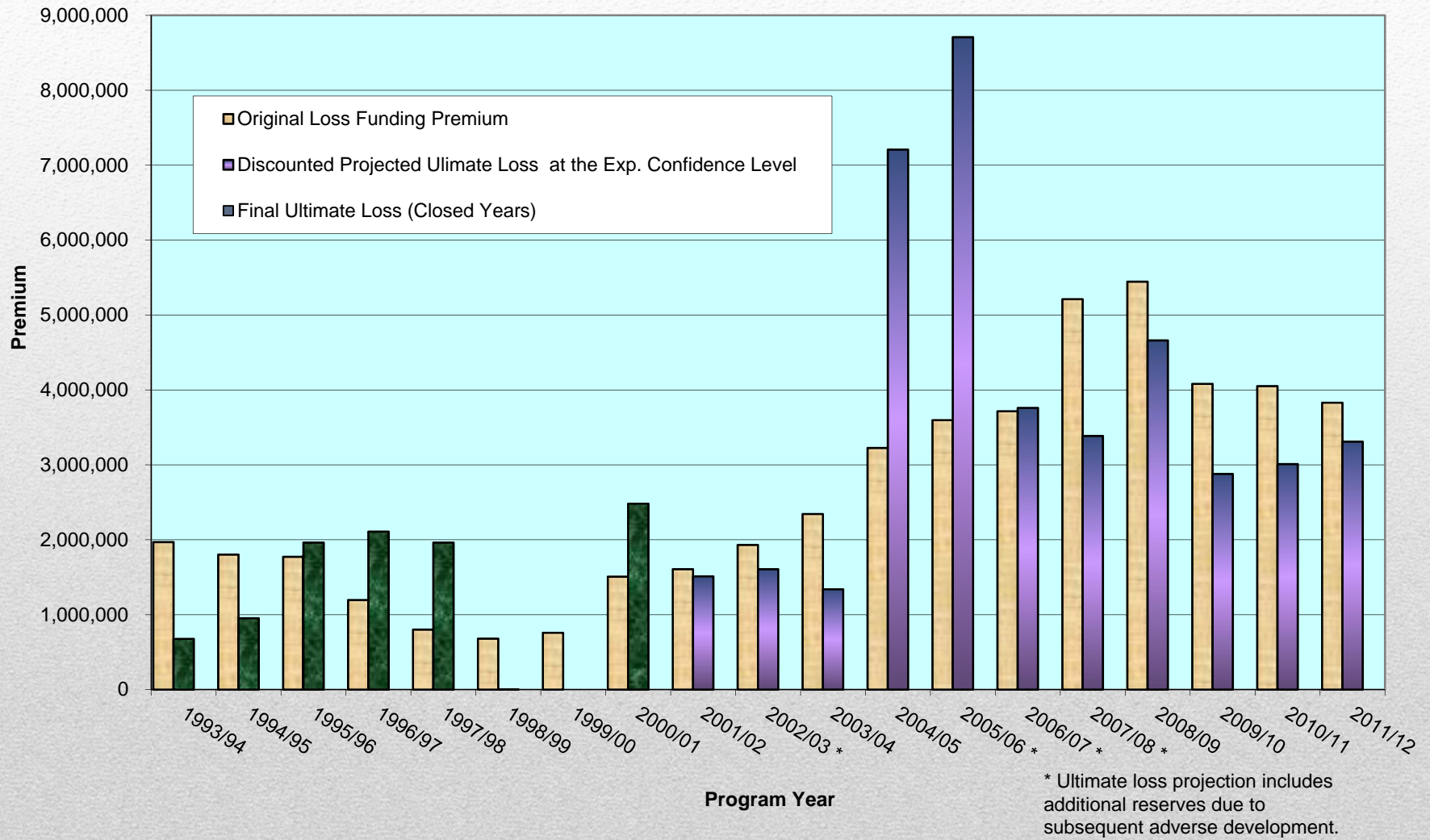
## CARMA Experience Modifying Ratios 2011 / 2012 Program Year



## CARMA Experience Modifying Ratios\* Five Year Comparison

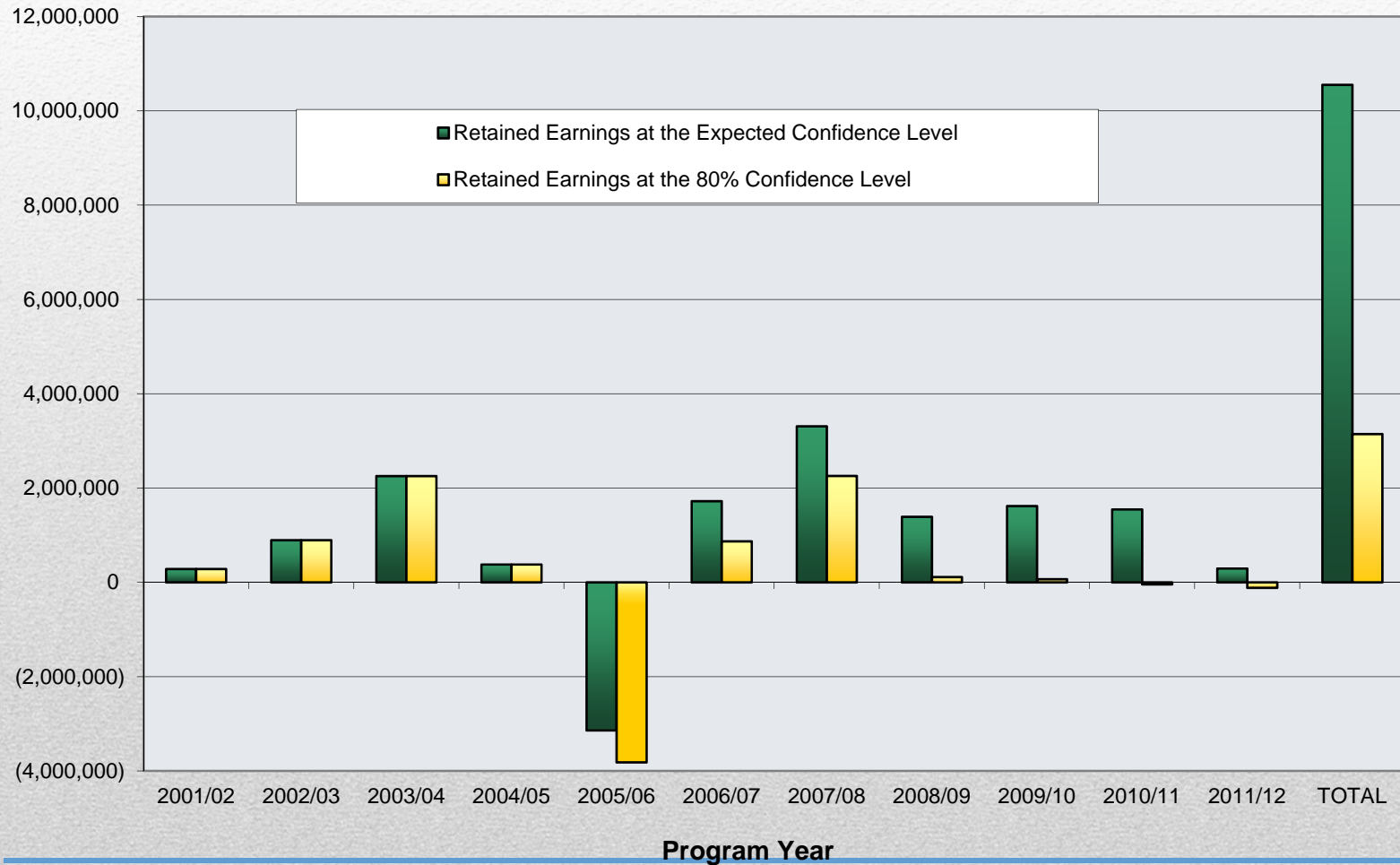


## CARMA Original Loss Funding Premium v. Current Ultimate Loss



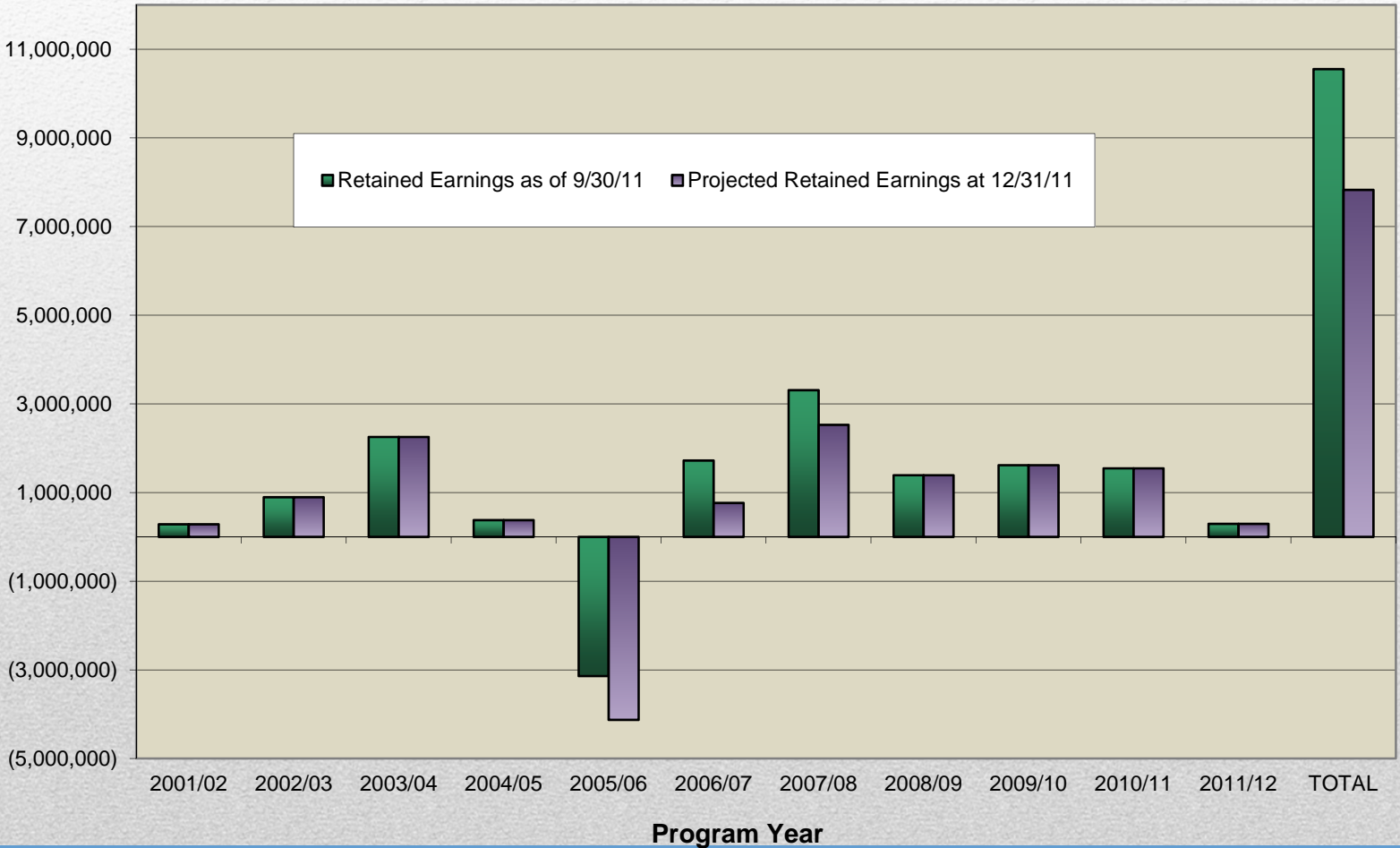
## CARMA Retained Earnings By Program Year

As of September 30, 2011



## CARMA Retained Earnings By Program Year

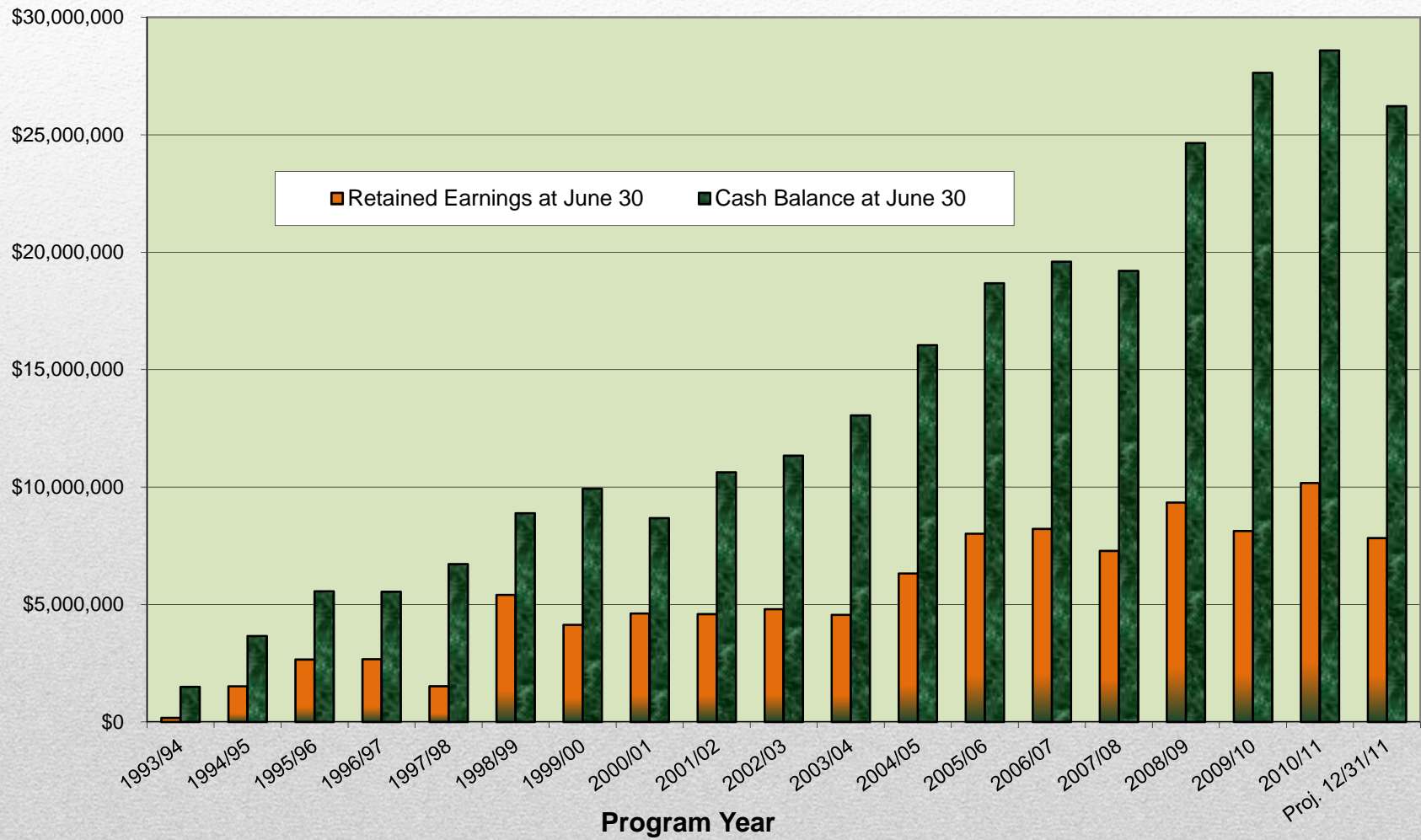
### Comparison of 9/30/11 to Projected 12/31/11





## CARMA Retained Earnings and Cash Balance

As of Year End ~ For All Program Years Combined  
(Includes Balances as of 12/31/11)



# Workshop Agenda

## **Challenges and Concerns for 2012**

- Legal Trends and Its Impact on CARMA
    - Police Civil Liability Cases and Other Related Observations
  - Communicating Effectively to Our Members and Their Underlying Entities
    - Team Exercise
  - Developing New approaches to Continued Financial Protection
    - Discount Rates and Confidence Levels
-

# Team Exercise

## Case Study

The City has received a claim which arose out of the collision between a high school student's bicycle and a city maintenance vehicle on a city trail that was closed to through traffic, used mainly for recreational purposes, and also occasionally for maintenance vehicles. The collision left the boy a quadriplegic.

The young boy was a star athlete, received a scholarship to Stanford for fall semester admittance. He comes from a prominent, affluent family who generously supports the city's library and other civic programs.

The employee driving the maintenance vehicle is a long-term employee, excellent safety record, and recently promoted to Lead.

The Risk Manager recently had a conversation with the Public Works Director regarding city maintenance vehicles on the trail during high peak hours.

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## CARMA COMPARISONS

~ Confidence Levels and Discount Rates ~

2011/12 Budget Scenarios				
Member	2011/12 Approved Budget Premium 75% CL ~ 3.5% DR	2011/12 Budget Scenario Premium 75% CL ~ 2.16% DR	2011/12 Budget Scenario Premium 70% CL ~ 2.16% DR	
BCJPIA	\$ 2,268,556	\$ 2,377,731	\$ 2,173,592	
CSJVRMA	1,554,561	1,623,752	1,494,377	
MBASIA	244,058	252,569	236,655	
MPA	1,611,818	1,688,048	1,545,511	
PARSAC	14,523	14,523	14,523	
VCJPA	238,467	247,252	230,825	
<b>TOTAL</b>	<b>\$ 5,931,983</b>	<b>\$ 6,203,875</b>	<b>\$ 5,695,482</b>	
<b>Comparisons to 2011/12 Approved Budget:</b>				
Amount Change		\$ 271,892	\$ (236,501)	
Percentage Change		4.58%	-3.99%	
<i>Note: Funding at the approximate 72% confidence level at the actuary's recommended discount funding rate of 2.16% would yield the approximate 2011/12 Approved Budget premium</i>				

9/30/11 Reserve and Equity Scenarios					
		9/30/11 Balance Sheet Liabilities Discounted @ 3.5%	9/30/11 Balance Sheet Liabilities Discounted @ 1.38%	Amount Difference	Percentage Difference
Total Reserves	\$	18,341,955	\$ 19,326,262	\$ 984,307	5.37%
Equity	\$	10,552,952	\$ 9,568,645	\$ (984,307)	-9.33%
<i>Note: 1.38% is the actuary's recommended discount rate for the discounting of liabilities.</i>					

# Workshop Agenda

**Strategies and Initiatives for 2012**

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**California Affiliated Risk Management Authorities  
2012/2013 Strategic Goals & Action Item List**

Target Date	Person Responsible	Action Item	Status			Comments
			Done	Revise	On Target	
<b>Goal</b>						
<b>Goal</b>						
<b>Goal</b>						
<b>Goal</b>						
<b>Goal</b>						

# Workshop Agenda

## **Service Provider Evaluations – Board of Directors**

- Actuary: Bay Actuarial Consultants
  - Administrator: Bickmore Risk Services
  - Board Counsel: Farmer, Smith & Lane
  - Broker of Record: Alliant Insurance Services
  - Claims Auditor: Farley Consulting Services
  - Financial Auditor: Sampson, Sampson & Patterson, LLP
-

# Vendor Contract Status

- **Group Administration: BRS - Expires June 30, 2012**
  - **Brokerage: Alliant - Expires June 30, 2012**
  - **Board Counsel: No expiration date, 30 days notice**  
(Engagement began March 2004)
  - **Actuarial Services: June 30 annually – with notice**  
(Engagement began September 2002)
  - **Independent Claims Auditor: with notice**  
(Engagement began September 2000)
  - **Independent Financial Auditor: with notice**  
(Engagement began March 2006)
-





**Thank you for attending CARMA's  
19<sup>th</sup> Annual Workshop!**





**We will see you all for cocktails at 6:30 p.m. in the Waveside Room and then for dinner at 7:30 p.m.**

**The CARMA Board of Directors' Meeting will start promptly at 9:00 a.m. on Friday morning in the Waveside Room.**

**Important Times to Note**