CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
BOARD OF DIRECTORS

AGENDA

Bickmore Risk Services
1750 Creekside Oaks Drive, Suite 200
Sacramento, California 95833
(800) 541-4591

Wednesday, April 20, 2011
10:00 a.m. - 2:00 p.m.
Lunch will be provided

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact Ms. Ramona Buchanan at (916) 244-1185 or (916) 244-1199 (fax). Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Documents and materials relating to an open session agenda item that are provided to the CARMA Board of Directors less than 72 hours prior to a regular meeting will be available for public inspection and copying at: 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833. The documents are also available on CARMA's website, www.carmajpa.org.

Page

1. **CALL TO ORDER**

2. **INTRODUCTIONS**

3. **APPROVAL OF AGENDA AS POSTED (OR AMENDED)**

4. **PUBLIC COMMENTS –** This time is reserved for members of the public to address the Board relative to matters of the California Affiliated Risk Management Authorities not on the agenda. No action may be taken on non-agenda items unless authorized by law. Comments will be limited to five minutes per person and twenty minutes in total.

5. **CONSENT CALENDAR** **1**
   - *A. Minutes of the January 14, 2011, Board of Directors' Meeting **2**
   - *B. Minutes of the March 14, 2011, Special Board of Directors' Meeting **13**
   - *C. Warrant Listing from January 31, 2011 through March 31, 2011 **15**
   - *D. Treasurer's Report as of December 31, 2010 **16**
   - *E. Internal Financial Statements for the Quarter Ended December 31, 2010 **35**
   - *F. Legal Client Alert from Ferguson, Praet and Sherman - Supreme Court Decides Retains Heightened Standard for Liability Arising Out of Brady Violations and Training **48**

     Recommendation: Approval of the Consent Calendar

* = Material on agenda item enclosed
** = Material on agenda item enclosed for Board members only

6. **ADMINISTRATIVE MATTERS**

*A. New Director of Litigation Management for Bickmore Risk Services, Introduction of Mr. Gerry Preciado — **51**

Recommendation: None, information only.

*B. Presentation of Service Plaque to Ms. Sandra Spiess — **52**

Recommendation: None, information only.

*C. Consideration of the Liability Claims Audit Prepared by Farley Consulting Services — **53**

Recommendation: The Board accepts and files the liability claims audit as presented.

*D. Amendment to Litigation Manager Duties in CARMA-BRS Agreement — **86**

Recommendation: The Board approves Amendment Four to the Bickmore Risk Services' service contract, effective April 20, 2011.

7. **FINANCIAL MATTERS**

*A. Review of Actuarial Study Provided by Mr. Jack Joyce of Bay Actuarial Consultants — **88**

Recommendation: The Board accepts and files the Actuarial Study as presented.

*B. Clarification of "Member Equity" Definition and Allocation of Member Equity — **125**

Recommendation: The Board approves the title of "Member Allocation of Pool Equity" for future Equity reports, as well as the premium percentage allocation method to calculate a member's share of equity.

*C. Revised Proposed Retrospective Adjustment Policy — **131**

Recommendation: The Board approves the revised Proposed Retrospective Adjustment Policy.

*D. Signatures on General Fund Checking Account — **137**

Recommendation: None, Information only.

*E. Consideration of the Proposed Annual Budget for the 2011/2012 Program Year — **140**

Recommendation: The Board approve one of the Proposed Annual Operating Budgets as presented.

8. **COVERAGE MATTERS**

*A. Discussion Regarding Cyber Liability Coverage — **168**

Recommendation: The Board provides direction on whether to review, research, and possibly, revise the CARMA Liability Memorandum of Coverage to specifically exclude coverage for Third Party Cyber Liability.

*B. Marketing Excess Insurance Corridor Deductible and the Advantages and/or Disadvantages of Such Deductible From an Actuarial and Excess Perspective — **170**

Recommendation: For Board discussion and direction to staff.

*C. Report from Alliant Insurance Services on the Status of the Excess Insurance Renewal for CARMA — **173**

Recommendation: A recommendation will be provided at the meeting following the report from Ms. Adams.

*D. Measurement of Litigation Management Performance — **180**

Recommendation: None, Information only.

* = Material on agenda item enclosed
** = Material on agenda item enclosed for Board members only

9. **CLAIMS MATTERS**

A. Closed Session Pursuant to Government Code Section 54956.95(a) to Discuss Claims **185

Pursuant to Government Code section 54956.95(a), the Board will hold a closed session to discuss claims for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers authority.

Affholter, et al. v. City of Merced, et al. (CSJVRMA)

B. Closed Session Pursuant to Government Code Section 54957(b) - Review of Legal Counsel

Pursuant to Government Code Section 54957(b), the Board will hold a closed session for public employee performance review of the Legal Counsel position.

C. Report from Closed Session

Pursuant to Government Code Section 54957.1, the Board must report in open session any action, or lack thereof, taken in closed session.

10. **CLOSING COMMENTS**

This time is reserved for comments by the Board members and staff and to identify matters for future Board business

A. Board
B. Staff

11. **ADJOURNMENT**

❖ The next Board of Directors' meeting is scheduled for Wednesday, June 22, 2011, at 10:00 a.m. at the offices of Bickmore Risk Services in Sacramento.

CONSENT CALENDAR

SUBJECT: Consent Calendar

BACKGROUND AND STATUS:

The Consent Calendar consists of items that require approval or acceptance but are self-explanatory and require no discussion. If the Board would like to discuss any item listed, it may be pulled from the Consent Calendar.

RECOMMENDATION:

Approval of the Consent Calendar.

REFERENCE MATERIALS ATTACHED:

*A. Minutes of the January 14, 2011, Board of Directors' Meeting
*B. Minutes of the March 14, 2011, Special Board of Directors' Meeting
*C. Warrant Listing from January 31, 2011, through March 31, 2011
*D. Treasurer's Report as of December 31, 2010
*E. Internal Financial Statements for the Quarter Ended December 31, 2010
*F. Legal Client Alert from Ferguson, Praet and Sherman – Supreme Court Decides Retains Heightened Standard for Liability Arising Out of Brady Violations and Training

Agenda Item 5.A.-F.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES (CARMA)

DRAFT MINUTES OF THE BOARD OF DIRECTORS' MEETING OF JANUARY 14, 2011

A regular meeting of the Board of Directors of CARMA was held on January 14, 2011, at the Bodega Bay Lodge & Spa, Bodega Bay, California.

BOARD MEMBERS PRESENT:	Geoff Grote, BCJPIA, President John Stroh, VCJPA Jake O'Malley, MPA, Treasurer Robert Galvan, MBASIA
BOARD MEMBERS ABSENT:	Linda Abid-Cummings, CSJVRMA
ALTERNATE MEMBERS PRESENT:	Dave Hodgkins, BCJPIA Robert Ewing, MPA
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 Michael Groff, Bickmore Risk Services Jeanette Workman, Bickmore Risk Services Brian Kelley, Bickmore Risk Services Adrienne Beatty, Bickmore Risk Services Ramona Buchanan, Bickmore Risk Services Mike Simmons, Alliant Insurance Services Carlos Oblites, PFM

1. CALL TO ORDER

The January 14, 2011, Board of Directors' meeting was called to order at 9:01 a.m. by President Geoff Grote.

2. INTRODUCTIONS

Those in attendance introduced themselves. President Grote, on behalf of the Board of Directors, expressed appreciation to and recognized Ms. Sandra Spiess for a job well done as Board Secretary to the CARMA Board of Directors.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

John Stroh moved to approve the amended agenda that was sent out to the Board of Directors. Seconded by Jake O'Malley. Motion passed unanimously.

4. PUBLIC COMMENTS

None.

5. CONSENT CALENDAR

John Stroh moved to approve/accept the following items: A) November 2, 2010, Special Board Meeting; B) Minutes of the September 10, 2010, Board Meeting; C) Warrant Listings for September 1, 2010, through December 31, 2010; D) Treasurer's Report at September 30, 2010; E) Internal Financial Statements for the Quarter Ended September 30, 2010; F) Farley Consulting Services Contract; and G) Memo on SB 719 – "The Police Pursuit Bill" by Michael Groff. Seconded by Jake O'Malley. Motion passed unanimously.

6. ANNUAL WORKSHOP RECAP

A. Establishment of Goals and Objectives

Ms. Karen Thesing, Executive Director, reviewed items of interest discussed during the Workshop held the previous day with the Board and confirmed the goals and objectives established by the Board. Ms. Thesing noted that this is an opportunity for the Board of Directors to make amendments as needed, and/or adopt the Goals and Objectives for 2011/2012:

The Goals and Objectives for 2011/2012 are as follows:

Marketing of excess and reinsurance coverage:

- More aggressive marketing with new inverse/condemnation terms and limits.
- Quota sharing above the $3 million pooling level.

Marketing

- Continue outreach to CARMA members.
- Emphasis on claims reporting and litigation management.

Experience Modification Factors

- Evaluate the application of an ex-mod to the $3 million pool limit, which would be phased in over a three-year time period.

Retrospective Adjustment Policy

- Evaluate the method of the calculations and member allocation.

- Determine the definition of "member equity."

John Stroh moved to adopt the 2011/2012 Goals and Objectives as presented. Seconded by Jake O'Malley. Motion passed unanimously.

7. FINANCIAL MATTERS

A. Retrospective Adjustment Policy / Return of Equity

Ms. Thesing reported that a proposed Retrospective Adjustment Policy was presented and discussed at the January 13, 2011, CARMA Board of Directors' workshop with the Board's consensus that further work be completed on the Retrospective Adjustment Policy, and no further Board action will be required at this time on the proposed policy.

B**.** California Asset Management Program Portfolio Review

Mr. Carlos Oblites, Public Financial Management (PFM), reviewed CARMA's investment performance for a two-year period ending December 31, 2010, and provided a detailed review of the current market conditions. Mr. Oblites reported that the yield for the 12-month period ended December 31, 2010, was substantially higher than LAIF and CARMA's established benchmark. For the past quarter, CARMA had a negative return of .04%; however, for the past year, the portfolio earned 2.43%, well over the benchmarked returns.

Mr. Oblites advised that the portfolio's holdings are diversified by maturity, comply with California Code and CARMA's investment policy, continues to accrue earnings at a rate of 1.22% (yield to maturity) per year, and has generated solid returns. Mr. Oblites discussed factors that have contributed to the recent yield increases and reported that future indicators are that the rates will remain the same due to these contributing factors.

Going forward, the First Quarter 2011 Investment Strategy for CARMA will include seeking to effectively manage the duration of CARMA's portfolio, and possibly increase the portfolio's allocation to the Treasury sector to enhance liquidity and credit quality.

A question was posed on the impact European countries are having on the market.

Mr. Oblites discussed the impact Greece, Ireland, and Portugal are having on the international market and currency, and noted that it is expected Germany may go bankrupt as well.

Appreciation was expressed to Mr. Oblites for today's presentation.

8. ADMINISTRATIVE MATTERS

A. Appointment of Board Secretary

Ms. Thesing reminded the Board that last year, it was announced that Ms. Spiess has been promoted within Bickmore Risk Services (BRS) in the Consulting Division, and Ms. Spiess would be leaving her position with CARMA. Ms. Thesing advised that over the past six months, staff has been working with Ms. Ramona Buchanan, Bickmore Risk Services, on the transition, and is requesting that the Board of Directors approve Ms. Buchanan as the CARMA Board Secretary, replacing Ms. Spiess in this capacity.

Jake O'Malley moved to approve Ms. Ramona Buchanan, Bickmore Risk Services, as the CARMA Board Secretary effective January 14, 2011. Seconded by John Stroh. Motion passed unanimously.

On behalf of the Board of Directors, President Grote officially welcomed Ms. Buchanan aboard as the CARMA Board Secretary.

B. Reaffirmation of the Conflict of Interest Code

Ms. Thesing indicated that every two even-numbered years, and as required by law, staff presents CARMA's Conflict of Interest Code to the Board of Directors for review. Ms. Thesing noted that the Conflict of Interest Code delineates the positions that are required to submit a Form 700, Statement of Economic Interests, as well as the respective disclosures for each filer.

Ms. Thesing reported that staff has reviewed the current CARMA Conflict of Interest Code and that there are no changes being recommended to the code and as such is recommending the Board of Directors' re-affirm the Conflict of Interest Code for 2011 and 2012, as presented.

John Stroh moved to reaffirm the Conflict of Interest Policy for the 2011 and 2012 calendar years as presented. Seconded by Robert Galvan. Motion passed unanimously.

C. Bay Actuarial Consultants Letter of Engagement for Actuarial Services

Ms. Thesing reported that Bay Actuarial Consultants, in particular Mr. Jack Joyce, has been providing actuarial services to CARMA since 2002. Ms. Thesing noted that since the contract will soon expire, this item has been included on the agenda for the Board of Directors to determine if it would like to continue with Bay Actuarial Consultants or to proceed with a Request for Proposal (RFP) for actuarial services.

Staff has been working with Mr. Joyce related to contractual cost, and Mr. Joyce has indicated for 2011/2012 that Bay Actuarial Consultants will charge a flat fee of $6,724, and limit future annual fee increases to no more than 2% per year through the 2015 fiscal year.

The question was posed how competitive the fees being proposed are as compared to other providers. Ms. Thesing advised that based upon the volume of work, Bay Actuarial Consultants' fees are in the same ballpark as other providers.

Ms. Thesing further reported that for the 2011/2012 fiscal year, it is being requested that the actuary review future loss funding rates per $100 of payroll for $1 million x $4 million in addition to the other layers. Mr. Michael Simmons, MBASIA, requested that the actuary include $1 million x $5 million in the study, as well as comment on the 50% quota sharing ratio.

Ms. Nancy Broadhurst, Bickmore Risk Services, noted that in addition to the 60%, 70%, 75%, 80%, and 90% probability levels, the actuarial report will also include the 85% probably level as well.

John Stroh moved to: 1) approve the proposal from Bay Actuarial Consultants for 2011 through 2015, as presented; 2) to include as part of the study an analysis of the $1 million x $4 million and $1 million x $5 million loss funding rates and include a comment on the 50% quota sharing ratio; and 4) in addition to the 60%, 70%, 75%, 80%, and 90% probability levels, discuss rates at the 85% probability level as part of the actuarial study. Seconded by Jake O'Malley. Motion passed unanimously.

D. Updated CARMA Website

Ms. Thesing reported that over the past several months, staff has been working with the Bickmore Risk Services' IT Department to review the existing CARMA website, analyze the features that are utilized the most, and to determine a manner in which to enhance the current features of the website so it is more user-friendly and attractive to current and potential members. As such, Ms. Thesing advised an updated website is being unveiled to the Board of Directors that is now "live" on the Internet.

Ms. Buchanan, Bickmore Risk Services, provided an overview of the website updates, including the addition of a member application for the purpose of marketing, and a litigation page under the members-only section for current members. Ms. Buchanan concluded by advising should the Board have any comments or suggestions to email her at rbuchanan@brsrisk.com.

A question was posed on the login requirements for the members-only. Ms. Spiess noted that under the old website platform, all members shared a common login password, but with the enhanced website, each member will have his/her own username and password. This new feature is at no additional cost to CARMA or its members. Each member is encouraged to go the Members-Only page on the CARMA website at www.carmajpa.org and register for a username and password.

A further question was posed on the purpose and content of the new litigation section. Ms. Thesing advised that access to this new section is for members available through the members-only section, and that no litigation cases will be included, but rather training materials, power point presentations, white papers, manuals, etc. will be on that page.

E. Medicare Set-Aside (MSA) Update

As an update to the Board of Directors, Mr. Michael Groff, Bickmore Risk Services, reported that the BRS litigation team has been diligently keeping apprised of changes to the mandatory Medicare reporting requirements and the protection of Medicare's interest as a secondary payer. Mr. Groff advised that this process has always been in place on the workers' compensation side and on the liability side the consideration of payments for conditional liens at settlement has been in place as well. However, protecting Medicare's interests for potential future medical payments within the general liability arena remain an uncharted territory; thus, this is a complicated new federal law that staff continues to monitor.

Mr. Groff discussed the two major aspects to the Medicare Set-Aside protection issue (i.e. conditional liens: payments already made by Medicare, and future medicals: payments that may be made by Medicare in the future) and noted that Medicare is monitoring this closely to ensure its protection. Mr. Groff advised that Medicare has now extended the date for mandatory reporting to January 2012, relating back to cases settling after October 1, 2011.

Ms. Adrienne Beatty, BCJPIA, clarified that this is for settlements, judgments, and awards (TPOCs) for liability claims only; reporting of settlements, judgments, and awards for workers' compensation claims settling on or after October 1, 2010, as well as reporting of Ongoing Reporting of Medicals (ORMs) for both workers' compensation and liability claims, began January 1, 2011. Ms. Beatty further discussed the effort to provide training on the difference between Medicare-eligible claimants and claimants who are currently Medicare beneficiaries and how this relates to the reporting/query process.

Mr. Groff added that CARMA is a Registered Reporting Entity (RRE) and emphasized the importance of monitoring and reporting obligations. Failure to report will fall back on CARMA, as the RRE, and financial penalties apply for non or late reporting. Mr. Groff then discussed a court decision on a Longshoreman case, and noted the benefit of the decision as a tool for resolving cases involving Medicare-eligible claimants.

Mr. Linzie Kramer, Litigation Manager, advised this is the third time Medicare has postponed some element of the mandatory reporting dates. Mr. Kramer continued by advising that he and Mr. Groff have been drafting various settlement agreements for Medicare-eligible or beneficiary claimants and that this bank of information is available to the underlying CARMA pool members. Mr. Kramer concluded by advising that the litigation management team has worked very carefully with the Third Party Administrators to assist them in this process, and staff will continue to do so as necessary.

F. Genex Contract Fees for 2011/2012 Program Year

Mr. Groff reported that Bickmore Risk Services (BRS) and its clients have partnered with Genex Services, Inc. to provide assistance on Medicare queries and reporting, and to assist BRS in determining an amount to be allocated for future medical expenses.

Mr. Linzie Kramer provided an overview on the processes involved in selecting Genex, and negotiating the amount that would be charged to each of the BRS clients with individual contracts with Genex. Mr. Kramer advised that the negotiated amount on behalf of the BRS clients is $150,000 total for hardware and software, to be paid the first of April 2011. Genex agreed, as part of their services, to off-set Medicare Set-Aside (MSA) referrals against the negotiated total. Mr. Kramer continued to report that recently the negotiated amount has been reduced from $150,000 to $80,000, with two months remaining to continue negotiations with Genex.

Mr. Kramer further reported that internal meetings were held for the purpose of providing the BRS clients and administrators the amount required for their respective budgets. Mr. Kramer noted this delay in reporting dates has had an impact on the work to be performed by Genex as well. As such, Genex has agreed, for budgeting purposes, to extend the BRS clients' fees to a two-year payment, thus the recommended $13,000 can now be cut to one-half per year for the next two years.

Mr. Kramer concluded by advising that between January and March 2011, BRS will continue to use the services of Genex, and will also continue its negotiations with Genex on the allocated fees.

G. Duties of the Litigation Manager Regarding Coverage Letters

Ms. Thesing reminded the Board of Directors that this item as it relates to the litigation management duties was presented at the April 2010 meeting for discussion and was centered on the issue of staff presenting an early notice to members of a potential coverage concern; however, this would not be construed as a replacement of the formal coverage opinions. Ms. Thesing continued that discussion was further held on the timing on which the notice would be sent to the member, should CARMA engage in such an early notice.

Mr. Groff discussed the litigation team's protocol that is followed when reviewing claims reported to CARMA. The litigation managers have in the past identified potential underlying coverage issues on these claims and submitted the claim and potential issues to legal counsel for a formal coverage opinion.

Mr. Groff noted there are members that have recognized potential underlying coverage issues, and have requested from the litigation managers an early notification or coverage alert and understanding that CARMA believes that there may be some underlying coverage issues. The purpose of this would be for the member to understand CARMA's position, or to budget the necessary costs related to the claim within their retained limit.

Mr. Groff continued by advising that the litigation managers are seeking direction from the Board as to whether the Board would like to expand the duties of the litigation managers to identify potential coverage issues, and to seek clarification on at what point in the process to send legal counsel a request for a coverage opinion?

Mr. Linzie Kramer noted that the past practice has been to point out a potential underlying coverage issue to a member JPA when requested, and if the member does not agree with this position, then the need arises for a coverage opinion. Further, Mr. Kramer noted that it has been requested that each CARMA JPA retain its own legal counsel for opinions on coverage. Additionally, Mr. Kramer advised that although he and Mr. Groff are well-versed in coverage, coverage opinions are not issued through the litigation managers, but rather through the CARMA legal counsel or the member's own coverage counsel at their retained limit.

Mr. Craig Farmer, legal counsel, advised that the intent of the early notification would be to advise the member of an uncertainty related to coverage.

President Grote recapped the issues for the Board's discussion: (1) as a timing issue, when the red flag is to be raised so that all parties will be aware of the potential underlying coverage issue(s); and (2) structurally, who would be the appropriate party to provide the notification to the member? Discussion ensued on the emphasis of an early notification to the underlying members. Suggestions included: (1) a hybrid structure, whereby the litigation managers and CARMA's legal counsel simultaneously develop and memorialize a formal approach, thus strengthening the process already in place; (2) BRS facilitate or "bridge" communications in writing to the JPA members; and (3) determine the limit of coverage and communicate with the member, and then if a formal coverage opinion is required, the member would have the responsibility to request said opinion.

Mr. Kramer affirmed that the procedure could include documenting the conversation, and sending to the member what the litigation managers perceive as a potential coverage problem with a request that the underlying member respond; however, if the member has a difference of opinion, the matter would eventually go to legal counsel and the CARMA Board of Directors, if necessary.

After further discussion, President Grote summarized the Board's direction that as early on in the process as possible, the litigation managers send a written communication to the member notating any potential underlying coverage issues that have been raised. It was the Board's consensus that this satisfies the issues that have been raised. No further action was taken on this matter at this time.

9. COVERAGE MATTERS

A. Transfer of Risk Draft Policy for Issuing Excess Certificates of Coverage

Ms. Thesing reported that this was first discussed by the Board of Directors in September 2010, when the Board was provided with the 2005 policy. Ms. Thesing advised that the 2005 policy is contradictory—first it states that the underlying member should issue only a certificate evidencing coverage, then it continues to read that the member could also issue a certificate for an additional covered party under the CARMA Memorandum of Coverage (MOC).

Ms. Thesing reported this has been brought back for the Board to affirm if the CARMA Certificates of Coverage are to be issued for an Additional Covered Party, then the litigation managers should be involved in the review of the contract and issuance of said certificate. Ms. Thesing concluded by advising a revised policy further modifying the current policy has been included in the agenda for the Board's review.

Mr. Groff discussed the review process used by the litigation managers to ensure when a third party contracts with another party that sufficient coverage is provided, and that the certificate of coverage matches that which is required in the contract or agreement. Mr. Groff noted that more recently, due to the economy, underlying contractors are increasing their limit requirements up to between $2 million to $5 million, which has resulted in an increase of requests for CARMA to issue certificates of coverage.

Mr. Groff advised that the litigation managers/staff are requesting that the existing policy be revised to reflect if underlying members request evidence of coverage, a review is conducted on the contract or agreement and further, it is proposed that language be added to the certificate to strengthen that not only the coverage meets that of the CARMA MOC, but also meets the coverage of the member as well.

Mr. Kramer emphasized the importance of when a certificate is issued at the CARMA level to ensure a "backwards" risk transference is not unintentionally accepted and bound by CARMA. Mr. Kramer noted that this is an area whereby CARMA and its litigation managers continue to be diligent.

Mr. Groff lightly touched on late and last-minute requests for certificates and noted that the administrative staff and the litigation managers do their best to ensure the certificates are issued as timely as possible. Mr. Groff continued by advising that if there ever were to be an impasse between the CARMA Administrator and/or Litigation Manager, the issue would be brought before the Board of Directors. As such, language has also been included in the proposed revised Procedures to address this issue.

President Grote reviewed the proposed changes to the Procedures for Issuance of

Certificates of Coverage as noted on the draft contained in the agenda.

Jake O'Malley moved that the Board of Directors approves the revised Procedures for Issuance of Certificates of Coverage to state the underlying member shall submit for review and approval to the Litigation Manager the written agreement or contract as well as the Request for Coverage when an Additional Covered Party is requested from CARMA. All requests shall be submitted prior to the issuance of the Certificate; and (2) the Board approves the addition of the recommended language noted in the staff report to the CARMA Certificate. Seconded by John Stroh. Motion passed unanimously.

10. COMMERCIAL MARKETING MATTERS

A. Commercial Marketing Strategy

Ms. Thesing reported that the Commercial Marketing Strategy was presented and discussed at the January 13, 2011, CARMA Board of Directors' workshop with direction provided to staff as part of the Goal and Objectives, and as such no further Board action will be required at this time.

11. 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 10:49 a.m. to discuss the following claims for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers authority:

Affholter, et al. v. City of Merced, et al. (CSJVRMA)
Huerta v. Redwood City (BCJPIA)
Katzman v. Clayton (MPA)

B. Report from Closed Session

The Board reconvened to open session at 11:39 a.m., and it was noted the following action was taken in closed session: The Board provided direction to legal counsel on the claims and to communicate a report.

12. CLOSING COMMENTS

A. Board
None.

B. Staff
None.

13. ADJOURNMENT

The January 14, 2011, Board of Directors' meeting adjourned at 11:40 a.m. by general consensus of the Board.

Ramona Buchanan

Ramona Buchanan, Board Secretary

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES (CARMA)

DRAFT MINUTES OF THE SPECIAL BOARD OF DIRECTORS MEETING OF MARCH 14, 2011

A special meeting of the Board of Directors of CARMA was held on March 14, 2011, via teleconference.

BOARD MEMBERS PRESENT:	Geoff Grote, BCJPIA, President Jake O'Malley, MPA, Treasurer Linda Abid-Cummings, CSJVRMA Robert Galvan, MBASIA
BOARD MEMBERS ABSENT:	John Stroh, VCJPA, Vice President
ALTERNATE MEMBERS PRESENT:	None
OTHERS PRESENT:	Karen Thesing, Executive Director Ramona Buchanan, Board Secretary Michael Groff, Bickmore Risk Services Linzie Kramer, Bickmore Risk Services John Hall, Farmer, Smith & Lane LLP

1. CALL TO ORDER

The March 14, 2011, Special Board of Directors' meeting was called to order at 2:37 p.m. by Mr. Geoff Grote.

2. INTRODUCTIONS

Those present introduced themselves.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

By consensus of the Board members present, the revised agenda as posted was approved.

4. PUBLIC COMMENTS

None

5. 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 2:38 p.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:

Hernandez v. City of Hesperia (PARSAC)

B. Report from Closed Session

The Board reconvened to open session at 2:56 p.m. and it was noted the following action was taken in closed session: In the matter of Hernandez v. City of Hesperia (PARSAC), no action was taken at this time, and appropriate instructions were given to the Litigation Management team.

6. CLOSING COMMENTS

A. Board

None

B. Staff

None

7. ADJOURNMENT

By consensus of the Board members present, the meeting was adjourned at 2:59 p.m.

Ramona Buchanan

Ramona Buchanan, Board Secretary

California Affiliated Risk Man
VENDOR CHECK REGISTER REPORT
Payables Management

Ranges:	From:	To:		From:	To:
Check Number	First	Last	Check Date	1/1/2011	3/31/2011
Vendor ID	First	Last	Checkbook ID	CBT GENERAL	CBT GENERAL
Vendor Name	First	Last			

Sorted By: Check Number

* Voided Checks

Check Number	Vendor ID	Vendor Check Name	Check Date	Checkbook ID	Audit Trail Code	Amount
1701	BC100	BCJPIA	1/12/2011	CBT GENERAL	PMCHK00000086	$69,582.54
1702	BI100	Bickmore Risk Services	1/12/2011	CBT GENERAL	PMCHK00000086	$24,133.33
1703	CO115	Collins & Haines	1/12/2011	CBT GENERAL	PMCHK00000086	$398.45
1704	CO120	Laurel Collins	1/12/2011	CBT GENERAL	PMCHK00000086	$21,839.73
1705	EX100	Exponent, Inc.	1/12/2011	CBT GENERAL	PMCHK00000086	$784.00
1706	FA115	Farmer Smith & Lane, LLP	1/12/2011	CBT GENERAL	PMCHK00000086	$612.50
1707	JA105	JAMS, Inc.	1/12/2011	CBT GENERAL	PMCHK00000086	$5,757.48
1708	MU100	Murphy, Campbell, Guthrie & Al	1/12/2011	CBT GENERAL	PMCHK00000086	$1,015.00
1709	OR100	Orrick, Herrington & Sutcliffe	1/12/2011	CBT GENERAL	PMCHK00000086	$945.00
1710	RO110	Herbert M. Rowland, Jr.	1/12/2011	CBT GENERAL	PMCHK00000086	$141,331.85
1711	ST110	Stetson Engineers Inc.	1/12/2011	CBT GENERAL	PMCHK00000086	$24,964.52
1712	BI100	Bickmore Risk Services	2/7/2011	CBT GENERAL	PMCHK00000087	$26,158.44
1713	BO100	Bodega Bay Lodge	2/7/2011	CBT GENERAL	PMCHK00000087	$5,995.24
1714	FA115	Farmer Smith & Lane, LLP	2/7/2011	CBT GENERAL	PMCHK00000087	$4,542.70
1715	FE100	W. Ferree and Associates, Inc.	2/7/2011	CBT GENERAL	PMCHK00000087	$756.00
1716	JA105	JAMS, Inc.	2/7/2011	CBT GENERAL	PMCHK00000087	$6,440.63
1717	LA115	Landi Court Reporters & Video	2/7/2011	CBT GENERAL	PMCHK00000087	$1,230.10
1718	NE105	Neale and Sons Inc.	2/7/2011	CBT GENERAL	PMCHK00000087	$17,400.00
1719	RE105	Redwood Reporting	2/7/2011	CBT GENERAL	PMCHK00000087	$8,613.03
1720	RE110	Resonant Legal Media, LLC	2/7/2011	CBT GENERAL	PMCHK00000087	$6,225.00
1721	ST110	Stetson Engineers Inc.	2/7/2011	CBT GENERAL	PMCHK00000087	$12,990.93
1722	CA125	Richard A. Carlsen	2/9/2011	CBT GENERAL	PMCHK00000088	$3,000.00
1723	EC100	Eckhoff Accountancy Corporatio	2/9/2011	CBT GENERAL	PMCHK00000088	$1,520.00
1724	HO100	Howard Rome Martin and Ridley	2/9/2011	CBT GENERAL	PMCHK00000088	$1,599.62
1725	JU110	Jury Research Institute	2/9/2011	CBT GENERAL	PMCHK00000088	$3,325.00
1726	MU100	Murphy, Campbell, Guthrie and	2/9/2011	CBT GENERAL	PMCHK00000088	$5,600.00
1727	OR100	Orrick, Herrington and Sutclif	2/9/2011	CBT GENERAL	PMCHK00000088	$1,260.00
1728	PE105	W. Charles Perry and Associate	2/9/2011	CBT GENERAL	PMCHK00000088	$10,118.88
1729	RO110	Herbert M. Rowland, Jr.	2/9/2011	CBT GENERAL	PMCHK00000088	$25,293.50
1730	ST110	Stetson Engineers Inc.	2/9/2011	CBT GENERAL	PMCHK00000088	$21,874.31
1731	BC100	BCJPIA	3/10/2011	CBT GENERAL	PMCHK00000089	$132,031.25
1732	BC100	BCJPIA	3/10/2011	CBT GENERAL	PMCHK00000089	$129,562.41
1733	BC100	BCJPIA	3/10/2011	CBT GENERAL	PMCHK00000089	$119,238.74
1734	BI100	Bickmore Risk Services	3/10/2011	CBT GENERAL	PMCHK00000089	$24,133.34
1735	FA100	Farley Consulting Services	3/10/2011	CBT GENERAL	PMCHK00000089	$22,425.00
1736	FA115	Farmer Smith and Lane, LLP	3/10/2011	CBT GENERAL	PMCHK00000089	$87.50
1737	HO100	Howard Rome Martin and Ridley	3/10/2011	CBT GENERAL	PMCHK00000089	$19,712.31

Total Checks: 37

Total Amount of Checks: $902,498.33

California Affiliated Risk Management Authorities
Treasurer's Report
As of December 31, 2010

	Book Value	Market Value	% of Total	Effective Yield
California Bank & Trust – Petty Cash	$ 702	$ 702	0.00%	0.00%
California Bank & Trust – General Operating	(73,289)	(73,289)	-0.26%	0.00%
California Bank & Trust - Promotional Money Market	0	0	0.00%	0.00%
State of California Local Agency Investment Fund	5,013,542	5,020,869	17.53%	0.46%
CAMP - Money Market	160,448	160,448	0.56%	0.18%
CAMP - Investments managed by PFM	23,516,796	23,538,838	82.17%	1.21%
Total Cash and Investments	**$ 28,618,199**	**$ 28,647,568**	**100.00%**	**1.07%**

The California Bank & Trust Promotional Money Market was closed in October, 2010, and the funds were transferred to LAIF.

Attached are the Public Financial Management, Inc. (PFM) and Local Agency Investment Fund (LAIF) statements detailing all investment transactions. Market prices are derived from closing bid prices as of the last business day of the month from either Bloomberg or Telerate.

I certify that this report reflects all cash and investments and is in conformance with the Agency's Investment Policy. The investment program herein shown provides sufficient cash flow liquidity to meet the Agency's expenditures for the next six months.

Respectfully submitted,

Nancy Broadhurst

Nancy Broadhurst
Assistant Treasurer

Accepted,

Jake O'Malley
Treasurer

CAMP

Account Statement - Transaction Summary

For the Month Ending **December 31, 2010**

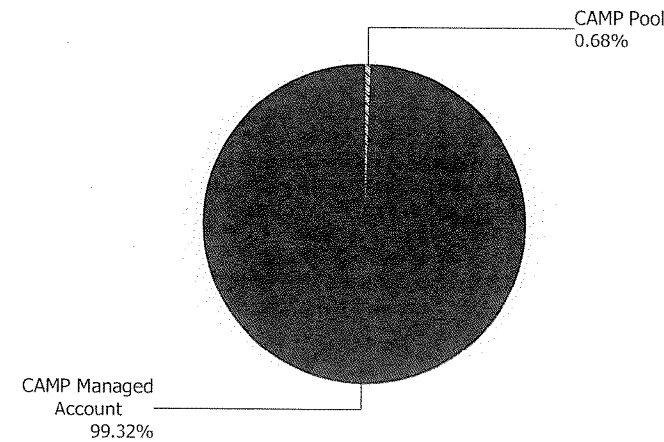
CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00

CAMP Pool	
Opening Market Value	146,027.41
Purchases	16,351.44
Redemptions	(1,931.13)
Unsettled Trades	0.00
Change in Value	0.00
Closing Market Value	**$160,447.72**
Cash Dividends and Income	23.31

CAMP Managed Account	
Opening Market Value	23,610,825.30
Purchases	0.00
Redemptions	0.00
Unsettled Trades	0.00
Change in Value	(71,987.37)
Closing Market Value	**$23,538,837.93**
Cash Dividends and Income	16,328.13

Asset Summary	December 31, 2010	November 30, 2010
CAMP Pool	160,447.72	146,027.41
CAMP Managed Account	23,538,837.93	23,610,825.30
Total	**$23,699,285.65**	**$23,756,852.71**

Asset Allocation



CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 04/30/2006 4.875% 04/30/2011	912828FD7	430,000.00	TSY	TSY	04/29/08	05/02/08	458,689.06	2.55	3,590.26	433,249.67	436,500.31
US TREASURY NOTES DTD 05/31/2009 0.875% 05/31/2011	912828KU3	250,000.00	TSY	TSY	12/07/09	12/08/09	251,386.72	0.50	192.31	250,387.59	250,713.00
US TREASURY NOTES DTD 06/30/2009 1.125% 06/30/2011	912828LF5	750,000.00	TSY	TSY	06/03/10	06/03/10	755,302.73	0.46	23.31	752,457.26	753,456.75
US TREASURY NOTES DTD 08/31/2006 4.625% 08/31/2011	912828FS4	500,000.00	TSY	TSY	08/28/08	08/29/08	528,593.75	2.63	7,857.39	506,468.72	514,335.94
US TREASURY NOTES DTD 11/30/2009 0.750% 11/30/2011	912828MM9	750,000.00	TSY	TSY	06/03/10	06/03/10	750,644.53	0.69	494.51	750,394.85	752,958.75
US TREASURY NOTES DTD 11/30/2009 0.750% 11/30/2011	912828MM9	1,000,000.00	TSY	TSY	12/04/09	12/08/09	998,359.38	0.83	659.34	999,240.41	1,003,945.00
US TREASURY NOTES DTD 10/15/2010 0.500% 10/15/2013	912828PB0	500,000.00	TSY	TSY	11/10/10	11/12/10	497,851.56	0.65	535.71	497,951.78	494,414.00
US TREASURY NOTES DTD 10/15/2010 0.500% 10/15/2013	912828PB0	1,350,000.00	TSY	TSY	11/01/10	11/03/10	1,350,527.34	0.49	1,446.43	1,350,498.64	1,334,917.80
US TREASURY NOTES DTD 11/15/2010 0.500% 11/15/2013	912828PU8	650,000.00	TSY	TSY	11/26/10	11/30/10	644,998.05	0.76	421.96	645,146.12	641,620.85
US TREASURY NOTES DTD 11/15/2010 0.500% 11/15/2013	912828PU8	1,400,000.00	TSY	TSY	11/18/10	11/23/10	1,387,968.75	0.79	908.84	1,388,399.78	1,381,952.60
Security Type Sub-Total		**7,580,000.00**					**7,624,321.87**	**0.91**	**16,130.06**	**7,574,194.82**	**7,564,815.00**
U.S. Government Supported Corporate Debt											
HSBC USA INC (FDIC) GLOBAL NOTE DTD 12/16/2008 3.125% 12/16/2011	4042EPAA5	375,000.00	AAA	Aaa	07/23/09	07/28/09	388,503.75	1.58	488.28	380,491.57	384,676.88
Security Type Sub-Total		**375,000.00**					**388,503.75**	**1.58**	**488.28**	**380,491.57**	**384,676.88**
Federal Agency Bond / Note											

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FHLB GLOBAL BONDS DTD 06/12/2009 1.625% 07/27/2011	3133XTXH4	500,000.00	AAA	Aaa	08/20/09	08/21/09	503,310.00	1.28	3,475.69	500,988.30	503,658.50
FNMA GLOBAL NOTES DTD 10/09/2009 1.000% 11/23/2011	31398AZN5	275,000.00	AAA	Aaa	10/08/09	10/09/09	274,334.50	1.12	290.28	274,717.37	276,561.73
FHLB GLOBAL BONDS DTD 11/16/2009 1.000% 12/28/2011	3133XVRS2	500,000.00	AAA	Aaa	11/18/09	11/23/09	500,115.00	0.99	41.67	500,054.26	502,951.50
FNMA NOTES (CALLABLE) DTD 05/25/2010 1.300% 05/25/2012	31398AS37	1,000,000.00	AAA	Aaa	05/24/10	05/25/10	1,000,800.00	1.26	1,300.00	1,000,320.97	1,003,307.00
FNMA NOTES (FLOATING) DTD 11/23/2010 0.390% 11/23/2012	31398A6R8	1,250,000.00	AAA	Aaa	11/18/10	11/23/10	1,249,488.25	0.43	525.69	1,249,488.25	1,251,035.00
FNMA GLOBAL NOTES DTD 01/15/2010 1.750% 02/22/2013	31398AE24	180,000.00	AAA	Aaa	01/14/10	01/15/10	179,740.80	1.80	1,128.75	179,818.79	183,800.70
FNMA GLOBAL NOTES DTD 01/15/2010 1.750% 02/22/2013	31398AE24	250,000.00	AAA	Aaa	06/03/10	06/03/10	251,970.00	1.45	1,567.71	251,559.20	255,278.75
FHLMC GLOBAL NOTES DTD 03/04/2010 1.625% 04/15/2013	3137EACJ6	525,000.00	AAA	Aaa	05/26/10	05/27/10	527,341.50	1.47	1,801.04	526,868.66	534,202.73
FHLMC GLOBAL NOTES DTD 03/04/2010 1.625% 04/15/2013	3137EACJ6	1,150,000.00	AAA	Aaa	03/03/10	03/04/10	1,148,390.00	1.67	3,945.14	1,148,803.68	1,170,158.35
FNMA GLOBAL NOTES DTD 05/21/2010 1.500% 06/26/2013	31398AT44	500,000.00	AAA	Aaa	06/03/10	06/03/10	498,630.00	1.59	104.17	498,882.17	507,171.00
FHLMC NOTES (CALLABLE) DTD 07/12/2010 1.500% 07/12/2013	3134G1KL7	625,000.00	AAA	Aaa	07/08/10	07/12/10	626,562.50	1.41	4,401.04	625,831.28	627,253.75
FNMA NOTES (CALLABLE) DTD 07/29/2010 1.250% 07/29/2013	31398AZ47	1,050,000.00	AAA	Aaa	08/06/10	08/10/10	1,053,675.00	1.13	5,541.67	1,052,193.90	1,050,992.25
FANNIE MAE GLOBAL NOTES DTD 08/06/2010 1.000% 09/23/2013	31398A2S0	220,000.00	AAA	Aaa	08/09/10	08/10/10	219,832.80	1.02	598.89	219,853.10	219,667.14
FHLMC NOTES DTD 08/20/2010 0.875% 10/28/2013	3137EACL1	1,100,000.00	AAA	Aaa	09/01/10	09/07/10	1,095,072.00	1.02	3,502.43	1,095,565.34	1,094,247.00

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2010**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FHLMC GLOBAL REFERENCE NOTES DTD 10/17/2003 4.875% 11/15/2013	3134A4UK8	1,500,000.00	AAA	Aaa	10/01/10	10/05/10	1,681,335.00	0.92	9,343.75	1,667,595.47	1,662,673.50
Security Type Sub-Total		**10,625,000.00**					**10,810,597.35**	**1.15**	**37,567.92**	**10,792,540.74**	**10,842,958.90**
Corporate Note											
WELLS FARGO & COMPANY GLOBAL SR NOTES DTD 01/31/2008 4.375% 01/31/2013	949746NY3	500,000.00	AA-	A1	09/02/08	09/05/08	481,800.00	5.31	9,175.35	490,890.32	529,125.50
BANK OF NEW YORK MELLON GLOBAL NOTES DTD 03/27/2008 4.500% 04/01/2013	06406HBJ7	360,000.00	AA-	Aa2	06/11/10	06/16/10	386,647.20	1.77	4,050.00	381,580.67	385,299.72
WAL MART STORES INC GLOBAL NOTES DTD 04/15/2008 4.250% 04/15/2013	931142CL5	500,000.00	AA	Aa2	03/22/10	03/25/10	535,025.00	1.88	4,486.11	526,421.45	537,180.00
GECC GLOBAL NOTES (FL RATE LIB+15) DTD 05/08/2007 0.436% 05/08/2013	36962G2U7	500,000.00	AA+	Aa2	11/02/10	11/05/10	491,240.00	1.28	320.67	491,768.99	493,027.50
US BANCORP NOTE (CALLABLE) DTD 09/13/2010 1.375% 09/13/2013	91159HGY0	500,000.00	A+	Aa3	09/08/10	09/13/10	499,355.00	1.42	2,062.50	499,418.37	499,757.50
GENERAL ELECTRIC CAPITAL CORP NOTES DTD 09/16/2010 1.875% 09/16/2013	36962G4O4	400,000.00	AA+	Aa2	09/13/10	09/16/10	399,396.00	1.93	2,187.50	399,453.32	400,214.00
JPMORGAN CHASE & CO NOTES DTD 09/30/2010 1.650% 09/30/2013	46623EJD2	750,000.00	A+	Aa3	09/27/10	09/30/10	749,910.00	1.65	3,128.13	749,917.43	750,507.75
Security Type Sub-Total		**3,510,000.00**					**3,543,373.20**	**2.18**	**25,410.26**	**3,539,450.55**	**3,595,111.97**
Certificate of Deposit											
BARCLAYS BANK PLC NY CERT DEPOS DTD 09/07/2010 0.900% 09/02/2011	06740MNK5	575,000.00	A-1+	P-1	09/02/10	09/07/10	575,000.00	0.90	1,667.50	575,000.00	576,275.18
BANK OF NOVA SCOTIA HOUSTON YCD (FLOAT) DTD 11/09/2010 0.536% 11/09/2012	06417DSG1	575,000.00	AA-	Aa1	11/04/10	11/09/10	575,000.00	0.54	453.43	575,000.00	575,000.00

Managed Account Detail of Securities Held

For the Month Ending **December 31, 2010**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Security Type Sub-Total		**1,150,000.00**					**1,150,000.00**	**0.72**	**2,120.93**	**1,150,000.00**	**1,151,275.18**
Managed Account Sub-Total		**23,240,000.00**					**23,516,796.17**	**1.21**	**81,717.45**	**23,436,677.68**	**23,538,837.93**
Money Market Fund											
CAMP Pool		160,447.72	AAAm	NR			160,447.72		0.00	160,447.72	160,447.72
Money Market Sub-Total		**160,447.72**					**160,447.72**		**0.00**	**160,447.72**	**160,447.72**
Securities Sub-Total		**$23,400,447.72**					**$23,677,243.89**	**1.21%**	**$81,717.45**	**$23,597,125.40**	**$23,699,285.65**
Accrued Interest											**$81,717.45**
Total Investments											**$23,781,003.10**

CAMP

Managed Account Security Transactions & Interest

For the Month Ending **December 31, 2010**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Transaction Type Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
INTEREST										
12/16/10	12/16/10	HSBC USA INC (FDIC) GLOBAL NOTE DTD 12/16/2008 3.125% 12/16/2011	4042EPAA5	375,000.00	0.00	5,859.38	5,859.38			
12/26/10	12/26/10	FNMA GLOBAL NOTES DTD 05/21/2010 1.500% 06/26/2013	31398AT44	500,000.00	0.00	3,750.00	3,750.00			
12/28/10	12/28/10	FHLB GLOBAL BONDS DTD 11/16/2009 1.000% 12/28/2011	3133XVRS2	500,000.00	0.00	2,500.00	2,500.00			
12/31/10	12/31/10	US TREASURY NOTES DTD 06/30/2009 1.125% 06/30/2011	912828LF5	750,000.00	0.00	4,218.75	4,218.75			
Transaction Type Sub-Total				**2,125,000.00**	**0.00**	**16,328.13**	**16,328.13**			
Managed Account Sub-Total					**0.00**	**16,328.13**	**16,328.13**			
Total Security Transactions					**$0.00**	**$16,328.13**	**$16,328.13**			

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Transaction Type Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
BUY										
11/01/10	11/03/10	US TREASURY NOTES DTD 10/15/2010 0.500% 10/15/2013	912828PB0	1,350,000.00	(1,350,527.34)	(352.34)	(1,350,879.68)			
11/02/10	11/05/10	GECC GLOBAL NOTES (FL RATE LIB+15) DTD 05/08/2007 0.436% 05/08/2013	36962G2U7	500,000.00	(491,240.00)	(694.38)	(491,934.38)			
11/04/10	11/09/10	BANK OF NOVA SCOTIA HOUSTON YCD (FLOAT) DTD 11/09/2010 0.536% 11/09/2012	06417DSG1	575,000.00	(575,000.00)	0.00	(575,000.00)			
11/10/10	11/12/10	US TREASURY NOTES DTD 10/15/2010 0.500% 10/15/2013	912828PB0	500,000.00	(497,851.56)	(192.31)	(498,043.87)			
11/18/10	11/23/10	FNMA NOTES (FLOATING) DTD 11/23/2010 0.400% 11/23/2012	31398A6R8	1,250,000.00	(1,249,488.25)	0.00	(1,249,488.25)			
11/18/10	11/23/10	US TREASURY NOTES DTD 11/15/2010 0.500% 11/15/2013	912828PU8	1,400,000.00	(1,387,968.75)	(154.70)	(1,388,123.45)			
11/26/10	11/30/10	US TREASURY NOTES DTD 11/15/2010 0.500% 11/15/2013	912828PU8	650,000.00	(644,998.05)	(134.67)	(645,132.72)			
Transaction Type Sub-Total				**6,225,000.00**	**(6,197,073.95)**	**(1,528.40)**	**(6,198,602.35)**			
INTEREST										
11/01/10	11/01/10	GENERAL ELECTRIC CAPITAL CORP (FLOAT) NT DTD 11/01/2006 0.417% 11/01/2012	36962GZ49	500,000.00	0.00	752.81	752.81			
11/08/10	11/08/10	GECC GLOBAL NOTES (FL RATE LIB+15) DTD 05/08/2007 0.436% 05/08/2013	36962G2U7	500,000.00	0.00	718.05	718.05			
11/15/10	11/15/10	FHLMC GLOBAL REFERENCE NOTES DTD 10/17/2003 4.875% 11/15/2013	3134A4UK8	1,500,000.00	0.00	36,562.50	36,562.50			
11/23/10	11/23/10	FNMA GLOBAL NOTES DTD 10/09/2009 1.000% 11/23/2011	31398AZN5	275,000.00	0.00	1,375.00	1,375.00			

Managed Account Security Transactions & Interest

For the Month Ending **November 30, 2010**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Transaction Type Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
INTEREST										
11/25/10	11/25/10	FNMA NOTES (CALLABLE) DTD 05/25/2010 1.300% 05/25/2012	31398AS37	1,000,000.00	0.00	6,500.00	6,500.00			
11/30/10	11/30/10	US TREASURY NOTES DTD 05/31/2009 0.875% 05/31/2011	912828KU3	250,000.00	0.00	1,093.75	1,093.75			
11/30/10	11/30/10	US TREASURY NOTES DTD 11/30/2009 0.750% 11/30/2011	912828MM9	750,000.00	0.00	2,812.50	2,812.50			
11/30/10	11/30/10	US TREASURY NOTES DTD 11/30/2009 0.750% 11/30/2011	912828MM9	1,000,000.00	0.00	3,750.00	3,750.00			
Transaction Type Sub-Total				**5,775,000.00**	**0.00**	**53,564.61**	**53,564.61**			
SELL										
11/01/10	11/03/10	FHLMC NOTES (CALLABLE) DTD 07/26/2010 1.400% 07/26/2013	3134G1ML5	900,000.00	902,285.10	3,395.00	905,680.10	2,285.10	2,285.10	FIFO
11/01/10	11/03/10	US TREASURY NOTES DTD 04/30/2006 4.875% 04/30/2011	912828FD7	200,000.00	204,632.81	80.80	204,713.61	(8,710.94)	2,371.95	FIFO
11/01/10	11/03/10	FNMA GLOBAL BENCHMARK NOTES DTD 04/21/2006 5.125% 04/15/2011	31359MM26	215,000.00	219,749.35	550.94	220,300.29	(9,947.19)	2,490.44	FIFO
11/02/10	11/05/10	GENERAL ELECTRIC CAPITAL CORP (FLOAT) NT DTD 11/01/2006 0.417% 11/01/2012	36962GZ49	500,000.00	495,405.00	23.16	495,428.16	4,595.00	2,511.61	FIFO
11/04/10	11/09/10	FFCB BONDS DTD 04/21/2008 2.625% 04/21/2011	31331YG46	550,000.00	556,022.50	721.88	556,744.38	(5,043.50)	3,850.42	FIFO
11/10/10	11/12/10	FFCB BONDS DTD 04/21/2008 2.625% 04/21/2011	31331YG46	500,000.00	505,370.00	765.63	506,135.63	(4,690.00)	3,431.95	FIFO
11/18/10	11/23/10	FHLMC GLOBAL NOTES DTD 05/28/2010 1.125% 07/27/2012	3137EACK3	750,000.00	757,230.00	4,101.56	761,331.56	7,042.50	7,080.60	FIFO
11/18/10	11/23/10	FHLB GLOBAL BONDS DTD 10/05/2007 4.625% 10/10/2012	3133XML66	500,000.00	537,635.00	2,762.15	540,397.15	(4,015.00)	11,665.46	FIFO

CAMP

Managed Account Security Transactions & Interest

For the Month Ending **November 30, 2010**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Transaction Type Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
SELL										
11/18/10	11/23/10	FHLB GLOBAL BONDS DTD 07/23/2009 1.750% 08/22/2012	3133XUE41	900,000.00	918,801.00	3,981.25	922,782.25	20,043.00	19,516.32	FIFO
11/18/10	11/23/10	JOHN DEERE CAPITAL CORP (FDIC) GL MTN DTD 12/19/2008 2.875% 06/19/2012	24424DAA7	500,000.00	518,140.00	6,149.31	524,289.31	19,295.00	18,673.32	FIFO
11/29/10	11/30/10	REGIONS BANK (FDIC) GLOBAL NOTE DTD 12/11/2008 3.250% 12/09/2011	7591EAAB9	450,000.00	463,275.00	6,946.88	470,221.88	13,693.50	13,423.07	FIFO
11/29/10	11/30/10	US TREASURY NOTES DTD 04/30/2006 4.875% 04/30/2011	912828FD7	100,000.00	101,945.31	404.01	102,349.32	(4,726.57)	986.35	FIFO
Transaction Type Sub-Total				**6,065,000.00**	**6,180,491.07**	**29,882.57**	**6,210,373.64**	**29,820.90**	**88,286.59**	
Managed Account Sub-Total					**(16,582.88)**	**81,918.78**	**65,335.90**	**29,820.90**	**88,286.59**	
Total Security Transactions					**($16,582.88)**	**$81,918.78**	**$65,335.90**	**$29,820.90**	**$88,286.59**	

Managed Account Security Transactions & Interest

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Transaction Type Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
BUY										
10/01/10	10/05/10	FHLMC GLOBAL REFERENCE NOTES DTD 10/17/2003 4.875% 11/15/2013	3134A4UK8	1,500,000.00	(1,681,335.00)	(28,437.50)	(1,709,772.50)			
Transaction Type Sub-Total				**1,500,000.00**	**(1,681,335.00)**	**(28,437.50)**	**(1,709,772.50)**			
INTEREST										
10/01/10	10/01/10	BANK OF NEW YORK MELLON GLOBAL NOTES DTD 03/27/2008 4.500% 04/01/2013	06406HBJ7	360,000.00	0.00	8,100.00	8,100.00			
10/10/10	10/10/10	FHLB GLOBAL BONDS DTD 10/05/2007 4.625% 10/10/2012	3133XML66	500,000.00	0.00	11,562.50	11,562.50			
10/15/10	10/15/10	FNMA GLOBAL BENCHMARK NOTES DTD 04/21/2006 5.125% 04/15/2011	31359MM26	215,000.00	0.00	5,509.38	5,509.38			
10/15/10	10/15/10	WAL MART STORES INC GLOBAL NOTES DTD 04/15/2008 4.250% 04/15/2013	931142CL5	500,000.00	0.00	10,625.00	10,625.00			
10/15/10	10/15/10	FHLMC GLOBAL NOTES DTD 03/04/2010 1.625% 04/15/2013	3137EACJ6	525,000.00	0.00	5,237.24	5,237.24			
10/15/10	10/15/10	FHLMC GLOBAL NOTES DTD 03/04/2010 1.625% 04/15/2013	3137EACJ6	1,150,000.00	0.00	11,472.04	11,472.04			
10/21/10	10/21/10	FFCB BONDS DTD 04/21/2008 2.625% 04/21/2011	31331YG46	1,050,000.00	0.00	13,781.25	13,781.25			
10/31/10	10/31/10	US TREASURY NOTES DTD 04/30/2006 4.875% 04/30/2011	912828FD7	730,000.00	0.00	17,793.75	17,793.75			
Transaction Type Sub-Total				**5,030,000.00**	**0.00**	**84,081.16**	**84,081.16**			
SELL										
10/01/10	10/05/10	FHLB GLOBAL BONDS (CALLED, OMD 4/27/2012 DTD 10/27/2009 1.625% 10/27/2010	3133XVJA0	500,000.00	500,450.00	3,565.97	504,015.97	450.00	450.00	FIFO

Managed Account Security Transactions & Interest

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Transaction Type Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
SELL										
10/04/10	10/05/10	FHLMC GLOBAL NOTES (CALLED, OMD 5/3/13) DTD 05/03/2010 2.000% 11/03/2010	3128X97A2	500,000.00	500,680.00	4,222.22	504,902.22	780.00	766.20	FIFO
10/04/10	10/05/10	CREDIT AGRI NORTH AMERIC COMM PAPER -- 0.000% 10/12/2010	22532CKC7	650,000.00	649,972.19	0.00	649,972.19	890.31	43.60	FIFO
10/05/10	10/05/10	US TREASURY NOTES DTD 04/30/2006 4.875% 04/30/2011	912828FD7	20,000.00	20,529.68	418.61	20,948.29	(804.70)	267.71	FIFO
Transaction Type Sub-Total				**1,670,000.00**	**1,671,631.87**	**8,206.80**	**1,679,838.67**	**1,315.61**	**1,527.51**	
Managed Account Sub-Total				**8,200,000.00**	**(9,703.13)**	**63,850.46**	**54,147.33**	**1,315.61**	**1,527.51**	
Total Security Transactions				**$8,200,000.00**	**($9,703.13)**	**$63,850.46**	**$54,147.33**	**$1,315.61**	**$1,527.51**	

CARMA

LAIF Fair Market Valuation

12/31/10

LAIF Statement Balance	**5,013,542.22**
FAIR VALUE FACTOR:	
Performance Rate as of 12/31/10	**1.001461323**
Market Value	**$5,020,868.62**

Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

www.treasurer.ca.gov/pmia-laif

January 18, 2011

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
FINANCE MANAGER
1750 CREEKSIDE OAKS DRIVE
SUITE 200
SACRAMENTO, CA 95833

PMIA Average Monthly Yields

Account Number: 35-34-009

Transactions
Tran Type Definitions

December 2010 Statement

Account Summary

Total Deposit:	0.00	Beginning Balance:	5,013,542.22
Total Withdrawal:	0.00	Ending Balance:	5,013,542.22

JOHN CHIANG

California State Controller

LOCAL AGENCY INVESTMENT FUND
REMITTANCE ADVICE

Agency Name	CA AFFILIATED RISK MGMT AUTH
Account Number	35-34-009

As of 01/14/2011, your Local Agency Investment Fund account has been directly credited with the interest earned on your deposits for the quarter ending 12/31/2010.

Earnings Ratio		.00001248725439840
Interest Rate		0.46%
Dollar Day Total	$	536,334,307.64
Quarter End Principal Balance	$	5,013,542.22
Quarterly Interest Earned	$	6,697.34

State of California
Pooled Money Investment Account
Market Valuation
12/31/2010

Description	Carrying Cost Plus Accrued Interest Purch.	Amortized Cost	Fair Value	Accrued Interest
United States Treasury:				
Bills	$ 28,364,376,187.46	$ 28,408,843,569.29	$ 28,419,103,250.00	NA
Notes	$ 8,222,021,508.30	$ 8,221,733,046.70	$ 8,275,345,500.00	$ 11,806,745.50
Federal Agency:				
SBA	$ 517,846,490.24	$ 517,846,490.24	$ 515,723,133.92	$ 563,435.06
MBS-REMICs	$ 551,100,126.40	$ 551,100,126.40	$ 589,807,912.68	$ 2,605,664.61
Debentures	$ 649,989,742.00	$ 649,985,575.34	$ 650,578,500.00	$ 434,160.50
Debentures FR	$ 200,000,000.00	$ 200,000,000.00	$ 200,084,000.00	$ 63,136.22
Discount Notes	$ 8,476,700,748.50	$ 8,491,660,406.87	$ 8,499,337,560.00	NA
GNMA	$ 58,979.86	$ 58,979.86	$ 60,455.24	$ 583.20
IBRD Deb FR	$ 300,000,000.00	$ 300,000,000.00	$ 300,729,000.00	$ 290,949.33
CDs and YCDs FR	$ 800,000,000.00	$ 800,000,000.00	$ 800,000,000.00	$ 388,559.88
Bank Notes	$ 800,000,000.00	$ 800,000,000.00	$ 800,047,796.24	$ 155,000.00
CDs and YCDs	$ 6,400,003,748.60	$ 6,400,003,748.60	$ 6,399,741,133.68	$ 1,266,250.01
Commercial Paper	$ 6,721,371,906.96	$ 6,722,615,090.31	$ 6,722,185,694.43	NA
Corporate:				
Bonds FR	$ -	$ -	$ -	$ -
Bonds	$ -	$ -	$ -	$ -
Repurchase Agreements	$ -	$ -	$ -	$ -
Reverse Repurchase	$ -	$ -	$ -	$ -
Time Deposits	$ 3,937,640,000.00	$ 3,937,640,000.00	$ 3,937,640,000.00	NA
AB 55 & GF Loans	$ 8,517,897,503.96	$ 8,517,897,503.96	$ 8,517,897,503.96	NA
TOTAL	$ 74,459,006,942.28	$ 74,519,384,537.57	$ 74,628,281,440.15	$ 17,574,484.31

Fair Value Including Accrued Interest $ 74,645,855,924.46

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).

The value of each participating dollar equals the fair value divided by the amortized cost **(1.001461323)**. As an example: if an agency has an account balance of $20,000,000.00, then the agency would report its participation in the LAIF valued at $20,029,226.46 or $20,000,000.00 x **1.001461323**.

Bill Lockyer, State Treasurer

Inside the State Treasurer's Office

Local Agency Investment Fund (LAIF)

PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
12/29/2010	0.46	0.47	219
12/30/2010	0.46	0.47	221
12/31/2010	0.46	0.47	215
1/1/2011	0.46	0.46	214
1/2/2011	0.46	0.46	214
1/3/2011	0.46	0.46	222
1/4/2011	0.46	0.49	217
1/5/2011	0.46	0.49	218
1/6/2011	0.46	0.48	217
1/7/2011	0.46	0.48	222
1/8/2011	0.46	0.48	222
1/9/2011	0.46	0.48	222
1/10/2011	0.46	0.51	215
1/11/2011	0.46	0.51	212

*Daily yield does not reflect capital gains or losses

LAIF Performance Report

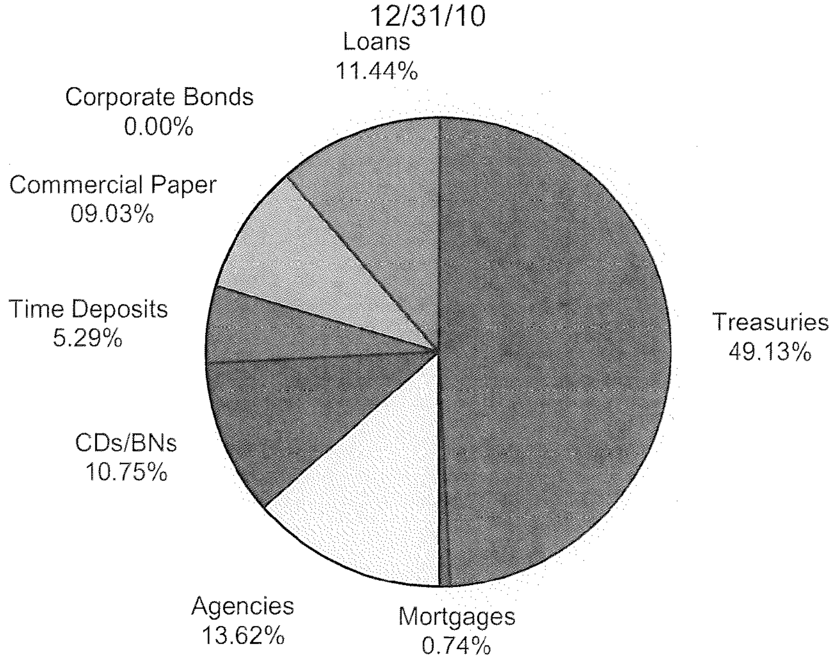
Quarter ending 12/31/2010

Apportionment Rate:	0.46%
Earnings Ratio:	.00001248725439840
Fair Value Factor:	1.001461323
Daily:	0.46%
Quarter To Date:	0.47%
Average Life:	215

PMIA Average Monthly Effective Yields

DEC 2010	**0.462%**
NOV 2010	0.454%
OCT 2010	0.480%

Pooled Money Investment Account
Portfolio Composition
$74.5Billion
12/31/10



Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

www.treasurer.ca.gov/pmia-laif
December 06, 2010

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
FINANCE MANAGER
1750 CREEKSIDE OAKS DRIVE
SUITE 200
SACRAMENTO, CA 95833

PMIA Average Monthly Yields

Account Number: 35-34-009

Transactions
Tran Type Definitions

November 2010 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
11/30/2010	11/29/2010	RW	1296734	NANCY BROADHURST	-1,466,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	6,479,542.22
Total Withdrawal:	-1,466,000.00	Ending Balance:	5,013,542.22

Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

www.treasurer.ca.gov/pmia-laif
December 06, 2010

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
FINANCE MANAGER
1750 CREEKSIDE OAKS DRIVE
SUITE 200
SACRAMENTO, CA 95833

PMIA Average Monthly Yields

Account Number: 35-34-009

Transactions
Tran Type Definitions

October 2010 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
10/5/2010	10/5/2010	RW	1288943	NANCY BROADHURST	-150,000.00
10/15/2010	10/14/2010	QRD	1292253	SYSTEM	5,826.90
10/27/2010	10/26/2010	RD	1293642	NANCY BROADHURST	515,000.00

Account Summary

Total Deposit:	520,826.90	Beginning Balance:	6,108,715.32
Total Withdrawal:	-150,000.00	Ending Balance:	6,479,542.22

California Affiliated Risk Management Authorities
~ BALANCE SHEET ~
As of December 31, 2010
(Unaudited)

ASSETS

CURRENT ASSETS		
Cash in Bank	$ (72,587)	
Local Agency Investment Fund	5,013,542	
Market Valuation - LAIF	7,326	
Investments - Managed Portfolio	6,144,687	
Market Valuation - Investment	(28,206)	
Accounts Receivable	922,337	
Interest Receivable	88,412	
Prepaid Expenses	26,650	
Prepaid Insurance	984,942	
TOTAL CURRENT ASSETS		13,087,104
NONCURRENT ASSETS		
Investments - Managed Portfolio (Net of Rate Stabilization Fund)	17,443,297	
Market Valuation - Investment	50,248	
TOTAL OTHER ASSETS		17,493,545
TOTAL ASSETS		**$ 30,580,649**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	$ 3,430	
Deferred Revenue	3,235,366	
Equity Payable to Withdrawing Member	14,523	
Reserve for Claims	3,500,000	
TOTAL CURRENT LIABILITIES		6,753,319
NONCURRENT LIABILITIES		
Equity Payable to Withdrawing Member - Long Term Portion	7,262	
Reserve for Claims	3,418,950	
Reserve for IBNR	10,254,077	
TOTAL NONCURRENT LIABILITIES		13,680,289
TOTAL LIABILITIES		**20,433,608**
NET ASSETS		
Unrestricted Net Assets - Prior Years	8,128,642	
Net Assets - Current Year	2,018,398	
TOTAL NET ASSETS		**10,147,041**
TOTAL LIABILITIES AND NET ASSETS		**$ 30,580,649**

California Affiliated Risk Management Authorities

~ INCOME STATEMENT ~

For the Quarter Ended December 31, 2010

(Unaudited)

	Actual	Budget	% Used	$ Variance
OPERATING REVENUES				
Deposit Premium	$ 3,235,366	$ 6,470,731	50%	$ 3,235,365
Investment Income	155,358	0		(155,358)
Misc Income	209	0		(209)
TOTAL OPERATING REVENUES	$ 3,390,933	6,470,731	52%	3,079,798
OPERATING EXPENSES				
Direct Expenses				
Claims Paid	$ 2,701,221	4,051,081 *	4%	3,877,521
Incr/(Decr) in Reserves	(2,527,661)			
Subtotal Claims Expense	173,560	4,051,081	4%	3,877,521
Reinsurance	710,813	1,421,625	50%	710,813
Excess Insurance	273,612	547,225	50%	273,613
Subtotal All Direct Expenses	1,157,985	6,019,931	19%	4,861,946
General & Administrative Expenses				
Program Management	144,500	289,000	50%	144,500
Membership Dues	793	1,800	44%	1,007
Financial Audit	8,100	7,800	104%	(300)
Claims Audit	7,475	29,900	25%	22,425
Actuarial Services	0	7,800	0%	7,800
Legal Services	38,610	60,000	64%	21,390
Marketing, Consultants and Website	300	5,000	6%	4,700
Board Meetings	954	2,000	48%	1,046
Annual Retreat	0	15,000	0%	15,000
Fidelity Bond	516	1,000	52%	484
Accreditation	1,500	1,500	100%	0
Investment Management Fees	11,801	20,000	59%	8,199
Contingency	0	10,000	0%	10,000
Subtotal General & Admin Expenses	214,550	450,800	48%	236,250
Member Equity Distribution	0	0		0
TOTAL OPERATING EXPENSES	1,372,535	6,470,731	21%	5,098,196
CHANGE IN NET ASSETS	**$ 2,018,398**	0		

* Amount budgeted for claims expense is for the current program year only.
Actual Claims Paid expense includes payments for all program years.

California Affiliated Risk Management Authorities

~ Balance Sheet ~

As of December 31, 2010

(Unaudited)

Assets:	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	Total
Cash, L.A.I.F. & Investments	208,601	137,216	1,576,066	1,287,747	113,863	299,957	1,374,046	3,035,538	(2,610,705)	3,769,932	3,603,099	4,833,106	3,503,787	4,137,038	3,259,656	28,528,940
Market Valuation-LAIF & Investments	.														29,368	29,368
Prepaid Expenses															1,011,592	1,011,592
Interest Receivable															88,412	88,412
Accounts Receivable															922,337	922,337
Total Assets	**208,601**	**137,216**	**1,576,066**	**1,287,747**	**113,863**	**299,957**	**1,374,046**	**3,035,538**	**(2,610,705)**	**3,769,932**	**3,603,099**	**4,833,106**	**3,503,787**	**4,137,038**	**5,311,364**	**30,580,649** *

* *Total Assets do not include Rate Stablization Funds of $89,259 at December 31, 2010*

Liabilities:	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	Total
Accounts Payable															3,430	3,430
Deferred Revenue															3,235,366	3,235,366
Return of Equity																0
Equity Payable															21,785	21,785
Reserve for Claims (1)	0	0	0	0	0	0	200,025	549,600	0	5,352,125	817,200	0	0	0	0	6,918,950
Reserve for IBNR (2)	0	71,785	0	0	18,159	38,879	88,357	160,994	581,251	1,258,719	519,721	1,335,116	2,344,489	2,538,500	1,298,107	10,254,078
Total Liabilities	0	71,785	0	0	18,159	38,879	288,382	710,594	581,251	6,610,844	1,336,921	1,335,116	2,344,489	2,538,500	4,558,689	20,433,609

Retained Earnings:	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	Total
Reserve for Adverse Development (3)	0	0	0	0	0	0	0	0	254,138	1,071,592	1,214,016	1,278,895	1,910,350	1,591,238	738,741	8,058,970
Contingency Funds (4)	208,601	65,431	1,576,066	1,287,747	95,704	261,078	1,085,664	2,324,944	(3,446,094)	(3,912,504)	1,052,163	2,219,095	(751,052)	7,300	13,935	2,088,076
Total Retained Earnings	208,601	65,431	1,576,066	1,287,747	95,704	261,078	1,085,664	2,324,944	(3,191,956)	(2,840,912)	2,266,179	3,497,990	1,159,297	1,598,538	752,676	10,147,047
Total Liabilities and Retained Earnings	**208,601**	**137,216**	**1,576,066**	**1,287,747**	**113,863**	**299,957**	**1,374,046**	**3,035,538**	**(2,610,705)**	**3,769,932**	**3,603,099**	**4,833,106**	**3,503,787**	**4,137,038**	**5,311,364**	**30,580,649**

NOTE: CARMA's first three program years 1993/1994 - 1995/1996 are now closed and no longer appear on the financial statements.

1) Reserve for claims has been discounted from the loss run balance of $8,105,000 by $899,178 as calculated utilizing the discount factors prepared by Bay Actuarial Consultants.
2) IBNR has been established at the discounted expected confidence level as calculated by Bay Actuarial Consultants.
3) This line represents the additional reserves needed to fund up to the 80% confidence level.
4) Provided there are sufficient contingency funds available for each program year and the JPA overall is funded at the 70% confidence level, this amount would be available for possible refund to members.

California Affiliated Risk Management Authorities

~ Income Statement ~

For the Quarter Ended December 31, 2010

(Unaudited)

Revenue:	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	Total
Deposit Premiums															3,235,366	3,235,366
Interest Income	1,098	722	8,296	6,779	599	1,579	7,233	16,106	(13,742)	19,858	20,773	25,480	23,402	22,992	2,382	143,557 *
Misc Income															209	209
Total Revenue	1,098	722	8,296	6,779	599	1,579	7,233	16,106	(13,742)	19,858	20,773	25,480	23,402	22,992	3,237,957	3,379,132
Direct Expenses:																
Claims Paid	0	0	0	0	0	0	0	25,164	0	2,478	385,102	10,848	2,277,629	0	0	2,701,221
Incr./(Decr.) in Reserves	0	(0)	0	0	0	(0)	(0)	(23,166)	0	(2,268)	(351,421)	(9,757)	(3,439,156)	0	1,298,107	(2,527,660)
Incr/(Decr) in Rate Stab Due Member																0
Dividend/Assessment/Equity Distribution																0
Reinsurance / Excess															984,425	984,425
Total Direct Expenses	0	(0)	0	0	0	(0)	(0)	1,998	0	209	33,681	1,091	(1,161,527)	0	2,282,532	1,157,985
Indirect Expenses:																
General Management															144,500	144,500
Membership Dues															793	793
Financial Audit															8,100	8,100
Claims Audit															7,475	7,475
Actuarial Services															0	0
Legal Services**															38,610	38,610
Marketing/Consultants/Website															300	300
Board Meetings															954	954
Annual Retreat															0	0
Fidelity Bond															516	516
Accreditation Fees															1,500	1,500
Contingency															0	0
Total Indirect Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	202,749	202,749
Net Income/(Loss)	1,098	722	8,296	6,779	599	1,579	7,233	14,108	(13,743)	19,649	(12,909)	24,390	1,184,929	22,992	752,676	2,018,398

** Net of Investment Management Fees and Rate Stabilization Funds interest*

** Includes services for general counsel and coverage matters.

NOTE: CARMA's first three program years 1993/1994 - 1995/1996 are now closed and no longer appear on the financial statements.

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of December 31, 2010

Program Year	Member	"Expected" Fund Balance	IBNR at 70% Conf. Level	"70% Conf." Fund Balance	IBNR at 80% Conf. Level	"80% Conf." Fund Balance
1996/97:	BCJPIA	112,599	0	112,599	0	112,599
	PERMA	52,629 *	0	52,629	0	52,629
	PARSAC	47,293	0	47,293	0	47,293
	VCJPA	(3,921)	0	(3,921)	0	(3,921)
	Total	208,601	0	208,601	0	208,601
1997/98:	BCJPIA	35,457	0	35,457	0	35,457
	PERMA	(65,629) *	0	(65,629)	0	(65,629)
	PARSAC	109,609	0	109,609	0	109,609
	VCJPA	(14,006)	0	(14,006)	0	(14,006)
	Total	65,431	0	65,431	0	65,431
1998/99:	BCJPIA	796,673	0	796,673	0	796,673
	PARSAC	661,039	0	661,039	0	661,039
	VCJPA	118,354	0	118,354	0	118,354
	PERMA	0	0	0	0	0
	Total	1,576,066	0	1,576,066	0	1,576,066
1999/2000:	BCJPIA	700,085	0	700,085	0	700,087
	PARSAC	486,235	0	486,235	0	486,235
	VCJPA	101,427	0	101,427	0	101,427
	PERMA	0	0	0	0	0
	Total	1,287,747	0	1,287,747	0	1,287,747
2000/2001:	BCJPIA	22,586	0	22,586	0	22,586
	CSJVRMA	(11,732)	0	(11,732)	0	(11,732)
	MPA	33,115	0	33,115	0	33,115
	PARSAC	65,504	0	65,504	0	65,504
	VCJPA	(13,769)	0	(13,769)	0	(13,769)
	PERMA	0	0	0	0	0
	Total	95,704	0	95,704	0	95,704
2001/2002:	BCJPIA	82,562	0	82,562	0	82,562
	CSJVRMA	56,946	0	56,946	0	56,946
	MPA	58,890	0	58,890	0	58,890
	PARSAC	52,061	0	52,061	0	52,061
	VCJPA	10,618	0	10,618	0	10,618
	PERMA	0	0	0	0	0
	Total	261,078	0	261,078	0	261,078

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of December 31, 2010

Program Year	Member	"Expected" Fund Balance	IBNR at 70% Conf. Level	"70% Conf." Fund Balance	IBNR at 80% Conf. Level	"80% Conf." Fund Balance
2002/2003:	BCJPIA	281,040	0	281,040	0	281,040
	CSJVRMA	245,911	0	245,911	0	245,911
	MPA	320,496	0	320,496	0	320,496
	PARSAC	197,990	0	197,990	0	197,990
	VCJPA	40,227	0	40,227	0	40,227
	PERMA	0	0	0	0	0
	Total	1,085,664	0	1,085,664	0	1,085,664
2003/2004	BCJPIA	625,744	0	625,744	0	625,744
	CSJVRMA	601,419	0	601,419	0	601,419
	MBASIA	69,570	0	69,570	0	69,570
	MPA	550,548	0	550,548	0	550,548
	PARSAC	396,998	0	396,998	0	396,998
	VCJPA	80,665	0	80,665	0	80,665
	Total	2,324,944	0	2,324,944	0	2,324,944
2004/2005	BCJPIA	(846,074)	0	(846,074)	(67,363)	(913,437)
	CSJVRMA	(784,779)	0	(784,779)	(62,483)	(847,262)
	MBASIA	(157,903)	0	(157,903)	(12,572)	(170,475)
	MPA	(808,765)	0	(808,765)	(64,393)	(873,158)
	PARSAC	(504,095)	0	(504,095)	(40,135)	(544,230)
	VCJPA	(90,339)	0	(90,339)	(7,193)	(97,532)
	Total	(3,191,956)	0	(3,191,956)	(254,138)	(3,446,094)
2005/2006	BCJPIA	(704,981)	(63,821)	(768,801)	(265,919)	(970,900)
	CSJVRMA	(686,091)	(62,110)	(748,201)	(258,793)	(944,884)
	MBASIA	(108,291)	(9,803)	(118,095)	(40,847)	(149,139)
	MPA	(741,130)	(67,093)	(808,223)	(279,554)	(1,020,684)
	PARSAC	(492,092)	(44,548)	(536,640)	(185,617)	(677,710)
	VCJPA	(108,327)	(9,807)	(118,134)	(40,861)	(149,188)
	Total	(2,840,912)	(257,182) *	(3,098,093)	(1,071,592) *	(3,912,504)
2006/2007	BCJPIA	521,981	(85,105)	436,876	(279,630)	242,350
	CSJVRMA	655,480	(106,871)	548,609	(351,147)	304,332
	MBASIA	80,483	(13,122)	67,361	(43,115)	37,367
	MPA	523,159	(85,297)	437,862	(280,262)	242,897
	PARSAC	386,603	(63,033)	323,571	(207,107)	179,496
	VCJPA	98,473	(16,055)	82,418	(52,753)	45,720
	Total	2,266,179	(369,483)	1,896,696	(1,214,016)	1,052,163

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of December 31, 2010

Program Year	Member	"Expected" Fund Balance	IBNR at 70% Conf. Level	"70% Conf." Fund Balance	IBNR at 80% Conf. Level	"80% Conf." Fund Balance
2007/2008	BCJPIA	758,612	(85,941)	672,671	(277,355)	481,257
	CSJVRMA	1,000,236	(113,314)	886,922	(365,695)	634,541
	MBASIA	115,805	(13,119)	102,686	(42,339)	73,466
	MPA	827,699	(93,768)	733,932	(302,614)	525,085
	PARSAC	652,029	(73,866)	578,162	(238,387)	413,641
	VCJPA	143,610	(16,269)	127,341	(52,505)	91,105
	Total	3,497,990	(396,277)	3,101,713	(1,278,895)	2,219,095
2008/2009	BCJPIA	250,993	(156,249)	94,744	(413,601)	(162,607)
	CSJVRMA	313,209	(194,980)	118,230	(516,122)	(202,913)
	MBASIA	38,894	(24,212)	14,682	(64,091)	(25,197)
	MPA	276,374	(172,048)	104,325	(455,422)	(179,049)
	PARSAC	235,697	(146,727)	88,971	(388,394)	(152,697)
	VCJPA	44,130	(27,472)	16,658	(72,719)	(28,589)
	Total	1,159,297	(721,688)	437,609	(1,910,350)	(751,052)
2009/2010	BCJPIA	562,832	(204,540)	358,292	(560,262)	2,569
	CSJVRMA	526,239	(191,242)	334,997	(523,836)	2,403
	MBASIA	69,077	(25,103)	43,973	(68,761)	315
	MPA	384,349	(139,677)	244,672	(382,594)	1,755
	VCJPA	56,042	(20,366)	35,676	(55,786)	256
	PARSAC	0	0	0	0	0
	Total	1,598,538	(580,929)	1,017,610	(1,591,238)	7,300
2010/2011	BCJPIA	281,822	(101,628)	180,194	(276,604)	5,217
	CSJVRMA	210,286	(75,831)	134,454	(206,392)	3,893
	MBASIA	30,399	(10,962)	19,437	(29,836)	563
	MPA	202,471	(73,013)	129,458	(198,723)	3,748
	VCJPA	27,698	(9,988)	17,710	(27,185)	513
	PARSAC	0	0	0	0	0
	Total	752,676	(271,422)	481,253	(738,741)	13,935
Total:	**BCJPIA**	**3,481,931**	**(697,284)**	**2,784,648**	**(2,140,734)**	**1,341,196**
	CSJVRMA	**2,127,124**	**(744,347)**	**1,382,776**	**(2,284,469)**	**(157,345)**
	MBASIA	**138,033**	**(96,322)**	**41,711**	**(301,563)**	**(163,530)**
	MPA	**1,627,205**	**(630,897)**	**996,309**	**(1,963,561)**	**(336,356)**
	PARSAC	**2,294,872**	**(328,174)**	**1,966,698**	**(1,059,641)**	**1,235,231**
	VCJPA	**490,881**	**(99,957)**	**390,924**	**(309,002)**	**181,879**
	PERMA *	**(13,000)**	**0**	**(13,000)**	**0**	**(13,000)**
Total Equity		**10,147,047**	**(2,596,982)**	**7,550,066**	**(8,058,970)**	**2,088,076**

* *Return of Equity to PERMA as of 6/30/06 at 80% Confidence Level; Negative equity represents continuing adverse development*

Note: *Dividends returned to BCJPIA, VCJPA and PARSAC for program years 1993/94; 1994/95; and 1995/96 as of 9/30/06. These three program years are now closed, and no longer appear on the financial statements.*

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of December 31, 2010

1996/97 Program Year

Member	Deposit Premium	Re-allocated Reserve	6/30/02 (Dividend) Assessment	Equity Distributions	Interest Earned	Admin. Expenses	Excess Insurance	Incurred Losses	IBNR	"Expected" Fund Balance	70% Conf. Contingency IBNR Reserves	"70% Conf." Fund Balance	80% Conf. Contingency IBNR Reserves	"80% Conf." Fund Balance
BCJPIA	814,332	172,156	98,684		140,188	(53,260)	(248,761)	(810,738)	(0)	**112,599**	0	**112,599**	0	**112,599**
PERMA	527,407	159,765	63,268	(67,919) *	90,793	(34,494)	(161,111)	(525,080)	(0)	**52,629** *	0	**52,629**	0	**52,629**
PARSAC	657,924	110,641	137,114	(72,615) **	113,262	(43,031)	(200,981)	(655,021)	(0)	**47,293**	0	**47,293**	0	**47,293**
VCJPA	116,305	0	18,679		20,022	(7,607)	(35,529)	(115,792)	(0)	**(3,921)**	0	**(3,921)**	0	**(3,921)**
Total	2,115,968	442,562	317,745	(140,534)	364,265	(138,392)	(646,382)	(2,106,630)	(0)	**208,601**	0	**208,601**	0	**208,601**
		9/30/01					(3mil ~ 10mil)							

** Dividend - 6/30/06*

*** Deduction payable to Future Admin Costs - 6/30/09*

Re-allocated Reserve: Allocated to members by equity percentage of 1993/94 program year as of 12/31/00.

1997/98 Program Year

Member	Deposit Premium		6/30/02 (Dividend) Assessment	Dividend (Return of Equity) 6/30/06	Interest Earned	Admin. Expenses	Reinsurance	Incurred Losses	IBNR	"Expected" Fund Balance	70% Conf. Contingency IBNR Reserves	"70% Conf." Fund Balance	80% Conf. Contingency IBNR Reserves	"80% Conf." Fund Balance
BCJPIA	636,940		262,014		215,950	(63,940)	(236,472)	(751,547)	(27,488)	**35,457**	0	**35,457**	0	**35,457**
PERMA	316,590		166,056	(119,075)	107,338	(31,781)	(117,538)	(373,555)	(13,663)	**(65,629)** *	0	**(65,629)**	0 *	**(65,629)**
PARSAC	609,421		326,378		206,620	(61,177)	(226,256)	(719,076)	(26,300)	**109,609**	0	**109,609**	0	**109,609**
VCJPA	100,424		21,714		34,048	(10,081)	(37,284)	(118,494)	(4,334)	**(14,006)**	0	**(14,006)**	0	**(14,006)**
Total	1,663,375		776,162	(119,075)	563,956	(166,980)	(617,550)	(1,962,672)	(71,785)	**65,431**	0	**65,431**	0	**65,431**
							(3mil ~ 10mil)							

1998/99 Program Year

Member	Deposit Premium				Interest Earned	Admin. Expenses To Date	Reinsurance	Incurred Losses	IBNR	"Expected" Fund Balance	70% Conf. Contingency IBNR Reserves	"70% Conf." Fund Balance	80% Conf. Contingency IBNR Reserves	"80% Conf." Fund Balance
BCJPIA	793,751				315,487	(75,516)	(235,715)	(1,335)	0	**796,673**	0	**796,673**	0	**796,673**
PARSAC	658,615				261,776	(62,659)	(195,585)	(1,108)	0	**661,039**	0	**661,039**	0	**661,039**
VCJPA	117,920				46,869	(11,219)	(35,018)	(198)	0	**118,354**	0	**118,354**	0	**118,354**
PERMA*	42,666				n/a	(42,666)	n/a	n/a	n/a	**0**	n/a	**0**	n/a	**0**
Total	1,612,952				624,132	(192,060)	(466,318)	(2,641)	0	**1,576,066**	0	**1,576,066**	0	**1,576,066**
	1,570,286					(149,394)	(3mil ~ 10mil)							

Effective 7/1/98, Public Entity Risk Management Authority (PERMA) has withdrawn from membership.
They contributed towards administration expenses only through 2002/03..

* Return of Equity to PERMA as of 6/30/06 at Expected Confidence Level: 1993/94 - 1996/97

* Return of Equity to PERMA as of 6/30/06 at 80% Confidence Level - 1997/98

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of December 31, 2010

1999/2000 Program Year

Member	Deposit Premium		Interest Earned	Admin. Expenses To Date	Reinsurance	Incurred Losses	IBNR	**"Expected" Fund Balance**	70% Conf. Contingency IBNR Reserves	**"70% Conf." Fund Balance**	80% Conf. Contingency IBNR Reserves	**"80% Conf." Fund Balance**
BCJPIA	752,117		244,922	(71,466)	(225,491)	0	0	**700,085**	0	**700,085**	0	**700,085**
PARSAC	522,375		170,108	(49,636)	(156,612)	0	0	**486,235**	0	**486,235**	0	**486,235**
VCJPA	108,966		35,484	(10,354)	(32,669)	0	0	**101,427**	0	**101,427**	0	**101,427**
PERMA*	38,687		n/a	(38,687)	n/a	n/a	n/a	**0**	n/a	**0**	n/a	**0**
Total	1,422,145		450,514	(170,143)	(414,772)	0	0	**1,287,747**	0	**1,287,747**	0	**1,287,747**
	1,383,458			(131,456)	(3mil ~ 10mil)							

2000/2001 Program Year

Member	Premium	Assessment 6/30/08	Interest Earned	Admin. Expenses To Date	Reinsurance	Incurred Losses	IBNR	**"Expected" Fund Balance**	70% Conf. Contingency IBNR Reserves	**"70% Conf." Fund Balance**	80% Conf. Contingency IBNR Reserves	**"80% Conf." Fund Balance**
BCJPIA	794,604	275,982	45,964	(76,549)	(275,640)	(736,389)	(5,389)	**22,586**	0	**22,586**	0	**22,586**
CSJVRMA	575,048	171,651	33,264	(55,398)	(199,478)	(532,919)	(3,900)	**(11,732)**	0	**(11,732)**	0	**(11,732)**
MPA	664,940	245,164	38,464	(64,058)	(230,661)	(616,225)	(4,509)	**33,115**	0	**33,115**	0	**33,115**
PARSAC	529,800	234,457	30,647	(51,039)	(183,782)	(490,986)	(3,593)	**65,504**	0	**65,504**	0	**65,504**
VCJPA	113,388	22,390	6,559	(10,923)	(39,333)	(105,081)	(769)	**(13,769)**	0	**(13,769)**	0	**(13,769)**
PERMA*	29,372	0	n/a	(29,372)	n/a	n/a	n/a	**0**	n/a	**0**	n/a	**0**
Total	2,707,152	949,644	154,897	(287,339)	(928,895)	(2,481,600)	(18,159)	**95,704**	**0**	**95,704**	**0**	**95,704**
	2,677,780			(257,967)	(3mil ~ 10mil)							

2001/2002 Program Year

Member	Premium		Interest Earned	Admin. Expenses To Date	Reinsurance	Incurred Losses	IBNR	**"Expected" Fund Balance**	70% Conf. Contingency IBNR Reserves	**"70% Conf." Fund Balance**	80% Conf. Contingency IBNR Reserves	**"80% Conf." Fund Balance**
BCJPIA	905,484		37,279	(83,518)	(292,866)	(471,519)	(12,295)	**82,562**	0	**82,562**	0	**82,562**
CSJVRMA	624,524		25,712	(57,603)	(201,993)	(325,213)	(8,480)	**56,946**	0	**56,946**	0	**56,946**
MPA	645,844		26,590	(59,570)	(208,889)	(336,315)	(8,770)	**58,890**	0	**58,890**	0	**58,890**
PARSAC	570,948		23,506	(52,662)	(184,665)	(297,314)	(7,753)	**52,061**	0	**52,061**	0	**52,061**
VCJPA	116,448		4,794	(10,741)	(37,663)	(60,639)	(1,581)	**10,618**	0	**10,618**	0	**10,618**
PERMA*	20,749		n/a	(20,749)	n/a	n/a	n/a	**0**	n/a	**0**	n/a	**0**
Total	2,883,997		117,881	(284,842)	(926,077)	(1,491,000)	(38,879)	**261,078**	0	**261,078**	0	**261,078**
	2,863,248			(264,093)	(3mil ~ 10mil)							

Effective 7/1/98, Public Entity Risk Management Authority (PERMA) has withdrawn from membership.
They contributed towards administration expenses only through 2002/03..

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of December 31, 2010

2002/2003 Program Year

Member	Premium	Interest Earned	Admin. Expenses To Date	Reinsurance	Incurred Losses	IBNR	**"Expected" Fund Balance**	70% Conf. Contingency IBNR Reserves	**"70% Conf." Fund Balance**	80% Conf. Contingency IBNR Reserves	**"80% Conf." Fund Balance**
BCJPIA	954,516	105,902	(64,410)	(355,014)	(337,077)	(22,873)	**281,040**	0	**281,040**	0	**281,040**
CSJVRMA	835,195	92,663	(56,359)	(310,635)	(294,940)	(20,013)	**245,911**	0	**245,911**	0	**245,911**
MPA	1,088,511	120,768	(73,452)	(404,851)	(384,396)	(26,083)	**320,496**	0	**320,496**	0	**320,496**
PARSAC	672,441	74,606	(45,376)	(250,102)	(237,466)	(16,113)	**197,990**	0	**197,990**	0	**197,990**
VCJPA	136,626	15,158	(9,219)	(50,815)	(48,248)	(3,274)	**40,227**	0	**40,227**	0	**40,227**
PERMA*	10,569	n/a	(10,569)	0	n/a	0	**0**	n/a	**0**	n/a	**0**
Total	3,697,858	409,097	(259,386)	(1,371,418)	(1,302,128)	(88,357)	**1,085,664**	0	**1,085,664**	0	**1,085,664**
	3,687,289		(248,817)	(3mil ~ 10mil)							

2003/2004 Program Year

Member	Premium	Interest Earned	Admin. Expenses To Date	Reinsurance	Incurred Losses	IBNR	**"Expected" Fund Balance**	70% Conf. Contingency IBNR Reserves	**"70% Conf." Fund Balance**	80% Conf. Contingency IBNR Reserves	**"80% Conf." Fund Balance**
BCJPIA	1,263,251	202,879	(71,345)	(445,548)	(280,164)	(43,331)	**625,744**	0	**625,744**	0	**625,744**
CSJVRMA	1,214,146	194,993	(68,572)	(428,229)	(269,273)	(41,646)	**601,419**	0	**601,419**	0	**601,419**
MBAIF	140,449	22,556	(7,932)	(49,536)	(31,149)	(4,818)	**69,570**	0	**69,570**	0	**69,570**
MPA	1,111,447	178,499	(62,772)	(392,007)	(246,497)	(38,124)	**550,548**	0	**550,548**	0	**550,548**
PARSAC	801,461	128,715	(45,264)	(282,675)	(177,748)	(27,491)	**396,998**	0	**396,998**	0	**396,998**
VCJPA	162,847	26,153	(9,197)	(57,436)	(36,116)	(5,586)	**80,665**	0	**80,665**	0	**80,665**
Total	4,693,601	753,796	(265,082)	(1,655,431)	(1,040,946)	(160,994)	**2,324,944**	0	**2,324,944**	0	**2,324,944**
				(4mil ~ 10mil)							

2004/2005 Program Year

Member	Premium	Interest Earned	Admin. Expenses To Date	Reinsurance	Incurred Losses	IBNR	**"Expected" Fund Balance**	70% Conf. Contingency IBNR Reserves	**"70% Conf." Fund Balance**	80% Conf. Contingency IBNR Reserves	**"80% Conf." Fund Balance**
BCJPIA	1,583,927	120,642	(80,481)	(501,646)	(1,814,448)	(154,069)	**(846,074)**	0	**(846,074)**	(67,363)	**(913,437)**
CSJVRMA	1,469,177	111,902	(74,650)	(465,303)	(1,682,997)	(142,907)	**(784,779)**	0	**(784,779)**	(62,483)	**(847,262)**
MBAIF	295,609	22,515	(15,020)	(93,622)	(338,631)	(28,754)	**(157,903)**	0	**(157,903)**	(12,572)	**(170,475)**
MPA	1,514,082	115,322	(76,932)	(479,525)	(1,734,438)	(147,275)	**(808,765)**	0	**(808,765)**	(64,393)	**(873,158)**
PARSAC	943,711	71,879	(47,951)	(298,883)	(1,081,056)	(91,795)	**(504,095)**	0	**(504,095)**	(40,135)	**(544,230)**
VCJPA	169,123	12,881	(8,593)	(53,563)	(193,737)	(16,451)	**(90,339)**	0	**(90,339)**	(7,193)	**(97,532)**
Total	5,975,629	455,142	(303,627)	(1,892,542)	(6,845,307)	(581,251)	**(3,191,956)**	0	**(3,191,956)**	(254,138)	**(3,446,094)**
				(4mil ~ 10mil)							

Effective 7/1/98, Public Entity Risk Management Authority (PERMA) has withdrawn from membership.
They contributed towards administration expenses only through 2002/03..

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of December 31, 2010

2005/2006 Program Year Member	Premium	Interest Earned	Admin. Expenses To Date	Reinsurance / Excess Ins	Incurred Losses	IBNR	**"Expected" Fund Balance**	70% Conf. Contingency IBNR Reserves	**"70% Conf." Fund Balance**	80% Conf. Contingency IBNR Reserves	**"80% Conf." Fund Balance**
BCJPIA	1,576,921	200,441	(72,146)	(593,393)	(1,504,449)	(312,355)	**(704,981)**	(63,821)	**(768,801)**	(265,919)	**(970,900)**
CSJVRMA	1,534,667	195,070	(70,213)	(577,493)	(1,464,137)	(303,985)	**(686,091)**	(62,110)	**(748,201)**	(258,793)	**(944,884)**
MBAIF	242,229	30,789	(11,082)	(91,150)	(231,097)	(47,980)	**(108,291)**	(9,803)	**(118,095)**	(40,847)	**(149,139)**
MPA	1,657,780	210,718	(75,845)	(623,820)	(1,581,592)	(328,371)	**(741,130)**	(67,093)	**(808,223)**	(279,554)	**(1,020,684)**
PARSAC	1,100,726	139,912	(50,359)	(414,201)	(1,050,139)	(218,031)	**(492,092)**	(44,548)	**(536,640)**	(185,617)	**(677,710)**
VCJPA	242,309	30,800	(11,086)	(91,180)	(231,173)	(47,996)	**(108,327)**	(9,807)	**(118,134)**	(40,861)	**(149,188)**
Total	6,354,632	807,730	(290,731)	(2,391,237)	(6,062,586)	(1,258,719) *	**(2,840,912)**	(257,182) *	**(3,098,093)**	(1,071,592) *	**(3,912,504)**
				(5mil ~ 20mil)							

2006/2007 Program Year Member	Premium	Interest Earned	Admin. Expenses To Date	Reinsurance / Excess Ins	Incurred Losses	IBNR	**"Expected" Fund Balance**	70% Conf. Contingency IBNR Reserves	**"70% Conf." Fund Balance**	80% Conf. Contingency IBNR Reserves	**"80% Conf." Fund Balance**
BCJPIA	1,498,514	156,513	(76,121)	(560,110)	(377,105)	(119,710)	**521,981**	(85,105)	**436,876**	(279,630)	**242,349**
CSJVRMA	1,881,767	196,542	(95,590)	(703,361)	(473,552)	(150,326)	**655,480**	(106,871)	**548,609**	(351,147)	**304,332**
MBAIF	231,052	24,132	(11,737)	(86,362)	(58,145)	(18,458)	**80,483**	(13,122)	**67,361**	(43,115)	**37,367**
MPA	1,501,897	156,866	(76,293)	(561,374)	(377,957)	(119,980)	**523,159**	(85,297)	**437,862**	(280,262)	**242,897**
PARSAC	1,109,870	115,921	(56,379)	(414,843)	(279,302)	(88,663)	**386,603**	(63,033)	**323,571**	(207,107)	**179,496**
VCJPA	282,700	29,527	(14,361)	(105,667)	(71,142)	(22,584)	**98,473**	(16,055)	**82,418**	(52,753)	**45,720**
Total	6,505,800	679,500	(330,481)	(2,431,716)	(1,637,204)	(519,721)	**2,266,179**	(369,483)	**1,896,696**	(1,214,016)	**1,052,163**
				(5mil ~ 20mil)							

2007/2008 Program Year Member	Premium	Interest Earned	Admin. Expenses To Date	Reinsurance / Excess Ins	Incurred Losses	IBNR	**"Expected" Fund Balance**	70% Conf. Contingency IBNR Reserves	**"70% Conf." Fund Balance**	80% Conf. Contingency IBNR Reserves	**"80% Conf." Fund Balance**
BCJPIA	1,617,841	117,090	(77,830)	(401,565)	(207,377)	(289,547)	**758,612**	(85,941)	**672,671**	(277,355)	**481,257**
CSJVRMA	2,133,137	154,384	(102,619)	(529,467)	(273,428)	(381,771)	**1,000,236**	(113,314)	**886,922**	(365,695)	**634,541**
MBAIF	246,970	17,874	(11,881)	(61,301)	(31,657)	(44,201)	**115,805**	(13,119)	**102,686**	(42,339)	**73,466**
MPA	1,765,180	127,753	(84,918)	(438,136)	(226,263)	(315,917)	**827,699**	(93,768)	**733,932**	(302,614)	**525,085**
PARSAC	1,390,539	100,639	(66,895)	(345,146)	(178,241)	(248,867)	**652,029**	(73,866)	**578,162**	(238,387)	**413,641**
VCJPA	306,267	22,166	(14,734)	(76,019)	(39,258)	(54,813)	**143,610**	(16,269)	**127,341**	(52,505)	**91,105**
Total	7,459,934	539,906	(358,877)	(1,851,634)	(956,223)	(1,335,116)	**3,497,990**	(396,277)	**3,101,713**	(1,278,895)	**2,219,095**
				(5mil ~ 25mil)							

Return of Equity to PERMA as of 6/30/06 at Expected Confidence Level: 1993/94 - 1996/97

* Return of Equity to PERMA as of 6/30/06 at 80% Confidence Level - 1997/98

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of December 31, 2010

2008/2009 Program Year Member	Premium	Interest Earned	Admin. Expenses To Date	Reinsurance / Excess Ins	Incurred Losses	IBNR	**"Expected" Fund Balance**	70% Conf. Contingency IBNR Reserves	**"70% Conf." Fund Balance**	80% Conf. Contingency IBNR Reserves	**"80% Conf." Fund Balance**
BCJPIA	1,777,509	56,249	(75,306)	(506,744)	(493,119)	(507,595)	**250,993**	(156,249)	**94,744**	(413,601)	**(162,608)**
CSJVRMA	2,218,108	70,192	(93,972)	(632,353)	(615,351)	(633,414)	**313,209**	(194,980)	**118,230**	(516,122)	**(202,913)**
MBASIA	275,441	8,716	(11,669)	(78,525)	(76,413)	(78,656)	**38,894**	(24,212)	**14,682**	(64,091)	**(25,197)**
MPA	1,957,242	61,937	(82,920)	(557,984)	(542,981)	(558,920)	**276,374**	(172,048)	**104,325**	(455,422)	**(179,049)**
PARSAC	1,669,177	52,821	(70,716)	(475,860)	(463,065)	(476,659)	**235,697**	(146,727)	**88,971**	(388,394)	**(152,697)**
VCJPA	312,521	9,890	(13,240)	(89,096)	(86,700)	(89,245)	**44,130**	(27,472)	**16,658**	(72,719)	**(28,589)**
Total	8,209,998	259,805	(347,824)	(2,340,563)	(2,277,629)	(2,344,489)	**1,159,297**	(721,688)	**437,610**	(1,910,350)	**(751,052)**
				(4mil ~ 29mil)							

2009/2010 Program Year Member	Premium	Interest Earned	Admin. Expenses To Date	Reinsurance / Excess Ins	Incurred Losses	IBNR	**"Expected" Fund Balance**	70% Conf. Contingency IBNR Reserves	**"70% Conf." Fund Balance**	80% Conf. Contingency IBNR Reserves	**"80% Conf." Fund Balance**
BCJPIA	2,262,791	27,564	(137,506)	(696,232)	0	(893,785)	**562,832**	(204,540)	**358,292**	(560,262)	**2,569**
CSJVRMA	2,115,672	25,771	(128,566)	(650,965)	0	(835,674)	**526,239**	(191,242)	**334,997**	(523,836)	**2,403**
MBASIA	277,713	3,383	(16,876)	(85,449)	0	(109,694)	**69,077**	(25,103)	**43,973**	(68,761)	**315**
MPA	1,545,223	18,823	(93,900)	(475,445)	0	(610,351)	**384,349**	(139,677)	**244,672**	(382,594)	**1,755**
VCJPA	225,309	2,745	(13,692)	(69,325)	0	(88,995)	**56,042**	(20,366)	**35,676**	(55,786)	**256**
PARSAC*	29,046		(29,046)	0	0	0	**0**	0	**0**	0	**0**
Total	6,455,754	78,285	(419,586)	(1,977,415)	0	(2,538,500)	**1,598,538**	(580,929)	**1,017,611**	(1,591,238)	**7,300**
	6,426,708		(390,540)	(4mil ~ 29mil)							

2010/2011 Program Year Member	Premium	Interest Earned	Admin. Expenses To Date	Reinsurance / Excess Ins	Incurred Losses	IBNR	**"Expected" Fund Balance**	70% Conf. Contingency IBNR Reserves	**"70% Conf." Fund Balance**	80% Conf. Contingency IBNR Reserves	**"80% Conf." Fund Balance**
BCJPIA	1,207,329	892	(71,758)	(368,595)	0	(486,046)	**281,822**	(101,628)	**180,194**	(276,604)	**5,217**
CSJVRMA	900,866	666	(53,543)	(275,032)	0	(362,670)	**210,286**	(75,831)	**134,454**	(206,392)	**3,893**
MBASIA	130,231	96	(7,740)	(39,759)	0	(52,428)	**30,399**	(10,962)	**19,437**	(29,836)	**563**
MPA	867,391	641	(51,554)	(264,812)	0	(349,194)	**202,471**	(73,013)	**129,458**	(198,723)	**3,748**
VCJPA	118,658	88	(7,052)	(36,226)	0	(47,769)	**27,698**	(9,988)	**17,710**	(27,185)	**513**
PARSAC*	10,893		(10,893)	0	0	0	**0**	0	**0**	0	**0**
Total	3,235,366	2,382	(202,540)	(984,425)	0	(1,298,107)	**752,676**	(271,422)	**481,254**	(738,741)	**13,935**
	3,224,474		(191,647)	(4mil ~ 29mil)							

PARSAC* Beginning in the 2009/2010 program year, PARSAC is no longer in the program and will pay a pro-rata share of admin costs through the 2012/2013 program year.

TOTAL ALL YEARS	"Expected" Fund Balance	70% Conf. Contingency IBNR Reserves	"70% Conf." Fund Balance	80% Conf. Contingency IBNR Reserves	"80% Conf." Fund Balance
	10,147,047	(2,596,981)	7,550,071	(8,058,970)	2,088,076

NOTE: ***CARMA's first three program years 1993/1994 - 1995/1996 are now closed and no longer appear on the financial statements.***

California Affiliated Risk Management Authorities

~ Rate Stabilization Fund ~

As of December 31, 2010

Member	Original Balance @ 7/1/2002	Cumulative Interest 2002/2003 - 2005/2006	2006/2007 Interest as of 9/30/06	2006/2007 Member Contribution / Withdrawal 9/30/06 & 3/31/07 *	2006/2007 Interest from 10/1/06 - 06/30/07	2007/2008 YE Interest as of 6/30/08	2007/2008 Member Withdrawal June 2008	2007/2008 *Member Billing 6/30/08***	2008/2009 YE Interest as of 06/30/09	2009/2010 YE Interest as of 06/30/10	2010/2011 YE Interest as of 12/31/10	Balance @ 12/31/10
BCJPIA	380,979	33,811	7,692	445,979 *	31,721	63,690	(970,226)	6,354	0	0		**(0)**
PARSAC	201,011	17,839	4,058	(222,909)	0				0	0		**(0)**
VCJPA	28,165	2,500	569	63,251	3,481	6,989	(22,390)		4,130	2,095	470	**89,259**
CSJVRMA	0	0		0	0	0	0		0	0		**0**
MBASIA	0	0		0	0	0	0		0	0		**0**
MPA	0	0		0	0	0	0		0	0		**0**
Total	610,155	54,150	12,319	286,321	35,201	70,679	(992,616)	6,354	4,130	2,095	470	**89,259**

Notes: Interest allocation as of 6/30/03 - 9/30/06 is based on percentage of original contribution
Interest allocation beginning on 10/1/06 is based on percentage of 9/30/06 balance after member contributions and withdrawals.
** Due to Negative Interest allocation 4Q following member withdrawal

Note: As of 6/30/2007, CARMA's Rate Stabilization Fund is a fiduciary fund that is not included in CARMA's operating financial statements.

Historical Information:
CARMA's Rate Stabilization Fund was set up on 7/1/03 to receive the dividends issued on 6/30/02. Of the $1,021,230 issued in dividends, $411,074 was distributed to PERMA.
The remaining $610,155 was contributed back to CARMA as rate stabilization premiums. Below is a grid showing the contributions by member by program year.

Member	1993/94	1994/95	1996/97	1997/98	Totals
BCJPIA	147,271	594,406	(98,684)	(262,014)	380,979
PARSAC	93,146	571,357	(137,114)	(326,378)	201,011
VCJPA		68,558	(18,679)	(21,714)	28,165
Totals	240,417	1,234,321	(254,477)	(610,106)	**610,155**

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CLIENT ALERT

March 30, 2011

TO: All Police Chiefs and Sheriffs

FROM: Bruce D. Praet, Attorney at Law

RE: Supreme Court Decides Retains Heightened Standard For Liability Arising Out of Brady Violations and Training.

On March 29, 2011, the U.S. Supreme Court decided *Connick v. Thompson, 2011 U.S. Lexis 2594,* which arose out of a so-called *Brady* violation [See: *Brady v. Maryland, 373 U.S. 83 (1963)*], but more importantly, reinforced a heightened standard for imposing constitutional liability associated with allegations of inadequate training. As such, I'll divide this alert into two sections to provide a quick review of the civil standard attached to *Brady* violations, followed by the Supreme Court's 5-4 ruling on civil liability arising out of training issues.

Quite frankly, the facts of *Connick* involve pretty egregious misconduct on the part of a Deputy District Attorney in New Orleans who in 1985 intentionally withheld blood evidence which showed that the perpetrator of a robbery was type B. Without this exculpatory evidence, Thompson (type O) was convicted of the robbery and subsequently convicted of a murder in which he declined to testify because of his recent (erroneous) robbery conviction. To make matters worse, the offending DDA later told his boss in 1994 that he had intentionally withheld the blood evidence because "it might have been exculpatory", but the boss still said nothing until 1999 when an investigator discovered the withheld blood evidence shortly before Thompson was to be executed for the murder. Although Thompson was retried for the murder, he was acquitted and was later awarded $14 million against the District Attorney for a violation of his civil rights. Given that the DA admitted the *Brady* violation, the jury's verdict was based solely on a finding that the DA's Office had provided inadequate training on *Brady*.

A. Civil Liability for *Brady* Violations

Ever since the Supreme Court's decision in *Kyles v. Whitley, 514 U.S. 419 (1995)*, it has been pretty clear that the prosecution (now including law enforcement) has an affirmative obligation to disclose evidence which is clearly exculpatory to a criminal defendant. In the context of a criminal prosecution, good faith for failing to disclose such evidence is irrelevant and the consequences for such failure may adversely affect the outcome of any such criminal case. *Gantt v. Roe, 389 F3d 908 (9th Cir. 2004).*

However, the so-called "no fault" standard attached to *Brady* violations in the criminal arena does not apply to civil cases brought under *42 USC § 1983*. Although the Supreme Court in *Connick* was not required to address the potential civil liability of the individual DDA who later admitted intentionally withholding the exculpatory evidence, the courts have long held that individual civil liability may not arise for a mere "negligent" *Brady* violation and that the plaintiff must instead prove that the individual acted with "deliberate indifference" or "reckless disregard" to the constitutional rights of the criminal defendant. *Tennison v. San Francisco, 570 F3d 1078, 1088 (9th Cir. 2009); Porter v. White, 483 F3d 1294, 1306 (11th Cir. 2007).*

Thus, while a criminal prosecution may be jeopardized by even an inadvertent or negligent failure to disclose clearly exculpatory evidence, civil liability will not arise against an individual within the prosecution team absent evidence sufficient to establish that the official acted with a much higher standard of "deliberate indifference".

B. Agency Liability For Inadequate Training Requires a Policy of "Deliberate Indifference".

Because the jury in *Connick* imposed civil liability against the DA's Office for inadequate *Brady* training, the only real issue before the Supreme Court was the standard by which civil liability may be imposed upon a public agency for such alleged failures in training. In a sharply divided 5-4 decision, the Court has reinforced the rule that civil liability may not be imposed upon a public agency for a failure to train or even inadequate training unless the plaintiff can meet the burden of showing:

1. That the agency's lack of adequate training was with "deliberate indifference" to the constitutional rights of the individual, and,

2. That this deliberately indifferent training in fact caused a constitutional violation.

Since the majority decision found that Thompson had failed to meet his burden of showing that the DA acted with the requisite "deliberate indifference", the Court did not address the second element. However, the Court did make it clear that a mere showing that an agency "could have" provided training on a particular constitutional right is <u>not</u> sufficient to establish civil liability. In fact, a plaintiff will generally be required to show that the agency (or policy-maker) had been put on adequate notice that a continued failure to train on an issue would result in constitutional violations, but nonetheless "deliberately" elected not to provide such training. [e.g. although the DA's Office had been found to have committed no less than four previous *Brady* violations in ten years, they were all sufficiently dissimilar and the law on *Brady* was sufficiently gray not to have established the requisite policy or practice.] In other words, it must be "highly predictable" that the lack of training will result in a constitutional violation.

While proof of "deliberate indifference" in training will generally result only from a pattern or policy sufficient to place the agency on notice, the Court did cite to the extremely rare instance in which a single action might be sufficient to prove "deliberate indifference". Borrowing from its earlier decision in *Canton v. Harris, 489 U.S. 378 (1989)*, the Court gave the example of an agency handing a rookie police officer a gun with zero training on how or when to use it as one which might be sufficient to establish deliberate indifference in training without proof of prior notice. However, in *Connick*, the majority rejected this theory because DA's (unlike a completely untrained rookie officer) enter the job with substantial legal training as well as a professional and ethical obligation to follow the law.

So, What Does This Mean To Your Agency?

Although allegations of inadequate training will undoubtedly continue to be a part of most lawsuits, the Supreme Court has reinforced the notion that such allegations will be increasingly more difficult to prove. Similarly, even California's Supreme Court has eliminated theories of "negligent training" against agencies (absent a statutorily imposed duty). *Eastburn v. Regional Fire Protection Dist., 31 Cal.4th 1175 (2003).*

As encouraging as this heightened legal standard is in terms of defending civil litigation against your agencies, it should not be misconstrued as a green light to minimize or eliminate training on critical issues and civil rights. On the contrary, adequate training on important issues will enhance the ability to defend such claims and potentially result in the elimination of such allegations before trial.

As always, we're very pleased to keep you informed of the latest legal issues affecting your agencies. If you should have any questions about these or any other legal issues, please don't ever hesitate to call for further advice (at no charge) at (714) 953-5300 or email us at alerts@law4cops.com.

ADMINISTRATIVE MATTERS

SUBJECT: New Director of Litigation Management for Bickmore Risk Services, Introduction of Mr. Gerry Preciado

---

BACKGROUND AND STATUS:

For the past 22 years, Mr. Linzie Kramer has served as the Director of Litigation Management for Bickmore Risk Services (BRS). Recently, Mr. Kramer has announced his retirement; however, he will continue to serve as a consultant to BRS.

BRS has announced that Mr. Gerry Preciado will replace Mr. Kramer as the Director of Litigation Management. Mr. Preciado will assume the responsibility of overseeing and monitoring all client litigation, supervising the litigation management team, and serving as a resource for all joint powers authority clients on matters related to preventing and controlling losses.

Mr. Preciado has been invited to attend the April 20, 2011, CARMA Board of Directors' meeting for introduction, and to answer any questions of the Board related to his experience and new litigation management duties.

RECOMMENDATION:

None, information only.

REFERENCE MATERIALS ATTACHED:

None

ADMINISTRATIVE MATTERS

SUBJECT: Presentation of Service Plaque to Ms. Sandra Spiess

BACKGROUND AND STATUS:

On behalf of the CARMA Board of Directors, Mr. Geoff Grote, CARMA President, will present a plaque of appreciation to Ms. Sandra Spiess for her service and dedication since 2006 as the CARMA Board Secretary.

RECOMMENDATION:

None, information only.

REFERENCE MATERIALS ATTACHED:

None

Agenda Item 6.B.

ADMINISTRATIVE MATTERS

SUBJECT: Consideration of the Liability Claims Audit Prepared by Farley Consulting Services

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BACKGROUND AND STATUS

This year Mr. Tim Farley, Farley Consulting Services, conducted an expanded liability claims audit for each CARMA member. Individual break-out reports were distributed to each of the third party administrators or in-house claims staff for the respective underlying JPAs with a request that response and comments be provided to Mr. Farley.

Included with this staff report is the draft 2010 CARMA Liability Claims Audit report, as well as comments received from the TPAs and in-house claims staff. Mr. Farley will be in attendance at the meeting to review the report with the Board of Directors and answer any questions.

RECOMMENDATION

The Board accepts and files the liability claims audit as presented.

REFERENCE MATERIALS ATTACHED

- 2010 Draft Liability Claims Audit Report Prepared by Farley Consulting Services
- Response from Jake O'Malley with respect to MPA claims audit
- Response from AIMS with respect to CSJVRMA claims audit
- Response from George Hills company with respect to BCJPIA claims audit

Agenda Item 6.C.

February 1, 2011

California Affiliated Risk Management Authorities
c/o Bickmore Risk Services
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833

Attn: Ms. Karen Thesing
Executive Director

2010 Liability Claims Audit

Dear Karen:

This report presents a summary of findings for the audit of member joint powers authorities (JPAs) for the California Affiliated Risk Management Authorities (CARMA). This report will be presented at an upcoming Board of Director's meeting.

The Executive Summary lists each major finding in condensed form. The remainder of the report discusses those points and other findings in more detail. A chapter is devoted to each member JPA. A separate chapter is devoted to the review of the files reportable to CARMA's administrator, Bickmore Risk Services (BRS).

FCS appreciates the opportunity to provide this analysis to CARMA.

Respectfully submitted,

FARLEY CONSULTING SERVICES

by Timothy P. Farley

Timothy P. Farley, CPCU
President

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An Independent Claims Management Consulting Firm

Liability Claims Audit – 2010

for

California Affiliated Risk Management Authorities

February 1, 2011

Draft

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An Independent Claims Management Consulting Firm

Contents

I. Executive Summary

The primary objectives for the review of CARMA claims continue to be to:

1. Determine the efficiency and effectiveness of claims handling procedures exhibited by the third party administrators (TPAs) and BRS, including compliance with applicable claim laws.
2. Evaluate the accuracy of the claims database and the report generated by each TPA to assure that CARMA is receiving accurate information on its members' claims.
3. Determine whether the TPAs for member JPAs and BRS are establishing accurate reserves based on sound investigative techniques. CARMA's ability to properly evaluate the liability loss exposure of each JPA is dependent on the accurate assessment of each claim incurred by its members.
4. Provide a document that permits CARMA and its members to fulfill the audit requirements of the California Association of Joint Powers Authorities (CAJPA) accreditation standards.
5. Provide suggestions for improvements in claims handling, reserving, and reporting accuracy.
6. Evaluate the efficiency with which any changes to underlying claims handling arrangements are implemented.

FCS has benchmarked claims handling performance against these objectives in all past CARMA audits.

Audit Conclusion

Claims handling of all underlying entities continues to be effective. All claims handling entities are performing at or above industry standards. The findings for each member JPA and CARMA are presented separately. The involved claims handling entities' performance and recommendations for improvement are detailed in the chapter of the report devoted to each JPA or CARMA.

This year's project includes individual specific reports for each underlying entity. Those reports have been provided to BRS. Members should refer to their individual breakout report for detailed findings on their programs.

The Public Agency Risk Sharing Authority of California (PARSAC) discontinued its membership in the CARMA program effective 7/1/09. Still, a detailed audit of its claims was conducted. Only claims occurring during PARSAC's involvement in the CARMA program were considered for the breakout PARSAC report and this comprehensive report.

The two CARMA entities administered by BRS – VCJPA and the CARMA excess claims – were evaluated considering BRS's incorporation of a paperless file documentation system. FCS concludes that the process is effective and now fully implemented.

All audited entities are reporting excess qualifying claims timely. One CSJVRMA claim was reported late and two MPA claims lack copying of correspondence to involved parties (e.g., Bickmore or the CARMA member) on claims that were reported to the CARMA excess administrator. Vector Control JPA had no qualifying excess reportable claims.

A. Bay Cities Joint Powers Insurance Authority (BCJPIA) – TPA: George Hills Company, Inc. – Fairfield

Based on the review of 40 BCJPIA claims, the audit concludes that George Hills Company, Inc. (George Hills) is effectively administering the claims. Deficiencies in the key areas of excess reporting and case reserve accuracy are noted. Specific claims handling performance findings are discussed in Chapter II, which is devoted exclusively to BCJPIA.

Specific observations and recommendations are:

1. The audit identified three claims that require reserve adjustment. Those claims are listed on page 7.
2. Settlements reached by George Hills continue to be based on a logical assessment of damages and the degree of liability attributable to the BCJPIA member. Release/dismissal documentation appears in all files of settled claims.
3. The audit identified one file with an investigation deficiency. That file is discussed on page 8.
4. Twenty-six of the files reviewed are litigated. Four of these claims lack timely status updates from defense counsel.
5. All of the files reviewed adhere to industry standards for diary review.
6. The BCJPIA loss run provided to FCS by George Hills reconciles with data appearing in the claim files reviewed. Still, one file is listed as open when in fact it was closed some time ago.
7. George Hills is clearly documenting BCJPIA claim files, but City of Berkeley files continue to lack updated correspondence from the City to George Hills advising of the claim status.

8. Eleven of the files reviewed appear to qualify for excess reports to CARMA. All 11 files were reported to the CARMA excess administrator timely.

B. Public Agency Risk Sharing Authority of California (PARSAC) – TPA: George Hills Company, Inc. – San Jose

FCS's review of 24 PARSAC files reveals that George Hills continues to effectively administer claims. Specific observations and recommendations are:

1. All of the files reviewed are accurately reserved. No deficiencies are identified.
2. George Hills is consistently complying with settlement authority and payment guidelines.
3. Investigation is thorough and clearly documented on all files reviewed. Investigation on many of the files was conducted by the administrator for the involved PARSAC member. One City of Highland file lacks photographic evidence.
4. George Hills is effectively managing litigation. Nearly every file reviewed involved some degree of litigation. All of the litigated files reviewed exhibit timely status updates from defense counsel.
5. All files reviewed comply with industry standards for diary review.
6. George Hills provided a loss run of open claims prior to the on-site review of claim files. Financial data for two claims listed on this loss run does not reconcile with information contained in the respective files.
7. George Hills' files continue to be clearly documented. Separate elements of claims handling such as litigation and daily adjustor correspondence are segmented in the file.
8. Nine of the files reviewed generated excess reports to CARMA. All nine files exhibit timely excess notification to CARMA. Follow-up reports to CARMA are timely.

C. Vector Control Joint Powers Agency (VCJPA) – TPA: Bickmore Risk Services (BRS)

FCS reviewed all 15 open VCJPA claims administered by BRS. BRS continues to effectively administer the account. This has been a consistent finding in past audits. Specific observations and recommendations are:

1. All files are accurately reserved. There are no deficiencies.
2. The files reviewed generally comply with industry standards for investigation. One file lacks photographic evidence and an indication that an injury history check was performed.

3. Seven of the files reviewed involve some element of litigation. BRS's management of the litigation process is thorough on those claims. Correspondence with defense counsel is clearly documented.

4. All files reviewed are organized and in chronological order. BRS has now fully implemented a "paperless" file documentation process on newer claims (dates of loss beginning roughly 9/1/09).

   An estimate used to calculate a property damage payment on one claim is housed in the wrong section of the claim file.

5. All of the files reviewed comply with industry standards for diary review.

6. None of the files reviewed qualify for excess reporting to BRS, CARMA's excess administrator.

7. Information observed on the loss run provided reconciles with information documented in the claim files.

D. Central San Joaquin Valley Risk Management Authority (CSJVRMA) – TPA: Acclamation Insurance Management Services (AIMS) – Fresno

FCS reviewed 38 active CSJVRMA claims. The review reveals that AIMS continues to effectively administer the CSJVRMA account. Specific observations and recommendations are:

1. Three claims require reserve adjustment. Those claims are listed on page 15.

2. Information contained on the loss run provided reconciles with all payment/reserve information appearing in the claim files.

3. All of the claims reviewed are thoroughly investigated, but one file lacks photographic evidence of an area where an alleged trip and fall accident occurred.

   Three claims involve subrogation pursuit. AIMS is pursuing the responsible party aggressively for all 3 claims.

4. AIMS continues to effectively manage litigation on the claims reviewed. Correspondence to and from defense counsel is documented in the claim files. Immunities and defenses available to the JPA members are invoked. Cases are referred to defense counsel timely.

   Nearly every claim reviewed involved some element of litigation. Most of the claims reviewed generated incurred costs of more than $25,000. These files are routinely litigated.

   One file lacks timely status updates from defense counsel.

5. All of the files reviewed comply with industry standards for diary maintenance.
6. The claim files are generally organized and in chronological order. Two claims exhibit minor deficiencies.
7. Fifteen of the files reviewed qualify for reporting to CARMA. One file lacks documentation of excess notice.

E. Municipal Pooling Authority (MPA) Walnut Creek – Internally Administered

FCS reviewed 45 claims reported to MPA. MPA's internal claims handling unit (the Unit) continues to effectively administer these claims. Caseloads of all adjustors are below the recommended maximum of 150. Specific observations and recommendations are:

1. All of the claims reviewed are accurately reserved. There are no identified deficiencies.
2. Investigation is thorough and clearly documented in the claim files. George Hills conducts most field investigation. Status updates from George Hills to MPA are late or absent on two of the files reviewed.
3. Most of the files reviewed involve some element of litigation. Status updates from defense counsel are timely on all but one of the litigated claims.
4. All files reviewed comply with industry standards for diary/case closure.
5. The files are generally well organized, but fiscal information exhibited in two of the claim files does not reconcile with loss run data.
6. Twenty-one of the files reviewed meet CARMA excess reporting requirements. Two of these claims lack proof that either BRS or MPA are being copied on legal correspondence.

F. Monterey Bay Area Self-Insurance Authority (MBASIA) – TPA: Risk Management Services – Cotati

FCS reviewed all 14 active claims with incurred costs of $10,000 or more at Risk Management Services (RMS) in Cotati. RMS assumed the administration of MBASIA claims from Hunt & Ferguson during the past year. Mr. Ken Maiolini was the contact for this audit.

Specific findings and recommendations are:

1. All claims reviewed are accurately reserved. There are no deficiencies.
2. All files reviewed are thoroughly investigated. No investigation deficiencies are identified.

3. Seven of the claims involve some degree of litigation. Litigation management is effective. Status updates from defense counsel are timely on all litigated claims.

5. All files reviewed exhibit compliance with timely diary maintenance. This is commendable considering the account was transitioned to a new administrator last year.

4. All files reviewed are clearly documented and chronologically accurate. No file documentation deficiencies are identified.

6. Seven of the files reviewed were reported to the CARMA excess administrator. The reports were timely. It is clear that RMS is interpreting CARMA reporting requirements accurately.

G. California Affiliated Risk Management Authorities (CARMA) - Excess Claims Handling – TPA: Bickmore Risk Services (BRS) – Sacramento

FCS reviewed 20 open claims at BRS in Sacramento. All 20 of the underlying primary claims were reviewed at the respective primary claims handling site.

Specific findings and recommendations are:

1. BRS is effectively managing litigation on CARMA excess reportable claims. The files clearly document BRS's litigation management activity. The timeliness of status updates from defense counsel to BRS has improved significantly since the last audit conducted in 2009.

2. All CARMA (BRS) files exhibit timely diary activity.

3. The open loss run provided by CARMA (BRS) reconciles with financial information and general claim information appearing on all 20 claim files reviewed.

II. Bay Cities Joint Powers Insurance Authority (BCJPIA)

This audit fulfills audit requirements set forth in the CAJPA accreditation standards.

Forty liability claims incurred by BCJPIA members including Marin Cities JPA claims were reviewed. All files were reviewed at the Fairfield office of George Hills. The audit sample includes claims from all BCJPIA members.

BCJPIA should refer to its individual breakout report for more detail on findings presented here.

A. Case Reserve Accuracy

Three of the claims reviewed require reserve adjustment. Those claims are:

- 010981 (Berkeley)
- AL 623 (Albany)
- PI 497 (Piedmont)

B. Payments/Settlements

BCJPIA payment procedures and authority levels have not changed.

Settlement authority for Marin Cities varies by member. Authority levels range from $1,000 to $5,000.

The audit identified compliance with assigned settlement authority levels. All claims that have been settled and those with settlements pending exhibit thorough evaluation of the following settlement criteria:

- Degree of liability attributable to the BCJPIA member.
- A thorough evaluation of damages submitted by claimants.
- Application of immunities or indemnification language to mitigate the member's exposure.

Settlements continue to be based on a logical assessment of damages and the degree of liability attributable to the member.

Files that have been settled, and for which settlement funds have been distributed, contain signed release documents.

C. Investigation

For liability claims against BCJPIA member entities, a detailed investigation includes:

- Making prompt contact with the injured claimant.
- Verifying the extent of the member's and the underlying JPA's liability through medical reports or property damage estimates.
- Applying indemnification/hold harmless language appearing in contracts the member enters into with potentially culpable vendors.
- Accounting for injury history to determine pre-existing conditions.
- Canvassing for possible witnesses to the incident.
- Obtaining recorded or written statements regarding the incident from the claimant and witnesses when possible.
- Obtaining police accident reports, if applicable, when the damage or injury is the result of a traffic accident.
- Obtaining photographs of accident scenes and instruments causing the injury, when applicable.
- Aggressive pursuit of additional responsible parties (tortfeasors) to offset the members' or the JPA's contribution to damage/injury awards.

  Aggressive pursuit of additional responsible parties (tortfeasors) to offset the member's or the JPA's contribution to damage/injury awards.

Investigation on BCJPIA claims is performed by George Hills staff unless investigation in remote areas can be more economically conducted by a local investigator.

Marin Cities claims are handled solely by Ms. Diane Caravello. Berkeley claims are handled by Ms. Sheri Granata.

All but one of the files reviewed are thoroughly investigated:

- MP 705 (Menlo Park) – The file lacks photographic and injury history evidence.

D. Litigation Management

The selection of defense counsel is made by Mr. Michael Groff of BRS after consultation with the member and the claims administrator. The only exception is for cities that utilize their own City Attorney or have a designated defense firm.

Routinely, the claims administrator will contact Mr. Groff and request approval of the use of a particular firm. After receiving Mr. Groff's approval, the referral (including any related documentation) is made by the claims administrator. This litigation referral policy has existed since the first BCJPIA claims audit in 1995. This policy is common to similar pooling entities.

Past audits have concluded that litigation management was effective on BCJPIA claims.

Status reports from defense counsel are not consistently timely. Four of the litigated files reviewed lack timely updates.

E. Diary/File Closure

Industry standards and FCS's own guidelines recommend some activity be conducted and documented every 30 days on the type of active liability claims routinely incurred by public entities such as the BCJPIA members. All files comply with diary standards.

F. Risk Management Information System (RMIS)

The BCJPIA loss run provided by George Hills reconciles with data in the claim files, but one City of Albany file is mistakenly listed as open. It was closed months ago.

G. File Organization/Documentation

George Hills continues to clearly document BCJPIA claim files. City of Berkeley files routinely lack updated claims status. This was also a finding in 2009.

H. Excess Reporting

Eleven of the files reviewed qualify for excess reporting to CARMA. All 11 files were reported timely to BRS

III. Public Agency Risk Sharing Authority of California (PARSAC)

This audit fulfills audit requirements set forth in the CAJPA accreditation standards.

PARSAC claims are administered by George Hills in San Jose. Various TPAs, including George Hills, handle the underlying claims of PARSAC members. PARSAC discontinued membership in the CARMA pool effective 7/1/09. All claims reviewed occurred during PARSAC's membership in the CARMA program.

The review of 24 PARSAC claims finds that George Hills continues to provide effective claims administration. Specific findings are presented in the remaining sections of this chapter.

Files from all members were considered for this audit.

Parsac should refer to its individual breakout report for more detail on findings presented here.

A. Case Reserve Accuracy

George Hills is consistently establishing and maintaining accurate reserves on PARSAC claims. No reserve deficiencies are identified.

B. Payments/Settlements

George Hills continues to have no settlement authority. Settlement recommendations are discussed with PARSAC's Executive Director. George Hills is complying with this policy and documenting settlement discussions in the claim files.

C. Investigation

Property investigation on PARSAC claims includes:

- Early contact with involved parties and witnesses, including written or recorded statements of their recollection of the accident.
- Diagrams and photographs of accident scenes; clear photographs of damaged property.
- A competent analysis of alleged damages, including the evaluation of medical bills and appraisals of damaged property.
- Obtaining reports from involved authorities (police or fire), if applicable.

- Researching injury history to determine prior incidents that may mitigate the members' exposure.
- Applying relevant statutory immunities for California municipalities. This also can potentially mitigate the members' exposure.

Individual PARSAC members use various TPAs to conduct underlying investigation. It is George Hills' responsibility to ensure that all underlying investigation is documented in its claim file, and that a thorough evaluation of the claim's excess potential is made based on underlying investigation. George Hills is complying with this requirement.

One City of Highland claim file resulting from a motor vehicle accident lacks photographic evidence.

D. Litigation Management

The primary focus for this category is to confirm that:

- George Hills is maintaining control over the legal handling of the claims. In other words, the claims administrator should not defer all legal decisions to defense counsel once it is referred.
- George Hills is ensuring that legal fees and the activity generating those fees are reasonable based on discovery requirements. Since many of the member cities have low retention levels, legal expense can quickly consume that retention, exposing excess layers.
- George Hills is thoroughly documenting its files on litigation activity, including correspondence to and from defense counsel or the claimant's attorney.

The control of litigation activity and accompanying expenses is vital to the fiscal performance of any public entity.

Nearly all of the claims reviewed involve some degree of litigation. The audit focused primarily on high valued claims.

George Hills is effectively managing litigation activity on PARSAC claims. Many of the files reviewed contain extensive litigation.

Statuses from defense counsel are timely and clearly documented in the files.

E. Diary/File Closure

Industry standards require that some adjusting activity be conducted and documented every 30 days on open active cases. The failure to adhere to an aggressive, timely diary routinely results in the failure to respond to settlement/resolution opportunities and the failure to close claims timely.

All files reviewed comply with diary maintenance standards

F. Risk Management Information System (RMIS)

For this category, the audit sought to determine that fiscal and claim identification information contained on the loss run provided reconciles with file material.

George Hills provided a loss run of open claims prior to the on-site review of claim files. The financial information contained in that loss run reconciles with financial information appearing in the claim files reviewed. No RMIS deficiencies are identified.

G. File Organization/Documentation

George Hills' files continue to be clearly documented. Separate elements of claims handling, such as litigation and daily adjustor correspondence, are segmented in the file. This has been a consistent finding in several past PARSAC audits.

H. Excess Reporting

Nine of the files reviewed qualify for excess reporting to CARMA. All nine claims have been reported to CARMA.

IV. Vector Control Joint Powers Agency (VCJPA)

This audit fulfills audit requirements set forth in the CAJPA accreditation standards.

FCS reviewed all 15 open VCJPA claims administered by BRS in Sacramento. BRS is complying with industry standards for all elements of claims handling. This conclusion is based on analysis of the following claims handling categories.

VCJPA should refer to its individual breakout report for more detail in the findings presented here.

A. Case Reserving Accuracy

Case reserves on all 15 claims are accurate. No reserving deficiencies are identified.

B. Investigation

Field investigation continues to be performed by various claims administration firms. VCJPA members are located throughout California. Accordingly, local claims investigation firms are required.

A file for a Consolidated MAD claim lacks photos of vehicles involved in an accident. There is also no indication that an injury history has been researched.

C. Litigation Management

Seven of the files reviewed involve some element of litigation. BRS's management of the litigation process is thorough on these claims. Correspondence with defense counsel is clearly documented in all files.

D. File Organization/Documentation

Most of the files reviewed do not house paper documentation because BRS utilizes a paperless file process. This process is efficient. Still, one file exhibits a deficiency. A scanned property damage estimate is documented under the financial tab. It should appear under the investigation tab.

E. Diary/File Closure

All files reviewed comply with industry standards for diary review. No diary maintenance deficiencies are identified.

F. Excess Reporting

None of the files reviewed qualify for excess reporting to BRS, CARMA's excess administrator.

V. Central San Joaquin Valley Risk Management Authority (CSJVRMA)

This audit fulfills audit requirements set forth in the CAJPA accreditation standards.

FCS reviewed 38 open claims at the Fresno office of Acclamation Insurance Management Services (AIMS), CSJVRMA's TPA.

AIMS staff assigned to CSJVRMA claim have been on the account for a number of years. All claims handling staff have caseloads below the recommended maximum of 150 and have requisite public entity claims handling experience.

Based on the review of these claims, FCS concludes that AIMS is in compliance with CARMA and industry standards for claims handling techniques.

Specific findings are detailed in the remainder of this chapter.

CSJVRMA should refer to its individual breakout report for more detail on findings presented here.

A. Case Reserve Accuracy

The audit identified three claims that require reserve adjustment. Those claims are:

- 92388 (City of Porterville)
- 92435 (City of Clovis)
- 92892 (City of Turlock)

B. Investigation

The claims reviewed are thoroughly investigated. This was a finding in past audits as well. This conclusion is based on the following:

- The files reflect the indexing of all injured claimants. This is to ensure that any unrelated injury history will be considered to help mitigate the CSJVRMA member's liability.
- Photographs of accident scenes are consistently taken and documented in the file.
- Police reports are obtained in instances where a motor vehicle accident generated the claim against the member.

All files reviewed are thoroughly investigated.

Subrogation is an issue on three of the files reviewed. AIMS is aggressively pursuing the responsible party on all three claims.

C. Litigation Management

Nearly all of the claims reviewed involve some element of litigation because only high exposure claims were chosen for the audit.

AIMS continues to effectively manage litigation on the claims reviewed. Correspondence to and from defense counsel is documented in the claim files. Immunities and defenses available to the JPA members are invoked. Cases are referred to defense counsel timely.

One claim (number 92203; City of Sutter Creek) lacks timely updated status from defense counsel.

D. Diary/File Closure

Industry standards require that some adjusting activity be conducted and documented every 30 days on open active cases. The failure to adhere to an aggressive, timely diary routinely results in the failure to respond to settlement/resolution opportunities and the failure to close claims timely.

AIMS is adhering to industry standards for diary on all of the files reviewed.

E. File Organization/Documentation

CSJVRMA claim files are organized and chronologically accurate. Still, two files exhibit deficiencies. One claim lacks a copy of the excess notification ostensibly issued to the CARMA administrator. Another file lacks any clarification of an apparent settlement reached.

F. Excess Reporting

CARMA provides excess coverage above the layer of coverage provided by the members' retention and CSJVRMA limit. CARMA requires notification on any claim meeting certain severity criteria (e.g., fatalities, brain/spinal injuries) and claims within incurred costs meeting or exceeding 50% of the underlying coverage limit.

Fifteen of the claims reviewed qualify for reporting to CARMA. All 15 claims were reported timely.

VI. Municipal Pooling Authority (MPA)

This audit fulfills audit requirements set forth in the CAJPA accreditation standards.

Forty-five files were reviewed at the MPA office in Walnut Creek where its own internal claims management unit (The Unit) provides claims handling services to the JPA. George Hills conducts most field investigation on MPA claims.

The Unit continues to effectively administer claims. Specific findings are discussed in the remainder of this chapter.

MPA should refer to its individual breakout report for more detail on findings presented here.

A. Case Reserve Accuracy

All claims reviewed are accurately reserved. No reserve deficiencies are identified.

B. Investigation

Investigation is thorough and clearly documented in the files reviewed. Two claim lack timely status reports from George Hills to MPA.

C. Litigation Management

Thirty-six of the claims reviewed involve some element of litigation. The Unit is providing effective litigation management and is invoking risk transfer opportunities such as additional insured endorsements and/or indemnity language contained in its contracts with outside vendors.

Status updates from defense counsel are consistently timely. Only one claim (GL-009863; City of Richmond) lacks timely status updates from defense counsel.

D. Diary/File Closure

FCS recommends that some activity take place every 30 days on open active claims. All of the files reviewed are in compliance with industry standards for diary/case closure. MPA claims staff maintain reasonable workloads. This facilitates the compliant diary performance.

E. File Organization/Documentation

MPA claim files are organized. No documentation deficiencies are identified.

F. Risk Management Information System

MPA provided a current loss run during the on-site auditing. Two items on that loss run recorded paid amounts that did not reconcile with documentation appearing in the respective claim files. MPA's breakout report discusses these findings in detail.

G. Excess Reporting

CARMA provides excess coverage above the layer of coverage provided by MPA. CARMA requires notification on any claim meeting certain severity criteria (e.g., fatalities, brain/spinal injuries) and claims within incurred costs meeting or exceeding 50% of MPA's coverage limit.

Twenty-one files reviewed meet these criteria. Two of these claims lack correspondence to involved parties.

- GL-008858; City of San Pablo – This is a claim alleging excess force. Defense counsel is not copying the CARMA excess administrator on correspondence.
- GL-008541; City of Richmond – This claim results from a fatal policy shooting. It does not appear that George Hills is copying the CARMA excess administrator on correspondence.

VII. Monterey Bay Area Self-Insurance Authority (MBASIA)

MBASIA joined CARMA on 7/1/03. The audit focused on any claims occurring on or after 7/1/03 that could potentially penetrate into CARMA's layer.

Risk Management Services (RMS) of Cotati assumed the administration of the account in 2010.

All 14 claims with incurred costs of $10,000 or more were reviewed on January 7, 2011 in Cotati.

Mr. Ken Maiolini is the primary claim handler on this account. He is assisted by Natasha Smith.

MBASIA should refer to its individual breakout report to obtain more detail on the findings presented here.

The audit generated the following findings:

A. Case Reserve Accuracy

All files reviewed are accurately reserved. No reserve deficiencies are identified.

B. Investigation

All files reviewed exhibit thorough investigation. No deficiencies are identified.

C. Litigation Management

Nearly all files reviewed are actively litigated. Cases were referred to defense counsel timely to ensure that responsive pleadings complied with statutory guidelines. Status reports from counsel to RMS are timely for all claims.

D. Diary/File Closure

RMS is maintaining an active diary on all claims reviewed. No diary deficiencies are identified.

E. File Organization/Documentation

The files are consistently organized and chronologically accurate.

F. Excess Reporting

Seven claims qualify for reporting to CARMA/BRS. All seven claims were reported to the CARMA excess administrator timely.

VIII. California Affiliated Risk Management Authorities (CARMA) – Excess Claims Handling-Bickmore Risk Services-Sacramento

FCS reviewed 20 open claims at Bickmore Risk Services (BRS) in Sacramento. All of the underlying primary claims were reviewed in conjunction with the excess claims.

The primary focus when reviewing CARMA excess claims is confirmation that communication between underlying administrators and CARMA is effective and accurate. The main categories for evaluation are:

- Reserve accuracy
- Litigation management
- File documentation (e.g., confirmation that notices from underlying administrators to CARMA and CARMA's acknowledgement of the receipt of those notices are documented in CARMA's files)

One CSJVRMA claim (#13085; City of Delano) lacks an updated status report from the CSJVRMA administrator (AIMS) to BRS.

A. Case Reserve Accuracy

Most of the files reviewed have no established case reserves. BRS only establishes reserves if penetration above the underlying JPA's coverage limit ($1,000,000) is anticipated. This is advisable. No reserve recommendations are necessary.

B. Litigation Management

Mr. Michael Groff at BRS is actively involved in litigation management activity for all CARMA members. Any litigation activity on claims meeting excess reporting requirements is also monitored by him. Due to the high exposure inherent with excess reportable claims, all CARMA claims reviewed involve litigation. Mr. Groff's involvement is active and effective on those claims. This has been a consistent finding in past audits.

Defense attorneys are consistently providing timely case status updates to Mr. Groff. Performance in this category of the audit has improved significantly since the 2009 audit.

C. Investigation

Nearly all investigation observed on CARMA excess claims is performed by administrators for the underlying JPA. No investigation deficiencies are identified.

D. Diary/File Closure

All CARMA (BRS) files exhibit timely diary activity.

E. File Organization/Documentation

The files reflect consistent documentation of the notices generated by underlying administrators to CARMA. BRS has implemented a paperless filing system. Material on claims received recently is scanned and incorporated into BRS's information system.

F. Risk Management Information System (RMIS)

The open loss run provided by CARMA (BRS) reconciles with financial information claim information appearing on all 20 claim files reviewed.

Appendix

CARMA Excess Audit File List

CARMA Excess

JPA	Claimant	Claim #
1. BCJPIA	Burns, Douglas	2007-064
2. BCJPIA	Osheroff, Aaron	2009-028
3. CSJVRMA	Cashen (Lewis)	2010-019
4. CSJVRMA	Conger, Alicia	12935
5. CSJVRMA	Morales, Manuela	13085
6. CSJVRMA	Ramirez, Cindy	2010-017
7. CSJVRMA	Torres, Elie	13347
8. CSJVRMA	Whitely, Sam	2009-046
9. MBASIA	Khouri, Margaret	2010-021
10. MBASIA	Surf & Sand	2010-022
11. MPA	Allison, Rocky	2009-030
12. MPA	Chang, Wen	2010-024
13. MPA	East, Brittany	2009-048
14. MPA	Smith, Scott	2010-016
15. MPA	Stein, Robert	2009-038
16. MPA	Whittaker, Barry	2009-031
17. PARSAC	Nitsche, Michael	2008-018
18. PARSAC	Plummer, Christopher	2009-040
19. PARSAC	Ruiz, Laurie	4-26246
20. PARSAC	Small, Peter	2009-013

Ramona Buchanan

From: Jake OMalley <JOmalley@mpa-nc.com>
Sent: Monday, February 28, 2011 4:31 PM
To: Ramona Buchanan
Cc: Rick Buys; Karen Thesing
Subject: RE: CARMA 2010 Claims Audit Break-Out Report

Romano, I will review with Rick. I do not believe most of our field investigations are handled by George Hills. Only the Richmond claims. I will have Rick discuss with Tim and correct if necessary. It might have just been the sampling. Otherwise, we accept the audit and appreciate the results. We will clear the items mentioned and advise.

Rick, let's discuss the above. JOM

From: Ramona Buchanan [mailto:rbuchanan@bickmoreriskservices.com]
Sent: Monday, February 28, 2011 3:57 PM
To: Jake OMalley
Cc: Rick Buys; Karen Thesing
Subject: CARMA 2010 Claims Audit Break-Out Report

Good afternoon, Mr. O'Malley:

Attached is the Liability Claims Audit break-out report for MPA from Mr. Tim Farley for the 2010 CARMA audit.

If a response to this report is necessary, could we please get the responses and comments by March 18 , 2011.

Thanks so much,
Ramona
Analyst - CARMA

Ramona Buchanan
Analyst
Bickmore Risk Services
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833
916.244.1185
916.244.1199(FAX)
rbuchanan@bickmoreriskservices.com

Ramona Buchanan

From: Ramona Buchanan
Sent: Thursday, February 03, 2011 11:16 AM
To: Kenneth Wilkerson
Subject: RE: CARMA 2010 Claims Audit Break-Out Report

Thanks, Mr. Wilkerson. Appreciate the quick turnaround.

Regards,
Ramona

From: Kenneth Wilkerson [mailto:kwilkerson@Aims4Claims.com]
Sent: Wednesday, February 02, 2011 10:16 AM
To: Ramona Buchanan; Jeanette Workman; Mary Ann Reilly
Cc: Karen Thesing; Dominic Russo; Dean Beyer
Subject: RE: CARMA 2010 Claims Audit Break-Out Report

Ramona,
Thanks for the break-out report. After Mr. Farley did his review, I responded to the items mentioned by way of an email to him on 12/3/2010. I am adding that email below. I do need to respond to two other comments that were not included in my 12/3 email.

#5 Settlement I do not have $10,000.00 settlement authority as that is in error. [I do not know whether that should be resounded to.]

#6 File Organization/Documentation Thomas, Donna FR92575.

The city had questioned as to whether it could be settled but it could not be based upon the allegations. It is presently in suit and discovery status

Other wise, the balance of my response is in the email mentioned and added to this, below.

Ken W
2-2-11

Regarding the files that we talked about, the following is my response to each one.

1] Turlock/Urrutia FR92892. Since he is no longer represented, I will take down the Legal and Expense reserves that were set originally.

2] Porterville/Bowles FR92388. There was no BI reserve set on the file, only a legal/expense reserve. You suggested a BI of $5.000.00. I am placing a reserve of $10,000.00 as a precautionary reserve.

3] Liddle/Clovis FR92435. Based upon the defense attorney report in regards to medicals incurred, you suggest that a higher reserve be placed on the file. I have done so by increasing it to $75,000.00, based upon an estimate of full potential of $100,000-$150,000.

4] Banuelos/Porterville FR92934. You asked about photos on this trip and fall incident. There are no photos in the file as none were taken as the exact location was not identified on the insufficient claim. However, an inspection was done of the general area with no problems noted. If the claim is filed correctly we will get photos.

5] Kaur/Porterville FR92797. You asked about notice to the RMA or CARMA as you could not locate the CARMA form in the file. No form was completed as the claim was sent back as defective per 910[f]. However, I will duplicate the file for the RMA and will complete the CARMA form even though we technically don't have a claim at this point.

6] McGrath/Sutter Creek FR92203. There is no report form our attorney since the depositions of 11/4. It may have been sent directly to Linzie Kramer for the RMA as he is to attend the mediation that was scheduled for 12/10 but has now been moved to 1/19/2011. I will get the current report for the file.

Again Tim, it was nice seeing and visiting with you this week.

Ken W
12-3-10

From: Ramona Buchanan [mailto:rbuchanan@bickmoreriskservices.com]
Sent: Tuesday, February 01, 2011 10:17 AM
To: Jeanette Workman; Mary Ann Reilly
Cc: Kenneth Wilkerson; Karen Thesing
Subject: CARMA 2010 Claims Audit Break-Out Report

Good morning Jeanette and Mary Ann:

Attached is the Liability Claims Audit break-out report for CSJVRMA from Mr. Tim Farley for the 2010 CARMA audit.

If a response to this report is necessary, could we please get the responses and comments by February 25, 2011.

Thanks so much,
Ramona

Ramona Buchanan
Analyst
Bickmore Risk Services
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833
916.244.1185
916.244.1199(FAX)
rbuchanan@bickmoreriskservices.com

March 7, 2011

Rob Kramer
Bickmore Risk Services and Consulting
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833

RE: Farley Consulting Services 2010 Liability Claims Audit for the California Affiliated Risk Management Authorities

Dear Mr. Kramer:

Please accept this as George Hills Company (GHC) formal response to the 2010 Farley Consulting Services Liability Claims Audit for the California Affiliated Risk Management Authorities (CARMA).

GHC appreciates the opportunity to have independent review of our performance. We also appreciate the opportunity to respond to the results of Mr. Farley's review. The overall tone of the audit appears to be quite positive. We take great pride in the quality and professionalism of our work. There are some recommendations, which do not appear to be indicative of any systemic problems, regardless, I will address our thoughts regarding those recommendations below. Please know that we will continue to strive to improve our performance to minimize, and ideally to eliminate, any such recommendations in future audit reviews. The comments regarding specific files have been addressed as explained below. If needed I would be glad to address these issues further with you or any member of the CARMA pool.

Executive Summary recommendation # 3.

> One file, discussed on page 6 lacks important investigative activity.

Response:

> I have forwarded the recommendation to the primary claims handler requesting that any available photographs be obtained and that the injured claimants be reported to the Index Bureau.

Executive Summary recommendation # 4 & 7.

> Status reports from defense counsel are not consistently timely. The four files noted for this deficiency are listed on page 6 (Recommendation # 4).The auditor makes an apparent redundant reference (in Recommendation # 7) to this finding. In particular the auditor notes in Recommendation # 7, similar past audit report findings about receiving timely reports from the City of Berkeley.

Response:

We continue in our ongoing efforts to address this issue as this issue has been mentioned in past report findings. The primary adjuster for the City of Berkeley and I have been working diligently with the city attorney who predominantly handles the City's litigation to address this issue. I believe as a result of those efforts, we have established the necessary communication to resolve this problem, such efforts should result in a different audit finding in the future.

Executive Summary recommendation # 6.

One claim listed on page 8 is listed as open when in fact it is closed.

Response:

I am unable to determine which file the auditor is referring to. I have followed up with the auditor to identify which file he is referring to. The file will be closed and after determining why it was not accurately listed on the loss run, appropriate steps will be taken to prevent such occurrences in the future.

Recommended reserve changes.

The auditor points out that he disagrees with the reserves set on 3 files.

Response:

The reserves on two of the three files have been reviewed and adjusted. Reserves on the remaining file, will be reviewed and adjusted as appropriate.

Please let me know if you have any questions regarding this matter or wish to further discuss the audit findings.

Sincerely,

Mark Stone
Claims Administrator

ADMINISTRATIVE MATTERS

SUBJECT: Amendment to Litigation Manager Duties in CARMA-BRS Agreement

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BACKGROUND AND STATUS:

At its January 15, 2011, meeting, the CARMA Board of Directors discussed suggested modifications to the duties of the Litigation Manager regarding the identification of potential underlying coverage issues. It was directed that the Litigation Manager would send a written communication to the member notating any potential underlying coverage issues that have been raised.

As CARMA's Program Administrator, Bickmore Risk Services is required to incorporate this additional duty into its service contract. Included for the Board's review is Amendment Four to the Bickmore Risk Services' contract, specifically to Section VI. Scope of Services, subsection E. Liability Program Services, Item 3. Note that the inclusion of this provision will cause the remaining subsections under E. to be renumbered respectively.

RECOMMENDATION:

The Board approves Amendment Four to the Bickmore Risk Services' service contract, effective April 20, 2011.

REFERENCE MATERIALS ATTACHED

- Amendment Number Four to the Bickmore Risk Services' Contract

Agenda Item 6.D.

AMENDMENT NUMBER FOUR
TO THE AGREEMENT FOR ADMINISTRATIVE, LITIGATION MANAGEMENT, AND FINANCIAL SERVICES BETWEEN CALIFORNIA AFFLIATED RISK MANAGEMENT AUTHORITIES (CARMA) AND BICKMORE RISK SERVICES (BRS)

This amends the Administrative, Litigation Management, and Financial Services Agreement effective July 1, 2007, ("Agreement") by and between the **CALIFORNIA AFFILIATED RISK MANAGEMET AUTHORITIES** ("Authority"), a California Joint Powers Authority, and **BICKMORE RISK SERVICES** ("BRS"), a California corporation. Said Amendment is to become effective on April 20, 2010.

VI. SCOPE OF SERVICES

The following language shall be added to Subsection E. Liability Program Services:

3. Identify coverage issues, make an initial determination whether a claim is likely to be covered by CARMA, and when coverage issues are identified determine whether a coverage opinion should be obtained.

The remaining subsections under section E, shall be renumbered to reflect the correct sequence of numbers.

All other Sections of the original Agreement remain in effect as written.

IN WITNESS HEREOF, the parties hereto have executed this Amended Agreement at a regular meeting of the Board of Directors held in the City of Bodega Bay, California, on this twentieth day of April 2010.

CALIFORNIA AFFILITED RISK MANAGEMENT AUTHORITIES 1750 Creekside Oaks Drive, Suite 200 Sacramento, California 95833	**BICKMORE RISK SERVICES** 1750 Creekside Oaks Drive, Suite 200 Sacramento, California 95833
Signature: ______________________	Signature: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________
Date: ______________________	Date: ______________________

FINANCIAL MATTERS

SUBJECT: Review of Actuarial Study Provided by Mr. Jack Joyce of Bay Actuarial Consultants

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BACKGROUND AND STATUS:

Mr. Jack Joyce of Bay Actuarial Consultants has completed the actuarial analysis dated April 2, 2011, and will be in attendance to present his report.

The actuarial analysis is composed of two main components. Part one of the study is a loss forecasting analysis to determine the appropriate contribution rate for the CARMA program in the 2011/12 program year. Part two is a review of the estimates of the ultimate liabilities of the CARMA program as of December 31, 2010.

Part One – Loss Forecasting Analysis
The contribution rate required to collect at the 80% confidence level for the upcoming 2011/12 program year, .379, is an increase of approximately 9.8% over the prior study's 80% rate of .345, due to the revaluation of the inflation rate assumption (see page 9 of the study). The primary Proposed Budget assumes funding at the 80% confidence level, at last year's discount rate of 4.0%.

An alternative Budget is proposed at the 75% confidence level, using a discount rate of 3.5%. This alternative funding rate is .338, a 2.0% decrease from last year's 80% adopted rate, and a decrease of 10.8% from the primary proposed budget rate.

Part Two – Review of the Ultimate Liability Estimates
In the new study, the estimate of CARMA's Ultimate Loss and LAE for prior years has increased by 2.5% or $1.0 million.

The first five program years have no open reserves, so reflect the status "closed" per the study, although they have not yet been "officially" closed by the CARMA Board of Directors. The net change for these five years was ($101,000). This change removes all remaining IBNR reserves from these program years. 2001/02 through 2004/05 fluctuated a bit from the prior year, for a total net change of only ($248,000). Program years 2005/06 through 2007/08 have a substantial net increase of $1.7 million, while the two most current years experienced a net decrease of ($429,000).

The grid below shows the changes in ultimate loss for each open program year:

Changes in Ultimate Loss for All Prior Program Years
Based on Actuarial Study dated April 4, 2010

Program Year	Status	(Prior Year) Ultimate Loss as of 6/30/10	(Current Year) Ultimate Loss as of 6/30/10	Change in Total Ultimate Loss	Percentage Change in Total Ultimate Loss
1996/1997	"Closed"	2,108,302	2,108,302	0	0.0%
1997/1998	"Closed"	2,036,767	1,962,673	(74,094)	-3.6%
1998/1999	"Closed"	3,521	3,521	-	0.0%
1999/2000	"Closed"	0	0	0	
2000/2001	"Closed"	3,335,808	3,308,799	(27,009)	-0.8%
2001/2002	Open	2,047,016	2,015,070	(31,946)	-1.6%
2002/2003	Open	1,899,837	1,875,702	(24,135)	-1.3%
2003/2004	Open	1,253,330	1,329,302	75,972	6.1%
2004/2005	Open	7,465,476	7,197,424	(268,052)	-3.6%
2005/2006	Open	6,292,697	7,209,261	916,564	14.6%
2006/2007	Open	2,285,058	2,860,419	575,361	25.2%
2007/2008	Open	2,440,551	2,685,913	245,362	10.1%
2008/2009	Open	4,962,123	4,660,868	(301,255)	-6.1%
2009/2010	Open	3,006,989	2,879,219	(127,770)	-4.2%
Totals		$ 39,137,475	$ 40,096,473	$ 958,998	2.5%

<u>RECOMMENDATION:</u>

The Board accepts and files the Actuarial Study as presented.

<u>REFERENCE MATERIALS ATTACHED:</u>

- Draft Actuarial Study Dated April 2, 2011, Prepared by Bay Actuarial Consultants

California Affiliated Risk Management Authorities

Actuarial Review and Funding Recommendation

BAY ACTUARIAL CONSULTANTS
Moraga, California
April 2, 2011

Bay Actuarial Consultants

April 2, 2011

Board of Directors
California Affiliated Risk Management Authorities
c/o Ms. Karen Thesing, CARMA Administrator
Bickmore Risk Services
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833

To the Board:

We are pleased to present Bay Actuarial's Actuarial Review and Funding Recommendation for the California Affiliated Risk Management Authorities ("CARMA"). We appreciate the opportunity to serve CARMA.

If you have any questions, please call me at (925) 377-5269.

Respectfully,

BAY ACTUARIAL CONSULTANTS

Jack Joyce

Jack Joyce, FCAS, MAAA
Principal

2nd DRAFT

346 Rheem Blvd., Suite 204, Moraga, California 94556
Tel 925 · 377.5269 • Fax 925 · 377.5270 • www.bayactuarial.com

California Affiliated Risk Management Authorities

Actuarial Review and Funding Recommendation

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Introduction

California Affiliated Risk Management Authorities

Actuarial Review and Funding Recommendation

Introduction

Background & Purpose

The California Affiliated Risk Management Authorities ("CARMA") provides "excess" insurance coverage to public entities throughout California through a combination of self-insurance, reinsurance, and excess insurance. CARMA currently self-insures the $3 million layer of loss between $1 million and $4 million. The members themselves pay the first $1 million of each loss. From July 1, 1998 to June 30, 2003 CARMA ceded 25% of its self-insured losses to a commercial reinsurer under a quota share agreement. CARMA currently purchases reinsurance to cover 100% of the losses in the $10 million excess of $4 million layer. CARMA purchases excess insurance to cover the $15 million excess of $14 million layer of loss.

CARMA has asked Bay Actuarial Consultants to recommend member contribution rates for the 2011-12 program year. The report documents our recommendations and our projection of CARMA's balance sheet liability for unpaid losses and loss adjustment expenses as of June 30, 2011.

Conditions & Limitations

This report has been prepared for CARMA's internal use. Copies of this report may be supplied to CARMA's auditors. Any other use of this report is not authorized without the prior written permission of Bay Actuarial Consultants. In particular, insurers or other entities that are considering selling insurance or reinsurance to CARMA must perform their own actuarial analysis and may not rely upon our work.

We relied upon data that Bickmore Risk Services provided. With any actuarial analysis, the accuracy and relevance of the conclusions and the reasonableness of the recommendations depend upon the accuracy and relevance of the underlying data.

The actuarial projections in this report are estimates, and as such are subject to uncertainty. This uncertainty is unavoidable because many of the events that will affect claims costs have not yet taken place, and cannot be evaluated with certainty. These potential future events include, but are not limited to: changes in the tort liability law or its interpretation, changes in future inflation rates, the outcomes of future litigation, and the amounts of future jury awards. Our projections are based upon CARMA's historical experience. We have not anticipated any extraordinary changes in the various factors that might affect the future cost of claims. We used actuarial methods that should produce reasonable results given current information. There is no guarantee, express or implied, that losses will develop as projected in this report.

Organization of the Report

We have divided the remainder of this report into four sections: the *Management Summary,* the *Summary Exhibits*, the *Estimated Liability Exhibits*, and the *Base Rate Exhibits*.

The *Management Summary* gives an overview of the results of our analysis. The *Summary Exhibits*, the *Estimated Liability Exhibits*, and the *Base Rate Exhibits* document the actual calculations used in developing our results.

California Affiliated Risk Management Authorities

Actuarial Review and Funding Recommendation

Management Summary

California Affiliated Risk Management Authorities

Actuarial Review and Funding Recommendation

Management Summary

Rates for 2011-12

This report documents the calculation of the recommended funding rates for 2011-12 and our projection of CARMA's liability for unpaid losses as of June 30, 2011. The analysis is based upon claims data evaluated as of December 31, 2010. Table 1 shows the projected **$3 million excess of $1 million** rates for 2011-12 (per $100 of payroll):

Table 1: $3M xs $1M Rates for 2011-12 Discounted at 4% Interest

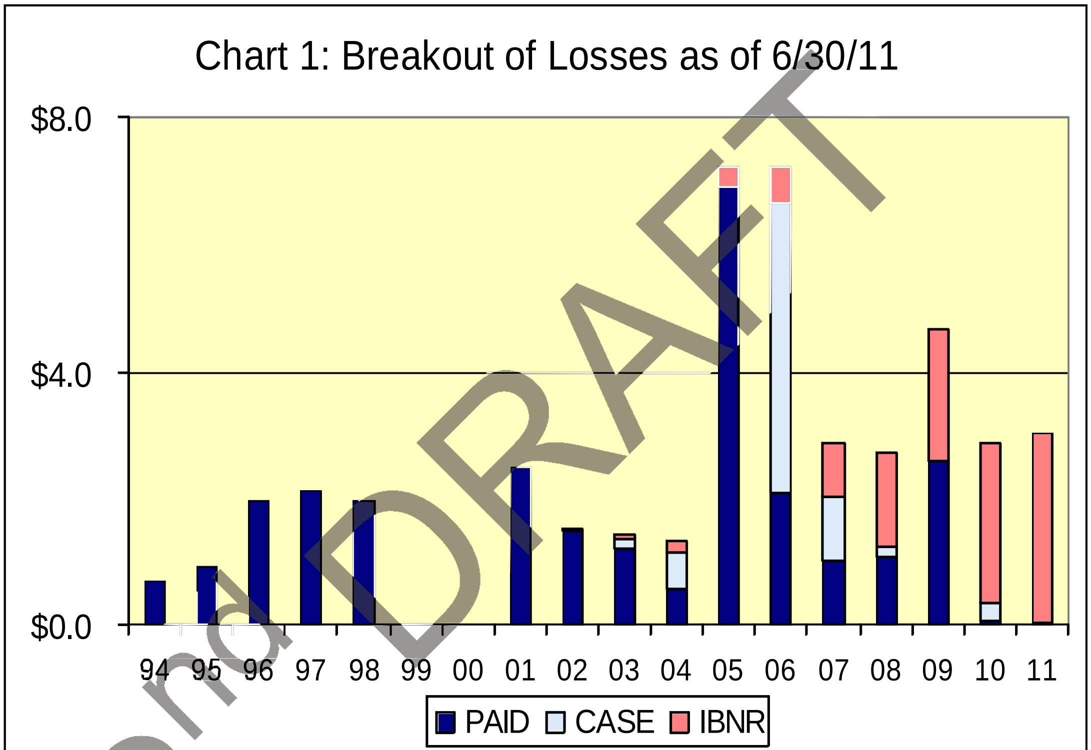
LAYER	Probability level						
	50%	60%	Central Estimate	70%	80%	85%	90%
$3M x $1M	17.0¢	22.2¢	23.7¢	28.9¢	37.9¢	44.5¢	53.7¢

These rates are discounted at 4% interest. They provide only for indemnity payments and for the legal defense and other costs associated with investigating specific claims. They do not cover the cost of program administration, claims handling, reinsurance, or excess insurance premiums. There is a Table on page 8 of this report that contains factors for adjusting these rates should CARMA decide to discount at other than 4%. There is a strong case for a lower interest rate (see Interest rate discussion on page 10). Pages 14 through 22 show rates for the 1x1, 2x1, 4x1, 5x1, 1x4, 1x5, 2x2, 2x3, and 3x2 layers.

The discounted central estimate rate of 23.7¢ in Table 1 would be 29.2¢ if it were not discounted. This undiscounted central estimate 3x1 base rate is 7.7% higher than the corresponding rate we projected for 2010-11 one year ago. The 80% probability level rate is 9.9% higher. Higher inflation in liability claims is causing rates to increase. We re-calculated the probability distributions for claims of different sizes and this has led to higher increases at the higher probability levels.

Projected Liability as of June 30, 2011

We project the estimated liability for unpaid losses as of June 30, 2011 at **$17.7 million** undiscounted and **$15.9 million** discounted (4% interest). Chart 1 reflects the 25% quota share cession that was in place between 1998-99 and 2002-03. The projected liability is $400,000 lower than last year's projection of the June 30, 2010 liability. Chart 1 shows our projected breakout of estimated losses as of June 30, 2011 ($ millions):



As of 12/31/10, the evaluation date of the data used in this analysis, we estimate that there was $1.43 of IBNR liability for every dollar of case reserves in the CARMA retained layer. Last year the IBNR to case reserve ratio at 12/31/09 was $1.31. At 12/31/09 there were $8.03 million in case reserves and the estimated IBNR liability was $10.57 million. This year the 12/31/10 case reserves were $7.60 million and the estimated IBNR liability was $10.95 million. Therefore both case reserves and the estimated IBNR liability were stable during calendar year 2010. The projected 6/30/11 case reserves and IBNR are $6.82 million and $10.89 million, respectively, which produces a projected 6/30/11 IBNR to case reserves ratio of $1.60.

Table 4 shows the projected liabilities at various probability levels as of June 30, 2011.

Table 4: Projected Liability for Unpaid Losses as of June 30, 2011 (Dollars in Thousands)

Probability Level	Undiscounted	Discounted at 4% Interest
Central Estimate	$17,708	$15,883
60%	17,531	15,724
70%	19,656	17,630
80%	22,843	20,489
90%	28,156	25,254

The difference between the top number in the discounted column in Table 4 and the 80% probability level amount is $4.6 million. We estimate that this amount of capital will provide 80% probability that the combined reserves plus capital will be adequate to pay all the claims incurred through 6/30/11. 90% probability would require $9.4 million in capital. These probabilities are based on the assumption that CARMA's investment portfolio will earn a return of 4% per year from July 1, 2011 onward. We will discuss this assumption in the section on "Interest Rates" on page 10.

There is a table on the next page that shows how to convert the discounted liability in Table 4 to what it would be if you use a lower interest rate.

Short-Term Liability as of June 30, 2011

We project that CARMA will discharge approximately $4.2 million of its June 30, 2011 liability during 2011-12.

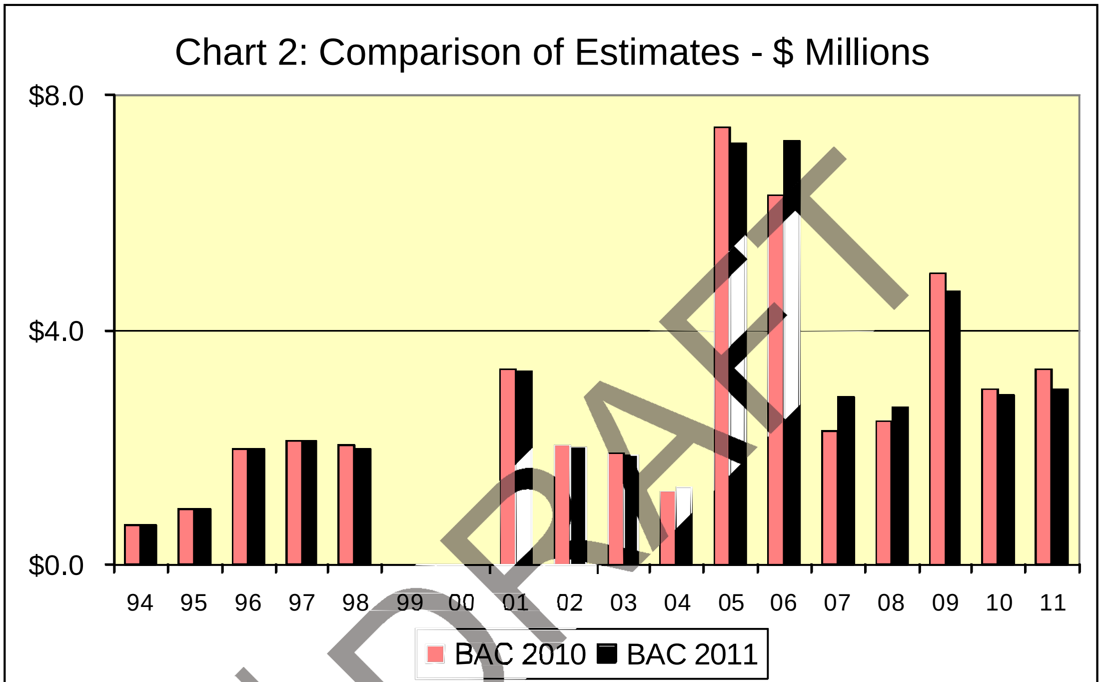
Alternative Interest Rates

The discounted liabilities and rates in this report were calculated using a 4% interest rate. The following table provides the adjustments one would make for some different interest rates:

Int. Rate	0%	1.38%	2.16%	3%	3.50%	3.75%	4%
Rates	+23.2%	+14.7%	+10.0%	+5.3%	+2.7%	+1.6%	+0.0%
Liability	+11.5%	+7.2%	+5.0%	+2.6%	+1.3%	+0.6%	+0.0%

Comparison with Prior Report

Chart 2 compares our current estimates of the ultimate losses by year ($ millions) with last year's actuarial estimates. These estimates show estimated limited ultimate losses before quota share. Note that the Chart 1 loss data was after quota share.



There was relatively little change. The overall increase for all years including 2010-11 was $620,000. After six months of loss experience in 2010-11 we lowered last year's initial projection for that year by $340,000. The overall change for 2009-10 and prior was an increase of $960,000.

Technical Approach

The technical approach is similar to last year's. The main difference was that we increased the claims inflation assumption from 3% to 4%. There is statistical evidence that suggests that inflation may actually be running at more than 5%. A higher inflation factor produces higher rates. We will re-estimate inflation again next year and raise the assumption to 5% per year if this trend continues.

A gamma distribution gave a very good fit to the empirical size-of-loss distribution. We calculated the excess rates as multiples of the "base rates" for the following "base layers" of loss:

- $850,000 excess of $150,000;
- $900,000 excess of $100,000;

- $750,000 excess of $250,000;
- $400,000 excess of $400,000.

The results of the analysis of excess rates as multiples of the base rates for the above layers are on page 23. We obtained similar excess rates regardless of which of the above layers was used for a base rate. In addition, both the estimates based purely on empirical data and those based on a fit to the gamma distribution gave similar results.

ULAE

We estimate that claims handling costs ("unallocated loss adjustment expenses," or "ULAE") are less than 0.5% of loss costs. Adding a 0.5% provision for ULAE in the rates and liabilities should fund this expense adequately.

Reconciling the 12/31/09 & 12/31/10 Liability

While we always project the liability six months forward to June 30, we also estimate the 12/31 liability and this estimate involves fewer unknowns since there is no need to project claim payments six months into the future. In last year's report we estimated the 12/31/09 liability at $18.595 million. Claims expenditures during calendar year 2010 were $4.033 million. We have increased our estimate of the losses incurred through 12/31/09 by $1.044 million. We estimate the losses incurred during calendar year 2010 at $2.945 million.

Starting with the $18.595 million 12/31/09 liability, subtracting the claims payments, adding the change in the estimates for the older years and adding the estimated losses for 2010 produces $18.551 million, which matches our estimate of the 12/31/10 liability on page 29, after adjusting for the quota share cession.

Interest Rates

The interest rate assumption has a very large effect on the amount of the required contributions for 2011-12. Estimated contributions discounting rates at 4% interest rate are $2.63 million. Those same contributions using undiscounted rates would be $3.24 million, or 23% higher. Treasury bills and bonds are currently yielding 0.13% at the six-month maturity, 0.79% at two years, 1.28% at three years, 2.24% at five years, and 3.44% at ten years.

We matched the projected timing of the payments on the 2011-12 losses with the corresponding treasury yields and came up with an overall interest rate of 2.16%. This means that a portfolio of bonds structured to come due as the projected claims payments are made would yield 2.16%. We did a similar analysis of the projected payment pattern for the 6/30/11 liabilities. A portfolio of treasuries that would pay off the liability as payments are made would yield only 1.38%.

The interest rate adjustment Table on page 8 shows that rates would need to be 10% higher if they were discounted at 2.16% instead of 4%. The estimated liability would be 7.2% higher if it was discounted at 1.38% interest instead of 4%.

Quota Shares & Corridors

Between 1998-99 and 2002-03 CARMA ceded 25% of the pooled losses to a reinsurer under a "quota share" arrangement. The Manager informed us that CARMA might consider some sort of quota share arrangement again in 2011-12. The accounting for a quota share arrangement is fairly simple, as is the adjustment one would make to the contribution rates. Contribution rates would be reduced by the amount of the quota share. Therefore if CARMA were to purchase a 25% quota share agreement for the 3x1 pooled layer in 2011-12 the rates in Table 1 would all be reduced by 25%.

A "corridor" layer is also fairly simple. If CARMA were to retain the 1x5 layer of loss as a corridor in return for a reduction in the reinsurance premium, the contribution rate in Table 1 would be modified by adding the 1x5 rate shown on page 19.

California Affiliated Risk Management Authorities

Actuarial Review and Funding Recommendation

Summary Exhibits

California Affiliated Risk Management Authorities
Liability Program

Projected Loss Funding Rate for 2011-12

$3 Million Excess of $1 Million Layer

	Loss Rates
(1) Discounted Loss Rate: (as of July 1, 2011, 4.0% interest rate)	**$0.237**

Probability Levels

Probability Level (2)	Probability Factor (3)	Discounted * Rate (4)
0.50	0.72	0.171
0.60	0.94	0.223
Central Estimate	**1.00**	**$0.237**
0.70	1.22	0.289
0.75	1.39	0.329
0.80	1.60	0.379
0.85	1.88	0.446
0.90	2.27	0.538

* Multiply by 1.235 to obtain undiscounted values.

Notes:
(1) [Page 23, Item (7), SELECTED] x [Page 45, Item (4)].
(2) Estimated probability that the level of funding shown will be adequate.
(3) Estimated by BAC through analysis of CARMA claims information.
(4) (1) x (3).

California Affiliated Risk Management Authorities
Liability Program

Projected Loss Funding Rate for 2011-12

$5 Million Excess of $1 Million Layer

		Loss Rates
(1)	Discounted Loss Rate: (as of July 1, 2011, 4.0% interest rate)	**$0.271**

Probability Levels

Probability Level (2)	Probability Factor (3)	Discounted * Rate (4)
0.50	0.73	0.198
0.60	0.95	0.257
Central Estimate	**1.00**	**$0.271**
0.70	1.21	0.328
0.75	1.38	0.374
0.80	1.59	0.431
0.85	1.85	0.501
0.90	2.24	0.607

* Multiply by 1.235 to obtain undiscounted values.

Notes:
(1) [Page 23, Item (11), SELECTED] x [Page 45, Item (4)].
(2) Estimated probability that the level of funding shown will be adequate.
(3) Estimated by BAC through analysis of CARMA claims information.
(4) (1) x (3).

California Affiliated Risk Management Authorities
Liability Program

Projected Loss Funding Rate for 2011-12

$4 Million Excess of $1 Million Layer

	Loss Rates
(1) Discounted Loss Rate: (as of July 1, 2011, 4.0% interest rate)	**$0.260**

Probability Levels

Probability Level (2)	Probability Factor (3)	Discounted * Rate (4)
0.50	0.72	0.187
0.60	0.94	0.244
Central Estimate	**1.00**	**$0.260**
0.70	1.21	0.315
0.75	1.38	0.359
0.80	1.59	0.413
0.85	1.86	0.484
0.90	2.25	0.585

* Multiply by 1.235 to obtain undiscounted values.

Notes:
(1) [Page 23, Item (8), SELECTED] x [Page 45, Item (4)].
(2) Estimated probability that the level of funding shown will be adequate.
(3) Estimated by BAC through analysis of CARMA claims information.
(4) (1) x (3).

California Affiliated Risk Management Authorities
Liability Program

Projected Loss Funding Rate for 2011-12

$2 Million Excess of $1 Million Layer

		Loss Rates
(1)	Discounted Loss Rate: (as of July 1, 2011, 4.0% interest rate)	**$0.206**

Probability Levels

Probability Level (2)	Probability Factor (3)	Discounted * Rate (4)
0.60	0.95	0.196
Central Estimate	**1.00**	**$0.206**
0.70	1.22	0.251
0.75	1.38	0.284
0.80	1.59	0.328
0.85	1.85	0.381
0.90	2.23	0.459

* Multiply by 1.235 to obtain undiscounted values.

Notes:
(1) [Page 23, Item (6), SELECTED] x [Page 45, Item (4)].
(2) Estimated probability that the level of funding shown will be adequate.
(3) Estimated by BAC through analysis of CARMA claims information.
(4) (1) x (3).

California Affiliated Risk Management Authorities
Liability Program

Projected Loss Funding Rate for 2011-12

$1 Million Excess of $1 Million Layer

		Loss Rates
(1)	Discounted Loss Rate: (as of July 1, 2011, 4.0% interest rate)	**$0.148**

Probability Levels

Probability Level (2)	Probability Factor (3)	Discounted * Rate (4)
0.50	0.76	0.112
0.60	0.96	0.142
Central Estimate	**1.00**	**$0.148**
0.70	1.21	0.179
0.75	1.37	0.203
0.80	1.56	0.231
0.85	1.81	0.268
0.90	2.17	0.321

* Multiply by 1.235 to obtain undiscounted values.

Notes:
(1) [Page 23, Item (1), SELECTED] x [Page 45, Item (4)].
(2) Estimated probability that the level of funding shown will be adequate.
(3) Estimated by BAC through analysis of CARMA claims information.
(4) (1) x (3).

California Affiliated Risk Management Authorities
Liability Program

Projected Loss Funding Rate for 2011-12

$1 Million Excess of $4 Million Layer

	Loss Rates
(1) Discounted Loss Rate: (as of July 1, 2011, 4.0% interest rate)	**$0.024**

Probability Levels

Probability Level (2)	Probability Factor (3)	Discounted * Rate (4)
Central Estimate	**1.00**	**$0.024**
0.75	1.56	0.037
0.80	2.11	0.051
0.85	2.67	0.064
0.90	3.40	0.082

* Multiply by 1.235 to obtain undiscounted values.

2nd DRAFT

Notes:
(1) [Page 23, Item (4), SELECTED] x [Page 45, Item (4)].
(2) Estimated probability that the level of funding shown will be adequate.
(3) Estimated by BAC through analysis of CARMA claims information.
(4) (1) x (3).

California Affiliated Risk Management Authorities
Liability Program

Projected Loss Funding Rate for 2011-12

$1 Million Excess of $5 Million Layer

	Loss Rates
(1) Discounted Loss Rate: (as of July 1, 2011, 4.0% interest rate)	**$0.011**

Probability Levels

Probability Level (2)	Probability Factor (3)	Discounted * Rate (4)
Central Estimate	**1.00**	**$0.011**
0.85	1.94	0.021
0.90	4.43	0.049

* Multiply by 1.235 to obtain undiscounted values.

Notes:
(1) [Page 23, Item (5), SELECTED] x [Page 45, Item (4)].
(2) Estimated probability that the level of funding shown will be adequate.
(3) Estimated by BAC through analysis of CARMA claims information.
(4) (1) x (3).

California Affiliated Risk Management Authorities
Liability Program

Projected Loss Funding Rate for 2011-12

$2 Million Excess of $2 Million Layer

		Loss Rates
(1)	Discounted Loss Rate: (as of July 1, 2011, 4.0% interest rate)	**$0.088**

Probability Levels

Probability Level (2)	Probability Factor (3)	Discounted * Rate (4)
0.50	0.51	0.045
Central Estimate	**1.00**	**$0.088**
0.60	0.87	0.077
0.70	1.27	0.112
0.75	1.50	0.132
0.80	1.78	0.157
0.85	2.14	0.188
0.90	2.66	0.234

* Multiply by 1.235 to obtain undiscounted values.

Notes:
(1) [Page 23, Item (9), SELECTED] x [Page 45, Item (4)].
(2) Estimated probability that the level of funding shown will be adequate.
(3) Estimated by BAC through analysis of CARMA claims information.
(4) (1) x (3).

California Affiliated Risk Management Authorities
Liability Program

Projected Loss Funding Rate for 2011-12

$3 Million Excess of $2 Million Layer

		Loss Rates
(1)	Discounted Loss Rate: (as of July 1, 2011, 4.0% interest rate)	**$0.112**

Probability Levels

Probability Level (2)	Probability Factor (3)	Discounted * Rate (4)
0.50	0.51	0.057
0.60	0.83	0.093
Central Estimate	**1.00**	**$0.112**
0.70	1.23	0.138
0.75	1.48	0.166
0.80	1.77	0.198
0.85	2.14	0.240
0.90	2.67	0.299

* Multiply by 1.235 to obtain undiscounted values.

Notes:
(1) [Page 23, Item (11), SELECTED] x [Page 45, Item (4)].
(2) Estimated probability that the level of funding shown will be adequate.
(3) Estimated by BAC through analysis of CARMA claims information.
(4) (1) x (3).

California Affiliated Risk Management Authorities
Liability Program

Projected Loss Funding Rate for 2011-12

$2 Million Excess of $3 Million Layer

		Loss Rates
(1)	Discounted Loss Rate: (as of July 1, 2011, 4.0% interest rate)	**$0.054**

Probability Levels

Probability Level (2)	Probability Factor (3)	Discounted * Rate (4)
0.60	0.52	0.028
Central Estimate	**1.00**	**$0.054**
0.70	1.16	0.063
0.75	1.53	0.083
0.80	1.94	0.105
0.85	2.42	0.131
0.90	3.08	0.166

* Multiply by 1.235 to obtain undiscounted values.

Notes:
(1) [Page 23, Item (10), SELECTED] x [Page 45, Item (4)].
(2) Estimated probability that the level of funding shown will be adequate.
(3) Estimated by BAC through analysis of CARMA claims information.
(4) (1) x (3).

California Affiliated Risk Management Authorities
Liability Program

Selection of Excess Rate

Type of Fit	Indicated $1M x $1M Rate (1)	Indicated $1M x $2M Rate (2)	Indicated $1M x $3M Rate (3)	Indicated $1M x $4M Rate (4)	Indicated $1M x $5M Rate (5)	Indicated $2M x $1M Rate (6)
E-150K - 1M	$0.158	$0.073	$0.038	$0.030		$0.231
G-150K - 1M	0.189	0.072	0.030	0.013	0.006	0.261
E-400K - 800K	0.143	0.066	0.034	0.027		0.209
G-400K - 800K	0.167	0.068	0.029	0.013	0.006	0.235
E-100K - 1M	0.158	0.073	0.038	0.030		0.231
G-100K - 1M	0.195	0.071	0.029	0.012	0.005	0.266
E-250K - 1000K	0.158	0.073	0.038	0.030		0.231
G-250K - 1000K	0.182	0.073	0.031	0.014	0.006	0.255
Selected	**$0.183**	**$0.072**	**$0.037**	**$0.029**	**$0.013**	**$0.255**

Type of Fit	Indicated $3M x $1M Rate (7)	Indicated $4M x $1M Rate (8)	Indicated $2M x $2M Rate (9)	Indicated $2M x $3M Rate (10)	Indicated $3M x $2M Rate (11)	Indicated $5M x $1M Rate (11)
E-150K - 1M	$0.269	$0.299	$0.111	$0.068	$0.141	
G-150K - 1M	0.291	0.304	0.102	0.043	0.115	0.310
E-400K - 800K	0.243	0.270	0.100	0.062	0.128	
G-400K - 800K	0.265	0.278	0.098	0.043	0.111	0.284
E-100K - 1M	0.270	0.300	0.111	0.068	0.141	
G-100K - 1M	0.295	0.307	0.100	0.041	0.112	0.312
E-250K - 1000K	0.270	0.300	0.111	0.068	0.141	
G-250K - 1000K	0.286	0.300	0.104	0.045	0.118	0.307
Selected	**$0.292**	**$0.321**	**$0.109**	**$0.067**	**$0.138**	**$0.335**

Notes:
(1) through (5) Items (3) on pages 49, 50, 51, and 52.
(6) Sum of (1) and (2).
(7) Sum of (6) and (3).
(8) Sum of (7) and (4).
(9) (7) - (1).
(10) (8) - (6).
(11) (8) - (1).

California Affiliated Risk Management Authorities
Liability Program

Projected Liability for Unpaid Losses as of June 30, 2011

<u>Net After 25% Quota Share Cession</u>

(1) Projected Unpaid Losses as of 6/30/11:	$17,708,079
(2) Discounted Unpaid Losses as of 6/30/11: (4.0% Interest Rate)	$15,882,996

Probability Level (3)	Undiscounted Confidence Level Funding (4)	Discounted Confidence Level Funding (5)
30%	$12,749,817	$11,435,757
40%	14,166,463	12,706,397
50%	15,760,190	14,135,866
60%	17,530,998	15,724,166
Central Estimate	**$17,708,079**	**$15,882,996**
70%	19,655,967	17,630,126
80%	22,843,421	20,489,065
90%	28,155,845	25,253,964

Notes:
(1) Page 27, Column (3).
(2) Page 46, Column (3).
(3) Estimated probability that the level of funding shown will be adequate.
(4) Estimated by BAC through analysis of CARMA claims information.
(5) Estimated by BAC through analysis of CARMA claims information.

California Affiliated Risk Management Authorities
Liability Program

Projected Liability for Unpaid Losses as of June 30, 2011

Gross Without Regard to Quota Share Cession

(1) Projected Unpaid Losses as of 6/30/11:	$17,779,552
(2) Discounted Unpaid Losses as of 6/30/11: (4.0% Interest Rate)	$15,947,103

Probability Level (3)	Undiscounted Probability Level Funding (4)	Discounted Probability Level Funding (5)
30%	$12,801,277	$11,481,914
40%	14,223,641	12,757,682
50%	15,823,801	14,192,922
60%	17,601,756	15,787,632
Central Estimate	**$17,779,552**	**$15,947,103**
70%	19,735,303	17,701,284
80%	22,935,622	20,571,763
90%	28,269,487	25,355,894

Notes:
(1) Page 27, Column (1).
(2) (1) x Page 46, item (4).
(3) Estimated probability that the level of funding shown will be adequate.
(4) Estimated by BAC through analysis of CARMA claims information.
(5) Estimated by BAC through analysis of CARMA claims information.

California Affiliated Risk Management Authorities

Actuarial Review and Funding Recommendation

Estimated Liability at June 30, 2011

California Affiliated Risk Management Authorities
Liability Program

Limited Liabilities after Quota Share

As of 06/30/11

Fiscal Year	Direct Liabilities at 06/30/11 (1)	Effect of Quota Share (2)	Limited Liability After Quota Share (3)
1993-94	$0	100.0%	$0
1994-95	0	100.0%	0
1995-96	0	100.0%	0
1996-97	0	100.0%	0
1997-98	0	100.0%	0
1998-99	0	75.0%	0
1999-00	0	75.0%	0
2000-01	0	75.0%	0
2001-02	18,455	75.0%	13,842
2002-03	267,437	75.0%	200,578
2003-04	731,902	100.0%	731,902
2004-05	291,964	100.0%	291,964
2005-06	5,134,160	100.0%	5,134,160
2006-07	1,866,131	100.0%	1,866,131
2007-08	1,603,053	100.0%	1,603,053
2008-09	2,050,107	100.0%	2,050,107
2009-10	2,806,339	100.0%	2,806,339
2010-11	3,010,002	100.0%	3,010,002
Total	$17,779,552		$17,708,079

Notes:
(1) Page 30, Column (6).
(2) Provided by Bickmore Risk Services.
(3) (1) x (2).

California Affiliated Risk Management Authorities
Liability Program

Projected Unpaid Losses as of June 30, 2011

Before Quota Share

80% Probability Level

Program Year	Estimated Ultimate Losses (1)	Projected Paid Losses as of 6/30/11 (2)	Projected Case Reserves as of 6/30/11 (3)	Projected Reported Losses as of 6/30/11 (4)	Projected IBNR Liability as of 6/30/11 (5)	Projected Unpaid Losses as of 6/30/11 (6)
1993-94	$677,743	$677,743	$0	$677,743	$0	$0
1994-95	952,298	952,298	0	952,298	0	0
1995-96	1,962,230	1,962,230	0	1,962,230	0	0
1996-97	2,108,302	2,108,302	0	2,108,302	0	0
1997-98	1,962,673	1,962,673	0	1,962,673	0	0
1998-99	3,521	3,521	0	3,521	0	0
1999-00	0	0	0	0	0	0
2000-01	3,308,799	3,308,799	0	3,308,799	0	0
2001-02	2,015,070	1,996,614	5,264	2,001,878	13,192	18,455
2002-03	1,875,702	1,608,265	204,123	1,812,388	63,314	267,437
2003-04	1,329,302	597,400	554,179	1,151,579	177,723	731,902
2004-05	7,197,424	6,905,459	0	6,905,459	291,964	291,964
2005-06	7,928,044	2,075,101	4,589,310	6,664,411	1,263,633	5,852,942
2006-07	3,774,823	994,287	1,025,052	2,019,339	1,755,484	2,780,536
2007-08	3,840,112	1,082,860	176,035	1,258,895	2,581,217	2,757,252
2008-09	6,075,442	2,610,761	0	2,610,761	3,464,680	3,464,680
2009-10	4,619,149	72,880	271,551	344,431	4,274,718	4,546,269
2010-11	4,846,103	0	45,489	45,489	4,800,615	4,846,103
Total	$54,476,738	$28,919,196	$6,871,002	$35,790,197	$18,686,540	$25,557,542

Notes:
(1) Page 30, Column (1), adjusted to 80% probability level.
Each program year at standalone 80% PL.
(2) Page 30, Column (2).
(3) (4) - (2).
(4) Page 30, Column (4).
(5) (1) - (4).
(6) (3) + (5).

California Affiliated Risk Management Authorities
Liability Program

Projected Unpaid Losses as of June 30, 2011

Before Quota Share

70% Probability Level

Program Year	Estimated Ultimate Losses (1)	Projected Paid Losses as of 6/30/11 (2)	Projected Case Reserves as of 6/30/11 (3)	Projected Reported Losses as of 6/30/11 (4)	Projected IBNR Liability as of 6/30/11 (5)	Projected Unpaid Losses as of 6/30/11 (6)
1993-94	$677,743	$677,743	$0	$677,743	$0	$0
1994-95	952,298	952,298	0	952,298	0	0
1995-96	1,962,230	1,962,230	0	1,962,230	0	0
1996-97	2,108,302	2,108,302	0	2,108,302	0	0
1997-98	1,962,673	1,962,673	0	1,962,673	0	0
1998-99	3,521	3,521	0	3,521	0	0
1999-00	0	0	0	0	0	0
2000-01	3,308,799	3,308,799	0	3,308,799	0	0
2001-02	2,015,070	1,996,614	5,264	2,001,878	13,192	18,455
2002-03	1,875,702	1,608,265	204,123	1,812,388	63,314	267,437
2003-04	1,329,302	597,400	554,179	1,151,579	177,723	731,902
2004-05	7,197,424	6,905,459	0	6,905,459	291,964	291,964
2005-06	7,260,603	2,075,101	4,589,310	6,664,411	596,192	5,185,502
2006-07	3,028,370	994,287	1,025,052	2,019,339	1,009,032	2,034,083
2007-08	3,006,524	1,082,860	176,035	1,258,895	1,747,629	1,923,664
2008-09	5,152,894	2,610,761	0	2,610,761	2,542,132	2,542,132
2009-10	3,524,677	72,880	271,551	344,431	3,180,246	3,451,797
2010-11	3,672,202	0	45,489	45,489	3,626,714	3,672,202
Total	$49,038,336	$28,919,196	$6,871,002	$35,790,197	$13,248,138	$20,119,140

Notes:
(1) Page 30, Column (1), adjusted to 70% probability level.
Each program year at standalone 70% PL.
(2) Page 30, Column (2).
(3) (4) - (2).
(4) Page 30, Column (4).
(5) (1) - (4).
(6) (3) + (5).

California Affiliated Risk Management Authorities
Liability Program

Projected Unpaid Losses as of June 30, 2011

Before Quota Share

Program Year	Estimated Ultimate Losses (1)	Projected Paid Losses as of 6/30/11 (2)	Projected Case Reserves as of 6/30/11 (3)	Projected Reported Losses as of 6/30/11 (4)	Projected IBNR Liability as of 6/30/11 (5)	Projected Unpaid Losses as of 6/30/11 (6)
1993-94	$677,743	$677,743	$0	$677,743	$0	$0
1994-95	952,298	952,298	0	952,298	0	0
1995-96	1,962,230	1,962,230	0	1,962,230	0	0
1996-97	2,108,302	2,108,302	0	2,108,302	0	0
1997-98	1,962,673	1,962,673	0	1,962,673	0	0
1998-99	3,521	3,521	0	3,521	0	0
1999-00	0	0	0	0	0	0
2000-01	3,308,799	3,308,799	0	3,308,799	0	0
2001-02	2,015,070	1,996,614	5,264	2,001,878	13,192	18,455
2002-03	1,875,702	1,608,265	204,123	1,812,388	63,314	267,437
2003-04	1,329,302	597,400	554,179	1,151,579	177,723	731,902
2004-05	7,197,424	6,905,459	0	6,905,459	291,964	291,964
2005-06	7,209,261	2,075,101	4,589,310	6,664,411	544,850	5,134,160
2006-07	2,860,419	994,287	1,025,052	2,019,339	841,080	1,866,131
2007-08	2,685,913	1,082,860	176,035	1,258,895	1,427,018	1,603,053
2008-09	4,660,868	2,610,761	0	2,610,761	2,050,107	2,050,107
2009-10	2,879,219	72,880	271,551	344,431	2,534,788	2,806,339
2010-11	3,010,002	0	45,489	45,489	2,964,513	3,010,002
Total	$46,698,748	$28,919,196	$6,871,002	$35,790,197	$10,908,550	$17,779,552

Notes:
(1) Page 33, Column (6).
(2) Page 31, Column (3).
(3) (4) - (2).
(4) Page 31, Column (6).
(5) (1) - (4).
(6) (3) + (5).

California Affiliated Risk Management Authorities
Liability Program

Projected Paid and Reported Losses as of June 30, 2011

Before Quota Share

Program Year	Paid Losses as of 12/31/10 (1)	Projected Losses Paid 1/1/11 - 6/30/11 (2)	Projected Paid Losses as of 6/30/11 (3)	Reported Losses as of 12/31/10 (4)	Projected Losses Reported 1/1/11 - 6/30/11 (5)	Projected Reported Losses as of 6/30/11 (6)
1993-94	$677,743	$0	$677,743	$677,743	$0	$677,743
1994-95	952,298	0	952,298	952,298	0	952,298
1995-96	1,962,230	0	1,962,230	1,962,230	0	1,962,230
1996-97	2,108,302	0	2,108,302	2,108,302	0	2,108,302
1997-98	1,962,673	0	1,962,673	1,962,673	0	1,962,673
1998-99	3,521	0	3,521	3,521	0	3,521
1999-00	0	0	0	0	0	0
2000-01	3,308,799	0	3,308,799	3,308,799	0	3,308,799
2001-02	1,988,620	7,995	1,996,614	1,988,620	13,258	2,001,878
2002-03	1,469,470	138,795	1,608,265	1,769,470	42,918	1,812,388
2003-04	491,346	106,054	597,400	1,091,346	60,233	1,151,579
2004-05	6,845,307	60,153	6,905,459	6,845,307	60,153	6,905,459
2005-06	710,461	1,364,640	2,075,101	6,585,461	78,950	6,664,411
2006-07	820,004	174,284	994,287	1,720,004	299,335	2,019,339
2007-08	956,223	126,637	1,082,860	956,223	302,672	1,258,895
2008-09	2,277,629	333,132	2,610,761	2,277,629	333,132	2,610,761
2009-10	0	72,880	72,880	0	344,431	344,431
2010-11	0	0	0	0	45,489	45,489
Total	$26,534,628	$2,384,568	$28,919,196	$34,209,628	$1,580,570	$35,790,197

Notes:
(1) Page 32, Column (2).
(2) Projected by BAC.
(3) (1) + (2).
(4) Page 32, Column (4).
(5) Projected by BAC.
(6) (4) + (5).

California Affiliated Risk Management Authorities
Liability Program

Estimated Unpaid Losses as of December 31, 2010

Before Quota Share

Program Year	Estimated Ultimate Losses (1)	Paid Losses as of 12/31/10 (2)	Case Reserves as of 12/31/10 (3)	Reported Losses as of 12/31/10 (4)	Estimated IBNR Liability as of 12/31/10 (5)	Estimated Unpaid Losses as of 12/31/10 (6)
1993-94	$677,743	$677,743	$0	$677,743	$0	$0
1994-95	952,298	952,298	0	952,298	0	0
1995-96	1,962,230	1,962,230	0	1,962,230	0	0
1996-97	2,108,302	2,108,302	0	2,108,302	0	0
1997-98	1,962,673	1,962,673	0	1,962,673	0	0
1998-99	3,521	3,521	0	3,521	0	0
1999-00	0	0	0	0	0	0
2000-01	3,308,799	3,308,799	0	3,308,799	0	0
2001-02	2,015,070	1,988,620	0	1,988,620	26,450	26,450
2002-03	1,875,702	1,469,470	300,000	1,769,470	106,232	406,232
2003-04	1,329,302	491,346	600,000	1,091,346	237,956	837,956
2004-05	7,197,424	6,845,307	0	6,845,307	352,117	352,117
2005-06	7,209,261	710,461	5,875,000	6,585,461	623,800	6,498,800
2006-07	2,860,419	820,004	900,000	1,720,004	1,140,415	2,040,415
2007-08	2,685,913	956,223	0	956,223	1,729,690	1,729,690
2008-09	4,660,868	2,277,629	0	2,277,629	2,383,239	2,383,239
2009-10	2,879,219	0	0	0	2,879,219	2,879,219
2010-11	1,505,001	0	0	0	1,505,001	1,505,001
Total	$45,193,747	$26,534,628	$7,675,000	$34,209,628	$10,984,119	$18,659,119

Notes:
- (1) Page 33, Column (6).
  2010-11 adjusted to reflect half-year exposure through 12/31/10.
- (2) Page 39, Column (7).
- (3) (4) - (2).
- (4) Page 38, Column (7).
- (5) (1) - (4).
- (6) (1) - (2).

California Affiliated Risk Management Authorities
Liability Program

Estimated Ultimate Losses

Before Quota Share

Program Year	$1M x $1M Layer Ultimate Losses (1)	$1M x $2M Layer Ultimate Losses (2)	$1M x $3M Layer Ultimate Losses (3)	$1M x $4M Layer Ultimate Losses (4)	Sum of Projections (5)	Selected Ultimate Losses (6)
1993-94	$677,743	$0			$677,743	$677,743
1994-95	952,298	0			952,298	952,298
1995-96	1,036,766	925,465			1,962,230	1,962,230
1996-97	1,004,254	1,104,048			2,108,302	2,108,302
1997-98	1,036,767	925,906			1,962,673	1,962,673
1998-99	3,521	0			3,521	3,521
1999-00	0	0			0	0
2000-01	2,000,000	1,308,799			3,308,799	3,308,799
2001-02	1,023,087	991,983			2,015,070	2,015,070
2002-03	1,839,884	35,818			1,875,702	1,875,702
2003-04	1,122,007	164,798	$42,497		1,329,302	1,329,302
2004-05	3,018,659	2,112,101	2,066,664		7,197,424	7,197,424
2005-06	4,582,151	2,167,819	351,499	$107,792	7,209,261	7,209,261
2006-07	1,842,209	713,495	158,248	146,467	2,860,419	2,860,419
2007-08	1,846,272	434,507	218,983	186,151	2,685,913	2,685,913
2008-09	2,756,231	1,591,053	313,584	0	4,660,868	4,660,868
2009-10	1,767,066	746,364	365,789	0	2,879,219	2,879,219
2010-11	1,875,900	753,933	380,169	0	3,010,002	3,010,002
Total	$28,384,817	$13,976,088	$3,897,433	$440,410	$46,698,748	$46,698,748

Notes:
(1) Page 34, Column (3).
(2) Page 35, Column (3).
(3) Page 36, Column (3).
(4) Page 37, Column (3).
(5) (1) + (2) + (3) + (4).
(6) Based on (5).
1993-94 through 1996-97 are closed out.

FINANCIAL MATTERS

SUBJECT: Clarification of "Member Equity" Definition and Allocation of Member Equity

BACKGROUND AND STATUS:

At the Annual Workshop on January 13, 2011, staff presented a retrospective adjustment plan that would formally establish a process to provide for an annual analysis of the pool's equity in order to determine the viability of the issuance of dividends. During the development of this plan, it was noted that there were inconsistencies in the historical calculation of dividends and assessments and the method set forth in the governing documents. Staff was directed to ensure that CARMA's governing documents and financial reports were consistent with respect to definitions, references, and calculation of equity and the allocation of equity to members for each program year.

After discussion at the Workshop, it was agreed that the governing documents do not grant members an interest in the equity of CARMA until such time as the Board of Directors takes action to distribute such equity in the form of a dividend or re-allocation of equity. In order to promote this understanding, staff was directed to replace the label "Members' Equity" with terminology consistent with this conclusion. Staff suggests the term "Member Allocation of Pool Equity," and has replaced report titles accordingly.

It was also noted that CARMA's governing documents do not formally define member equity or the allocation method by which a member's equity should be determined. However, the method for determining dividends and assessments is defined in the governing documents. The Master Plan Document calls for the calculation of dividends and assessments to be based on each member's percentage of annual premium for the program year being adjusted. Since inception, the calculation of CARMA member equity has been performed according to the following methodology based on the different components of budgeted revenues and expenses:

Interest earned:	Percentage of premium allocation
Admin expenses:	Actual allocation for current year (equal distribution, or in later years - 60% of BRS contract applied to ex mod)
Reinsurance/Excess:	Percentage of payroll allocation
Losses:	Budgeted percentage of expected losses.

This method was also used as the basis for determining all past dividends, assessments, and reallocations of equity.

As directed by the Board, all components used to calculate the "Member Allocation of Pool Equity" will now be allocated according to percentage of premium, rather than the historical allocation method. This shift in allocation method results in changes to each member's previously allocated equity in each program year.

Dividends have been issued for each of CARMA's three closed program years and for two of those years, equity was re-allocated. Total dividends and re-allocated equity for all three closed program years totaled $5,065,098. The effect of the change in allocation methods on these years is shown below and in detail in the attached document titled "Comparison of Actual Allocation to Allocation by Premium Percentage Method for Closed Program Years."

Difference in Allocation from Actual Net Dividends Received to Premium Percentage Allocation Method					
Member	1993/94	1994/95	1995/96	Total	Percentage Variation
BCJPIA	($6,762)	($26,951)	$9,920	($23,793)	-1.3%
PERMA	15,858	(3,720)	(43,194)	($31,057)	-1.9%
PARSAC	(9,094)	40,663	28,575	$60,144	4.0%
VCJPA		(9,993)	4,699	($5,294)	-4.0%

Staff recommends that no adjustments be made to the previous equity transactions for both closed and open program years since the members have previously recorded the financial effects of these transactions through the receipt of dividends or remittance of assessments.

The attached revised equity allocation as of September 30, 2010, titled "CARMA Summary of Member Allocation of Pool Equity as of September 30, 2011" contains the adjusted allocation of pool equity to each member (with the exception of previous equity transactions as noted above) and the calculated difference of each member's allocated share of equity for each open program year and in total, as compared to the historical allocation method.

RECOMMENDATION:

The Board approves the title of "Member Allocation of Pool Equity" for future Equity reports, as well as the premium percentage allocation method to calculate a member's share of equity.

REFERENCE MATERIALS ATTACHED:

- CARMA Summary of Member Allocation of Pool Equity as of September 30, 2011, Comparison of Actual Allocation to Allocation by Premium Percentage Method for Closed Program Year

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of September 30, 2010

Program Year	Member	"Expected" Fund Balance		Previous Calculated Fund Balance	Difference
1996/97:	BCJPIA	112,642		131,301	(18,659)
	PERMA	52,657	*	17,061	35,596
	PARSAC	47,328		46,385	943
	VCJPA	(3,915)		13,964	(17,879)
	Total	208,712		208,712	0
1997/98:	BCJPIA	35,484		84,662	(49,178)
	PERMA	(65,615)	*	(117,347)	51,732
	PARSAC	109,636		86,207	23,429
	VCJPA	(14,002)		11,982	(25,984)
	Total	65,503		65,503	0
1998/99:	BCJPIA	797,094		802,992	(5,898)
	PARSAC	661,389		684,591	(23,202)
	VCJPA	118,417		89,317	29,100
	PERMA	0		0	0
	Total	1,576,900		1,576,900	0
1999/2000:	BCJPIA	700,456		703,422	(2,966)
	PARSAC	486,492		507,358	(20,866)
	VCJPA	101,481		77,649	23,832
	PERMA	0		0	0
	Total	1,288,429		1,288,429	0
2000/2001:	BCJPIA	22,605		28,596	(5,992)
	CSJVRMA	(11,719)		18,576	(30,294)
	MPA	33,130		25,023	8,107
	PARSAC	65,516		21,055	44,461
	VCJPA	(13,767)		2,515	(16,282)
	PERMA	0		0	0
	Total	95,765		95,765	(0)
2001/2002:	BCJPIA	82,612		90,134	(7,522)
	CSJVRMA	56,981		63,963	(6,982)
	MPA	58,926		65,243	(6,316)
	PARSAC	52,093		32,119	19,974
	VCJPA	10,625		9,778	847
	PERMA	0		0	0
	Total	261,237		261,237	0
2002/2003:	BCJPIA	281,228		259,463	21,766
	CSJVRMA	246,075		253,417	(7,341)
	MPA	320,711		347,746	(27,036)
	PARSAC	198,123		184,623	13,500
	VCJPA	40,254		41,143	(889)
	PERMA	0		0	0
	Total	1,086,392		1,086,392	0

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of September 30, 2010

Program Year	Member	"Expected" Fund Balance	Previous Calculated Fund Balance	Difference
2003/2004	BCJPIA	626,622	598,036	28,586
	CSJVRMA	602,264	625,734	(23,471)
	MBASIA	69,668	52,805	16,863
	MPA	551,321	567,846	(16,524)
	PARSAC	397,556	411,662	(14,107)
	VCJPA	80,778	72,126	8,653
	Total	2,328,210	2,328,210	0
2004/2005	BCJPIA	(846,442)	(793,571)	(52,871)
	CSJVRMA	(785,119)	(822,523)	37,405
	MBASIA	(157,972)	(115,233)	(42,739)
	MPA	(809,116)	(874,966)	65,850
	PARSAC	(504,313)	(508,884)	4,571
	VCJPA	(90,378)	(78,162)	(12,216)
	Total	(3,193,339)	(3,193,339)	0
2005/2006	BCJPIA	(704,432)	(631,590)	(72,843)
	CSJVRMA	(685,558)	(936,513)	250,955
	MBASIA	(108,207)	(92,556)	(15,652)
	MPA	(740,554)	(596,893)	(143,662)
	PARSAC	(491,710)	(520,092)	28,382
	VCJPA	(108,243)	(61,062)	(47,181)
	Total	(2,838,705)	(2,838,705)	0
2006/2007	BCJPIA	527,737	419,811	107,926
	CSJVRMA	662,709	761,416	(98,707)
	MBASIA	81,370	59,105	22,265
	MPA	528,929	555,787	(26,858)
	PARSAC	390,867	382,221	8,646
	VCJPA	99,559	112,831	(13,272)
	Total	2,291,171	2,291,171	0
2007/2008	BCJPIA	759,232	667,545	91,688
	CSJVRMA	1,001,054	1,068,504	(67,450)
	MBASIA	115,900	85,771	30,129
	MPA	828,376	861,258	(32,882)
	PARSAC	652,562	677,447	(24,885)
	VCJPA	143,727	140,327	3,400
	Total	3,500,852	3,500,852	0
2008/2009	BCJPIA	260,389	139,923	120,466
	CSJVRMA	324,933	331,282	(6,349)
	MBASIA	40,350	22,596	17,753
	MPA	286,718	309,504	(22,786)
	PARSAC	244,520	338,795	(94,275)
	VCJPA	45,782	60,590	(14,809)
	Total	1,202,691	1,202,691	0

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of September 30, 2010

Program Year	Member		"Expected" Fund Balance	Previous Calculated Fund Balance	Difference
2009/2010	BCJPIA		563,604	607,015	(43,411)
	CSJVRMA		526,960	526,244	716
	MBASIA		69,171	39,163	30,008
	MPA		384,876	418,909	(34,033)
	VCJPA		56,119	9,398	46,721
	PARSAC		0	0	0
	Total		1,600,729	1,600,729	0
2010/2011	BCJPIA		139,109	159,398	(20,289)
	CSJVRMA		103,799	81,254	22,544
	MBASIA		15,005	5,217	9,788
	MPA		99,941	123,113	(23,171)
	VCJPA		13,672	2,544	11,127
	PARSAC		0	0	0
	Total		371,527	371,527	0
Total:	**BCJPIA**		**3,357,933**	**3,267,131**	**90,803**
	CSJVRMA		**2,042,379**	**1,971,355**	**71,024**
	MBASIA		**125,286**	**56,869**	**68,417**
	MPA		**1,543,258**	**1,802,570**	**(259,312)**
	PARSAC		**2,310,058**	**2,343,487**	**(33,429)**
	VCJPA		**480,109**	**504,941**	**(24,832)**
	PERMA	*	**(12,958)**	**(100,286)**	**87,328**
Total Equity			**9,846,066**	**9,846,066**	**(0)**

* *Return of Equity to PERMA as of 6/30/06 at 80% Confidence Level; Negative equity represents continuing adverse development*

Note: *Dividends returned to BCJPIA, VCJPA and PARSAC for program years 1993/94; 1994/95; and 1995/96 as of 9/30/06.*

These three program years are now closed, and no longer appear on the financial statements.

Note: "Previous Calculated Fund Balance" allocates equity based on historical allocation.* Going forward, member allocation of pool equity will be according to percentage of contribution, as the MPD stipulates for the allocation of dividends and assessments. 1996/97, 1997/98 & 2000/01 had previously allocated equity and dividends based on the historical formula, causing some members to have negative equity in positive years. These equity transactions were distributed to members, so the recommendation is that no adjustments be made. The current reflected equity allocation trues up each member's share.

This change will have no effect on the future closing of years, as the final dividend issued will automatically true up each member's share to correspond with the allocation according to premium percentage.

***Historical Allocation:**

Interest Earned:	Percentage of premium allocation
Admin Expenses:	Actual allocation for current year (equal distribution, or in later years 60% of BRS contract applied to ex mod)
Reinsurance/Excess:	Percentage of payroll allocation
Losses:	Budgeted percentage of expected losses

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

Closed Program Years

Comparison of Actual Allocation to Allocation by Premium Percentage Method

Actual Allocation											Reallocation by Deposit Premium Percentage Comparison					
1993/94 Program Year - Closed											Reallocation by Deposit Premium Percentage					
Member	Deposit Premium	Re-allocated Reserve	6/30/02 (Dividend) Assessment	Dividend 9/30/06 (Perma-6/30/06)	Interest Earned	Admin. Expenses	Excess Insurance	Incurred Losses	IBNR	**"Expected" Fund Balance**	Re-allocated Reserve	6/30/02 (Dividend) Assessment	Dividend 9/30/06 (Perma-6/30/06)	Total Allocation by Prem %age	Actual Allocation	Difference
BCJPIA	1,053,662	(637,517)	(147,271)	(35,790)	233,173	(43,226)	(171,934)	(251,097)	0	**0**	(642,207)	(147,280)	(37,854)	(827,340)	(820,578)	(6,762)
PERMA	951,761	(591,629)	(135,431)	(36,125) *	210,622	(43,226)	(102,519)	(253,454)	0	**(0)** *	(580,098)	(133,036)	(34,193)	(747,327)	(763,185)	15,858
PARSAC	683,441	(409,716)	(93,146)	(24,685)	151,244	(43,226)	(90,720)	(173,192)	0	**0**	(416,557)	(95,531)	(24,553)	(536,641)	(527,547)	(9,094)
Total	2,688,864	(1,638,862)	(375,847)	(96,600)	595,039	(129,678)	(365,173)	(677,743)	0	**(0)**	(416,557)	(95,531)	(24,553)	(2,111,309)	(2,111,310)	0
		(1,196,300) - 3/31/01 (452,562) - 9/30/01		* - 6/30/06 *Return of Equity*			(5mil ~ 10mil)									

1994/95 Program Year - Closed											Reallocation by Deposit Premium Percentage					
Member	Deposit Premium		6/30/02 (Dividend) Assessment	Dividend 9/30/06 (Perma-6/30/06)	Interest Earned	Admin. Expenses	Excess Insurance	Incurred Losses	IBNR	**"Expected" Fund Balance**		6/30/02 (Dividend) Assessment	Dividend 9/30/06 (Perma-6/30/06)	Total Allocation by Prem %age	Actual Allocation	Difference
BCJPIA	1,074,889		(594,406)	(32,397)	261,042	(31,054)	(355,184)	(322,889)	0	**(0)**		(619,709)	(34,044)	(653,753)	(626,803)	(26,951)
PERMA	887,171		(504,968)	(30,894) *	215,454	(31,054)	(227,797)	(307,911)	0	**0** *		(511,483)	(28,099)	(539,582)	(535,862)	(3,720)
PARSAC	921,103		(571,357)	(29,526)	223,695	(31,054)	(218,590)	(294,270)	0	**(0)**		(531,046)	(29,173)	(560,220)	(600,883)	40,663
VCJPA	133,644		(68,558)	(2,732)	32,456	(31,054)	(36,528)	(27,228)	0	**(0)**		(77,050)	(4,233)	(81,283)	(71,290)	(9,993)
Total	3,016,807		(1,739,289)	(95,549)	732,647	(124,216)	(838,100)	(952,298)	0	**0**		(1,739,289)	(95,549)	(1,834,838)	(1,834,838)	0
				* - 6/30/06 *Return of Equity*			(3mil ~ 10mil)									

1995/96 Program Year - Closed											Reallocation by Deposit Premium Percentage					
Member	Deposit Premium	Re-allocated Reserve	6/30/02 (Dividend) Assessment	Dividend 9/30/06 (Perma-6/30/06)	Interest Earned	Admin. Expenses	Excess Insurance	Incurred Losses	IBNR	**"Expected" Fund Balance**	Re-allocated Reserve		Dividend 9/30/06 (Perma-6/30/06)	Total Allocation by Prem %age	Actual Allocation	Difference
BCJPIA	912,641	465,259		(823,767)	331,633	(39,892)	(273,405)	(572,470)	0	**(0)**	372,590		(721,177)	(348,587)	(358,508)	9,920
PERMA	984,605	431,764		(764,644) *	343,493	(39,892)	(212,779)	(742,547)	0	**0** *	401,970		(778,044)	(376,074)	(332,880)	(43,194)
PARSAC	886,151	298,975		(666,019)	322,006	(39,892)	(220,899)	(580,323)	0	**(0)**	361,775		(700,244)	(338,469)	(367,044)	28,575
VCJPA	146,142	0		(60,518)	53,105	(39,892)	(31,946)	(66,891)	0	**(0)**	59,663		(115,483)	(55,819)	(60,518)	4,699
Total	2,929,538	1,195,998	0	(2,314,948)	1,050,237	(159,566)	(739,029)	(1,962,230)	0	**0**	1,195,998		(2,314,948)	(1,118,950)	(1,118,950)	0
		3/31/01		*6/30/06 *Return of Equity*			(3mil ~ 10mil)									

Re-allocated Reserve: Allocated to members by equity percentage of 1993/94 program year as of 12/31/00.
6/30/02 Dividends allocated according to equity percentage by member by program year as of 3/31/02.
70% & 80% Confidence level factors are 1.0 per Bay Acturial Consultants resulting in no contingency reserves.
* Return of Equity to PERMA as of 6/30/06 at Expected Confidence Level: 1993/94 - 1996/97

Notes: "**Interest Income**" has been allocated based on average fund balance.
"**Administration Expenses**" were allocated to all members equally until program year 01/02.
"**Excess Insurance**" and "**Reinsurance**" have been allocated based on actual payroll.
"**Incurred Losses**" & "**IBNR**" have been allocated based on the budgeted loss sharing percentage.

Difference in Allocation from Actual Net Dividends Received to Premium Percentage Allocation Method

Member	1993/94	1994/95	1995/96	Total	Percentage Variation
BCJPIA	($6,762)	($26,951)	$9,920	($23,793)	-1.3%
PERMA	15,858	(3,720)	(43,194)	($31,057)	-1.9%
PARSAC	(9,094)	40,663	28,575	$60,144	4.0%
VCJPA		(9,993)	4,699	($5,294)	-4.0%

FINANCIAL MATTERS

SUBJECT: Revised Proposed Retrospective Adjustment Policy

BACKGROUND AND STATUS:

At the January 13, 2011, Annual Workshop, a Proposed Retrospective Adjustment Policy was presented to the CARMA Board of Directors. The purpose of the proposed Policy was to formalize a process that would provide for an annual analysis of the program's equity by program year and in aggregate to determine the viability of the possible release of dividends and/or the closure of program years. This Policy would be used in conjunction with the Target Equity Benchmarking Ratios to provide direction and guidance in funding and equity decisions.

The revised Policy is included as back-up material with this agenda item, and has been streamlined since the previous review. Highlights of the annual Retrospective Adjustment calculation are as follows:

- Equity at the expected, 70%, and 80% confidence levels are calculated for each program year and in total;
- The 70% fund balance for all program years that are a full five years old are summed to determine if a net dividend is available;
- If a current program year(s) has negative equity, this year(s) must also be factored into the calculation before arriving at the Final Cumulative Net Dividend;
- The allocation of pool equity amongst members according to percentage of premium by program year will be calculated to determine each member's share; and
- Equity may be exchanged between eligible program years. The transfer of equity will be performed so that the individual member's share of equity is separately applied so as to maintain the integrity of each member's balance. This will allow the closure of old years in conjunction with the application of equity to a program year(s) in a deficit position.

The calculation detailing each member's share of equity presented at the January Workshop was determined using the historical allocation method, as discussed in the previous agenda item. The revised member calculation included in the attached "Revised Retrospective Adjustment Calculation as of September 30, 2010" reflects the reallocated pool equity amongst members by percentage of premium allocation.

RECOMMENDATION:

The Board approves the revised Proposed Retrospective Adjustment Policy.

REFERENCE MATERIALS ATTACHED:

- Revised Proposed Retrospective Adjustment Policy
- Revised Retrospective Adjustment Calculation as of September 30, 2010

CARMA
RETROSPECTIVE ADJUSTMENT POLICY

A. Purpose

The purpose of this Retrospective Adjustment Policy is to insure the long-term financial stability of the California Affiliated Risk Management Authorities (CARMA). The Policy also formalizes a process that would provide for an annual analysis of the program's equity by program year and in aggregate to determine the viability of the possible release of dividends and/or the closure of program years. It is intended to be used as a tool by the Board of Directors to guide them in their funding and equity decisions.

B. Target Confidence Level Funding

The CARMA Board of Directors does hereby establish the ***70% confidence level*** as the Target Confidence Level Funding (Target) for the Program.

D. Assessment

Each program year is accounted for separately. If the funding position for all program years combined falls below the actuarial expected level creating a deficit position, the Board of Directors shall declare an assessment sufficient to eliminate the deficit. Such an assessment will be collected based solely on the total premiums paid by each member to coincide with how the premiums would have been collected had sufficient premiums been collected originally. The assessment will be collected as follows:

1. The deficit/equity position of each program year will be calculated based on the expected outstanding losses projected for each year. (The total deficit/equity position for all years will equal the amount of the assessment to be collected.)
2. Each Member's share of the assessment shall be based upon the deposit premiums collected for the program year being assessed provided that the amount of any assessment levied may not exceed 25% of the deposit premium paid during the assessed program year. If such assessment is not sufficient to relieve the pool of its actuarial deficit in the year of the assessment, such assessment shall be levied each subsequent year until the actuarial deficit is relieved.
3. The deficit/equity position for each program will be distributed among the members who participated in the program for that year based on the percentage of their premium to all premiums contributed for that year.
4. Each Member's deficit/equity for all years will equal their total deficit/equity position and their assessment.

E. Dividend

If the funding for all program years exceeds the 70% confidence level, the Board of Directors may consider declaring a dividend from program years that are at least five years old provided that the funding remains above the 70% confidence level after such a dividend is paid. The dividend would be distributed in the same manner as described above for the collection of an assessment.

<u>Timing:</u>

Annually, the Board of Directors shall review the funding of the program to determine whether dividends may be issued.

<u>Calculation:</u>

The following calculation will be made annually to determine the aggregate equity at the expected, 70%, and 80% confidence levels:

- The equity for each program year shall be calculated by subtracting that year's total administrative and excess insurance costs, incurred loss costs, and Incurred but not Reported (IBNR) and Unallocated Loss Adjustment Expenses (ULAE) as determined by the most recent actuarial study at the expected, 70%, and 80% confidence levels, respectively, from the total contributions and interest income earned.
- Prior dividends and assessments, if any, will be added or subtracted from available assets of each program year, respectively.
- The equity calculated for each program year shall be combined for all program years and become the aggregate equity at each confidence level.
- The aggregate dividend shall be determined by the Board of Directors, subject to the following:
    1. The aggregate equity for all program years may not be reduced below the 70% confidence level after the dividend.
    2. Dividends declared shall be first issued from the oldest program year but only to the extent that program year maintains equity in excess of the 70% confidence level. Any unapplied dividend (70% Program Year Fund Balance) may be carried forward to the next oldest program years in the same fashion until the calculation has been applied to all eligible years, but does not exceed the Dividends Available to be issued.
        i. The entire eligible dividend balance may not be fully applied if the carry-over would extend to program years not fully five years old.
        ii. As the aggregate dividend is carried forward for application, it may be used to offset program years that are funded below the 70% confidence level, but only to the extent that the applied amount brings that year's equity to the 70% confidence level.
        iii. Any ineligible years with a negative Fund Balance must be added to the equation, to arrive at the Final Cumulative Net Dividend. This added precaution is to prevent issuing dividends prematurely.
        iv. Equity may be exchanged between eligible program years. The transfer of equity will be performed so that the individual Member's share of equity is separately applied so as to maintain the integrity of each Member's balance.

F. The Board of Directors may re-evaluate this plan from time to time and make changes to it as deemed necessary by a majority vote of the Board.

California Affiliated Risk Management Authorities

~ Retrospective Adjustment Calculation ~

As of September 30, 2010

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	(After 1 Q) 2010/11	Total All Years
Income:																
Deposit Premiums	$ 2,115,968	$ 1,663,375	$ 1,612,952	$ 1,422,145	$ 2,707,152	$ 2,883,997	$ 3,697,858	$ 4,693,601	$ 5,975,629	$ 6,354,632	$ 6,505,800	$ 7,459,934	$ 8,209,998	$ 6,455,754	$ 1,617,683	63,376,478
Interest Income	364,374	564,030	624,967	451,196	154,958	118,040	409,825	755,409	453,760	809,727	681,478	542,466	261,496	80,476	3,277	6,275,479
Total Income	2,480,342	2,227,405	2,237,919	1,873,341	2,862,110	3,002,037	4,107,683	5,449,010	6,429,389	7,164,359	7,187,278	8,002,400	8,471,494	6,536,230	1,620,960	69,651,957
Expenses:																
Operating Expenses	138,392	166,980	192,060	170,143	287,339	284,842	259,386	265,082	303,627	290,731	330,481	358,877	347,824	419,586	108,168	3,923,518
Excess Insurance	646,382	617,550	466,318	414,772	928,895	926,077	1,371,418	1,655,431	1,892,542	2,391,237	2,431,716	1,851,634	2,340,563	1,977,415	492,212	20,404,162
Claims Expenses:																
Claims Paid	2,106,630	1,962,672	2,641	0	2,481,600	1,491,000	1,102,103	470,527	6,845,307	707,984	556,859	953,223	1,948,366	0	0	20,628,912
Reserve for Claims	0	71,427	0	0	0	0	200,025	549,600	0	5,557,100	454,000	0	373,670	0	0	7,205,822
Reserve for IBNR & ULAE	0	358	0	0	18,159	38,879	88,357	180,161	581,251	1,056,012	1,123,051	1,337,814	2,258,380	2,538,500	649,054	9,869,976
Sub-Total Claims Expense	2,106,630	2,034,457	2,641	0	2,499,759	1,529,879	1,390,485	1,200,288	7,426,558	7,321,096	2,133,910	2,291,037	4,580,416	2,538,500	649,054	37,704,710
Total Expenses	2,891,404	2,818,987	661,019	584,915	3,715,993	2,740,798	3,021,289	3,120,801	9,622,727	10,003,064	4,896,107	4,501,548	7,268,803	4,935,501	1,249,434	62,032,390
Fund Balance at Expected Level Before Refunds/Assessments	$ (411,062)	$ (591,582)	$ 1,576,900	$ 1,288,429	$ (853,883)	$ 261,237	$ 1,086,392	$ 2,328,210	$ (3,193,339)	$ (2,838,705)	$ 2,291,171	$ 3,500,852	$ 1,202,691	$ 1,600,729	$ 371,527	$ 7,619,567
(Equity Returns) / Assessments:																
9/30/01 Reallocated Reserve	442,562															442,562
6/30/02 Assessment	317,745	776,162														1,093,907
6/30/06 Dividend	(67,919)	(119,075)														(186,994)
6/30/08 Assessment					949,644											949,644
6/30/09 PARSAC allocation to Future Admin	(72,615)															(72,615)
Subtotal (Equity Returns) / Assessments:	619,773	657,087	0	0	949,644	0	0	0	0	0	0	0	0	0 #	0	2,226,504
Fund Balance at Expected Level After Refunds/Assessments	$ 208,712	$ 65,503	$ 1,576,900	$ 1,288,429	$ 95,765	$ 261,237	$ 1,086,392	$ 2,328,210	$ (3,193,339)	$ (2,838,705)	$ 2,291,171	$ 3,500,852	$ 1,202,691	$ 1,600,729	$ 371,527	$ 9,846,067
Add'l IBNR - Expected to 70%	0	0	0	0	0	0	0	0	0	257,182	369,483	396,277	721,688	580,929	135,711	2,461,270
Fund Balance - 70% Confidence Level	$ 208,712	$ 65,503	$ 1,576,900	$ 1,288,429	$ 95,765	$ 261,237	$ 1,086,392	$ 2,328,210	$ (3,193,339)	$ (3,095,887)	$ 1,921,688	$ 3,104,575	$ 481,003	$ 1,019,800	$ 235,816	$ 7,384,809
Add'l IBNR - Expected to 80%	0	0	0	0	0	0	0	0	254,138	1,071,592	1,214,016	1,278,895	1,910,350	1,591,238	369,371	7,689,600
Fund Balance - 80% Confidence Level	$ 208,712	$ 65,503	$ 1,576,900	$ 1,288,429	$ 95,765	$ 261,237	$ 1,086,392	$ 2,328,210	$ (3,447,477)	$ (3,910,297)	$ 1,077,155	$ 2,221,957	$ (707,659)	$ 9,491	$ 2,156	$ 2,156,474

Dividends Available to be issued - 70% Equity Retention: *$ 7,384,809*

Dividends Available to be issued - 80% Equity Retention: *$ 2,156,474*

	Dividend Issuance Calculation:									*Ineligible Years - Program Years must be a full five years old before a dividend can be issued.*
Dividend / (Negative Adjustment): (Fund balance at 70%)	$ 208,712	$ 65,503	$ 1,576,900	$ 1,288,429	$ 95,765	$ 261,237	$ 1,086,392	$ 2,328,210	$ (3,193,339)	$ (3,095,887)
Cumulative Net Dividend:	$ 208,712	$ 274,215	$ 1,851,115	$ 3,139,544	$ 3,235,309	$ 3,496,546	$ 4,582,938	$ 6,911,148	$ 3,717,809	$ 621,922

California Affiliated Risk Management Authorities

~ Retrospective Adjustment Calculation by Member ~

As of September 30, 2010

	70% Equity Retention										Ineligible	Final
										Total All	Negative Year	Cumulative
Member	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Eligible Years	2005/06	Net Dividend
BCJPIA	$ 112,644	$ 35,483	$ 797,094	$ 700,456	$ 22,605	$ 82,612	$ 281,228	$ 626,622	$ (846,442)	$ 1,812,302	$ (768,253)	$ 1,044,051
CSJVRMA					(11,719)	56,981	246,075	602,264	(785,119)	$ 108,482	(747,668)	$ (639,186)
MBASIA								69,668	(157,972)	$ (88,304)	(118,011)	$ (206,315)
MPA					33,130	58,926	320,711	551,321	(809,116)	$ 154,972	(807,647)	$ (652,675)
VCJPA	(3,915)	(14,002)	118,417	101,481	(13,767)	10,625	40,254	80,778	(90,378)	$ 229,493	(118,050)	$ 111,443
PERMA	52,657	(65,615)								$ (12,958)		$ (12,958)
PARSAC	47,328	109,636	661,389	486,492	65,516	52,093	198,123	397,556	(504,313)	$ 1,513,820	(536,258)	$ 977,562
Total	$ 208,714	$ 65,502	$ 1,576,900	$ 1,288,429	$ 95,765	$ 261,237	$ 1,086,391	$ 2,328,209	$ (3,193,340)	$ 3,717,807	$ (3,095,887)	$ 621,922

FINANCIAL MATTERS

SUBJECT: Signatures on General Fund Checking Account

BACKGROUND AND STATUS:

In accordance with the Bylaws and Resolution Number 2-98/99, the President, Vice President, Treasurer, and Administrator are authorized to sign checks for the general fund account. Checks are processed monthly and in the past were routed to the Treasurer and the President for signing. To create more efficiency, Karen Thesing, Executive Director/Administrator, has determined the checks will be signed first by the Executive Director and then routed to either the President, Vice President, or Treasurer.

The only potential conflict would be when ERMA makes a payment to Bickmore Risk Services (BRS). However, these payments are already approved by the Board by approving the agreement between the two parties, the checks will contain a second signature other than the Executive Director/Administrator, and the check listing is placed on the consent calendar of each Board meeting.

RECOMMENDATION:

None, Information only.

REFERENCE MATERIALS ATTACHED

- Resolution No. 2-98/99 – Establishing All Bank Accounts and Authorized Signatures

Agenda Item 7.D.

RESOLUTION NO. 2-98/99

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES (CARMA) ESTABLISHING ALL BANK ACCOUNTS AND AUTHORIZED SIGNATURES

WHEREAS, the California Affiliated Risk Management Authorities must maintain various Bank accounts in order to operate and manage the fiscal affairs of the Authority; and

WHEREAS, to protect and control the cash assets and fiscal integrity of the various Bank accounts, signatory authority should be specifically granted to particular officers; and

WHEREAS, this resolution replaces Resolution No. 1-94/95 Establishing A Petty Cash Account;

BE IT RESOLVED THAT:

The Board of Directors of CARMA has determined that it is in the best interests of CARMA to establish bank accounts for the deposit and disbursement of funds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Affiliated Risk Management Authorities that all positions listed on this Resolution as Authorized Signers are authorized to sign/pay checks, make withdrawals and originate wire transfers or telephone transfers against each account listed below:

General Account (requires two signatures):

1. President of CARMA
2. Vice President of CARMA
3. Treasurer of CARMA
4. Administrator of CARMA

Petty Cash Account (requires one signature):

1. Administrator of CARMA
2. Additional persons as designated by the Administrator

The CARMA Board of Directors also authorizes the Administrator to obtain a Business Credit Card with a credit line of up to $5,000.

The Secretary acting alone is hereby authorized, in connection with wire transfers out of our accounts at Wells Fargo Bank (or other bank, as authorized by the Board of Directors), to designate persons who may request wire transfers and to execute and deliver such agreements, documents and other instruments, and to perform such other acts, relating to wire transfers as the Secretary shall approve. However, the Secretary can only designate individuals listed above.

This Resolution was moved, seconded, and adopted by the Board of Directors at a regular meeting of the Board held on September 25, 1998, City of South Lake Tahoe, by the following vote:

AYES	3
NOES	0
ABSTAIN	0
ABSENT	0

PRESIDENT, BOARD OF DIRECTORS

SECRETARY, BOARD OF DIRECTORS

FINANCIAL MATTERS

SUBJECT: Consideration of the Proposed Annual Budget for the 2011/2012 Program Year

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BACKGROUND AND STATUS:

Attached is the Proposed Annual Budget for the 2011/2012 program year. The Proposed Budget features the 80% confidence level, discounted at 4%, the same as adopted last year, and reflects an overall increase of $267,000, or 4.1%, over last year's budget.

Total premium reflects the following assumptions and significant factors:

- Funding for losses at the 80% confidence level at the actuarially-determined rate of .379 per $100 of payroll; an increase of approximately 9.8% over the prior study's 80% rate of .345;
- Discount rate of 4.0% (unchanged from the prior year);
- Actual 2010 payroll for all JPAs;
- Funding for losses at $3 million excess of $1 million (adopted retention level for prior year) for all members;
- Assumption of a 5.0% estimated increase in rates for both reinsurance ($10 million ex $4 million) and excess ($15 million ex $14 million); and
- A decrease in the administration budget of 1.1%. Notable changes include:
  - BRS contract - 0.2% decrease (due to the reduction for PARSAC)
  - Financial Audit - 3.7% contractual increase
  - Claims Audit scope - 36.8% bi-annual decrease - Audit for CARMA only
  - Actuarial Review - 2.0% decrease due to renegotiated contract
  - Annual Retreat - 32.3% decrease due to match to actual expense
  - PFM - 30.0% increase due to additional investment in portfolio
  - Genex - New line item for Medicare set-aside reporting fees.

Experience Modification Calculation:

- Individual losses from $100k to $1 million were used in the ex mod calculation.
- For the past five years, the JPA ex mod has been applied to the reinsurance premium, which currently covers the $10 million ex $4 million layer. In the Proposed Budget, the allocation has been revised. Two thirds of the premium will continue to be applied to the JPA ex mod, while one third of the premium will not. (Next year, the allocation will be reversed, and the following year the ex mod will no longer be applied to the reinsurance layer.)
- The range of years used in the ex mod calculation continues to be the oldest four of the most current six. This budget incorporates the range between 2004/2005 and 2007/2008.

- The losses are valued as of 12/31/10.
- A credibility factor is applied which places a proportionately heavier weight on the larger members.
- Ex mod factors continue to be capped at .75 on the low end and 1.25 at the high end, with the exception of inverse condemnation claims, which are capped at 1.50 at the high end.

Alternate Budget Scenarios:

In addition to the primary Proposed Budget, staff has prepared an Alternative Budget at the 75% confidence level, using a 3.5% discount rate. This model reflects a decrease of $199,000 from last year's budget and a $466,000 decrease from the current Proposed Budget.

An additional budget option, not included in the reference materials, is a model at the 80% confidence level, using a 3.5% discount rate. This model reflects an increase of $383,000 over last year's budget and an increase of $116,000 over the current Proposed Budget.

RECOMMENDATION:

The Board approve one of the Proposed Annual Operating Budgets as presented.

REFERENCE MATERIALS ATTACHED:

- 2011/12 Proposed Annual Operating Budget at the 80% CL, 4% discount rate
- 2011/12 Alternative Proposed Annual Operating Budget at the 75% CL, 3.5% discount rate – Funding sheet only
- 2010/2011 Approved Annual Operating Budget

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
Proposed Annual Operating Budget
Fiscal Year 2011 / 2012

Funding For Losses at the 80% Confidence Level

~ Reinsurance Purchase $10 million ex of $4 million ~ Excess Purchase $15 million ex of $14 million ~ Estimated 5% Increase

MEMBER AGENCY	2010 PAYROLL (NOTE 1)	FUNDING FOR LOSSES (NOTE 2)	EXPERIENCE MOD FACTOR (NOTE 3)	LOSSED ADJUSTED FOR EX MOD (NOTE 4)	OFF-BALANCE FACTOR (NOTE 5)	ADJUSTED LOSSES (NOTE 6)
BCJPIA	$399,854,746	$1,515,449	1.152	$1,745,847	0.9879	$1,724,799
CSJVRMA	388,380,637	1,471,963	0.752	1,106,449	0.9879	1,093,109
MBASIA	41,784,220	158,362	0.859	136,096	0.9879	134,456
MPA	257,593,483	976,279	1.249	1,219,018	0.9879	1,204,321
PARSAC						
VCJPA	45,758,398	173,424	0.810	140,487	0.9879	138,793
TOTALS	**$1,133,371,484**	**$4,295,478**	**0.964**	**$4,347,898**		**$4,295,478**
			(average)			

LAYER "A" $0 - $1 MIL - NOT ACTIVATED
LAYER "B" $3 MIL EX $1 MIL
LAYER "C" $10 MIL EX $4 MIL
LAYER "D" $15 MIL EX $14 MIL

NOTES:
1 2010 Payroll
2 Payroll/100 * Rate Discounted at 4%
3 Minimum of .75 AND Maximum of 1.25 (Page 2).
4 (2)*(3)
5 Total (2) / Total (4)
6 (4) * (5).
7 From Page 3
8 (Payroll/100) * Reinsurance Rate (2/3 applied to ex mod)
9 (Payroll/100) * Excess Insurance Rate
10 Sum of (6) Through (9)

LAYER "B" RATE	**$3 X $1 Rate for Discounted Losses and ALAE (80% Confidence Level)**	**0.379**
LAYER "C" RATE	**Reinsurance Rate + Broker's Fee**	**$0.12720**
($5-14 MIL)	Broker's Fee (included in reinsurance rate)	$68,290
LAYER "D" RATE	**Excess ($15-$29 Mil) Insurance Rate**	**$0.04893**

MEMBER AGENCY	ADJUSTED LOSSES (NOTE 6)	ADMIN PREMIUM (NOTE 7)	REINSURANCE: $10 Mil X $4 Mil — 2/3 Premium Applied to ExMod (NOTE 8)	1/3 Premium Not Applied to ExMod (NOTE 8)	Reinsurance Premium (NOTE 8)	EXCESS $15Mil x $14Mil (NOTE 9)	2011-2012 CARMA PREMIUM (NOTE 10)	RATE PER $100 PAYROLL
BCJPIA	$1,724,799	$109,342	$385,904	$169,532	**$555,436**	$195,649	**$2,585,226**	$0.647
CSJVRMA	1,093,109	79,303	244,571	164,667	**409,238**	$190,035	**1,771,686**	$0.456
MBASIA	134,456	67,336	30,083	17,716	**47,799**	$20,445	**270,036**	$0.646
MPA	1,204,321	121,270	269,453	109,216	**378,669**	$126,040	**1,830,300**	$0.711
PARSAC		14,523					**14,523**	
VCJPA	138,793	53,966	31,053	19,401	**50,454**	$22,390	**265,602**	$0.580
TOTALS	**$4,295,478**	**$445,740**	**$961,064**	**$480,532**	**$1,441,596**	**$554,559**	**$6,737,373**	**$0.594**

MEMBER AGENCY	COMPARISON TO PRIOR YEAR — 2010-2011 CARMA PREMIUM	INCREASE (DECREASE)	Percentage INCREASE (DECREASE)
BCJPIA	$2,414,657	$170,569	7.06%
CSJVRMA	1,801,732	($30,046)	-1.67%
MBASIA	260,461	$9,575	3.68%
MPA	1,734,781	$95,519	5.51%
PARSAC	21,785	($7,262)	-33.33%
VCJPA	237,316	$28,286	11.92%
TOTALS	**$6,470,732**	**$266,641**	4.12%

Revisions from prior year:
~ Revised reinsurance allocation: Two thirds of the reinsurance premium continues to be applied to the JPA ex mod, while one third of the premium is not.
~ A detail combined loss and payroll page for each JPA, rather than the two detail pages as provided in the past.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
Experience Modification Calculations
Fiscal Year 2011 / 2012
Losses from $100k & Capped at $1 million* - Valued at 12/31/10

			1	2	3	4	5	6	7	8
EXPERIENCE MODIFICATION SECTION	4 YEAR AVERAGE LOSS	4 YEAR AVERAGE PAYROLL	4 YEAR LOSS RATE $100/PR	AVERAGE EXPECTED LOSSES	MEMBER EXPERIENCE RATIO	CREDIBILITY FACTOR	DEVIATION FROM NORM MULTIPLIED By CREDIBILITY	FACTORED EXPERIENCE MODIFIER	CAPPED EXPERIENCE MODIFIER	*2010/11 Ex Mod (For comparison)*
BCJPIA	$2,806,264	$369,655,666	0.759	$2,238,149	1.254	0.599	0.152	1.152	**1.152**	*1.117*
CSJVRMA	1,214,364	349,606,920	0.347	2,116,760	0.574	0.582	-0.248	0.752	**0.752**	*0.823*
MBASIA	76,800	41,898,729	0.183	253,684	0.303	0.202	-0.141	0.859	**0.859**	*0.827*
MPA	2,141,503	232,099,633	0.923	1,405,290	1.524	0.475	0.249	1.249	**1.249**	*1.215*
VCJPA	0	37,169,234	0.000	225,048	0.000	0.190	-0.190	0.810	**0.810**	*0.812*
	$6,238,931	**$1,030,430,183**	**$0.605**	**$6,238,931**	**0.731**			**0.964**	**0.964**	***0.959***
						(Average)			(Average)	(Average)

LOSSES	09/10	08/09	07/08	06/07	05/06	04/05	03-04	02-03	01-02	AVERAGE
BCJPIA	$145,001	$1,061,823	$1,760,405	$564,552	$8,164,465	$735,635	$1,668,373	$0	$399,854,746	$2,806,264
CSJVRMA	16,459	418,620	589,947	964,656	1,647,126	1,655,725	2,051,276	2,384,664	405,458	$1,214,364
MBASIA	203,680	0	167,252	60,792	49,677	29,479	0	241,269	57,252	$76,800
MPA	882,947	933,775	1,638,751	3,599,075	1,880,785	1,447,400	673,088	998,426	373,680	$2,141,503
VCJPA	0	0	0	0	0	0	0	0	900,000	$0
TOTAL	**$1,248,087**	**$2,414,218**	**$4,156,355**	**$5,189,075**	**$11,742,053**	**$3,868,239**	**$4,392,737**	**$3,624,359**	**$401,591,136**	**$6,238,931**

PAYROLL	2010	2009	2008	2007	2006	2005	2004	2003	2002	AVERAGE
BCJPIA	$399,854,746	$412,307,996	$401,025,744	$381,179,313	$358,263,487	$338,154,121	$325,950,999	$315,114,527	$292,189,694	$369,655,666
CSJVRMA	388,380,637	404,407,339	400,867,123	370,415,527	332,848,968	294,296,063	276,488,400	257,228,148	246,683,846	$349,606,920
MBASIA	41,784,220	46,702,440	45,767,695	43,256,460	40,218,695	38,352,066	39,268,949	40,710,135	25,380,378	$41,898,729
MPA	257,593,483	267,123,031	263,185,935	240,928,914	220,634,505	203,649,180	195,402,288	184,970,782	163,938,411	$232,099,633
VCJPA	45,758,398	43,685,667	41,950,723	37,619,142	35,973,784	33,133,287	29,271,222	27,730,726	26,163,100	$37,169,234
TOTAL	**$1,133,371,484**	**$1,174,226,474**	**$1,152,797,219**	**$1,073,399,357**	**$987,939,438**	**$907,584,718**	**$866,381,858**	**$825,754,318**	**$754,355,429**	**$1,030,430,183**
Percentage Change	*-3.48%*	*1.86%*	*7.40%*	*8.65%*	*8.85%*	*4.76%*	*4.92%*	*9.46%*		

NOTE: * Losses are claims in excess of $100,000 and capped at $1,000,000, with the exception of inverse condemnation claims which are capped at $1,500,000.

Only the oldest four of the last six years of losses are utilized.

Calculation Notes:

3	4	5	6	7	8
"1" / ("2"/100)	*("2"/100) * Total "4"*	*"1" / "4"*	*SqRt ("2"/Total "2")*	*(1-"5") * "6"*	*1 + "7"*

Proposed Budget ~ 80% CL ~ 4% Discount

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
Administration Budget
Fiscal Year 2011 / 2012

BUDGET LINE ITEMS:	ACTUAL COSTS 2007-2008	ACTUAL COSTS 2008-2009	ACTUAL COSTS 2009-2010	PROJECTED COSTS 2010-2011	CARMA BUDGET 2010-2011	DRAFT CARMA BUDGET 2011-2012	BUDGET EXPLANATIONS
1 Management Contracted Services	$272,000	$285,820	$289,053	$289,000	$289,000	**$288,480**	BRS Contract - Revised - PARSAC withdrawal
2 Membership Dues	1,765	1,326	1,517	1,600	1,800	**1,600**	CAJPA, PRIMA, AGRIP membership
3 Financial Audit	7,250	7,500	7,800	8,100	7,800	**8,400**	Independent financial auditors
4 Claims Audit	15,200	29,900	18,900	29,900	29,900	**18,900**	Claims audit for CARMA only
5 Actuarial Services	6,250	8,900	6,560	6,724	7,800	**6,860**	Rate setting and revaluation of prior year ultimate los
6 Legal Services	45,748	37,411	81,740	60,000	60,000	**60,000**	Coverage matters and legal counsel
7 Marketing/Consultants/Website	600	1,626	1,194	600	5,000	**5,000**	Expenses for marketing consultants/materials.
8 Board Meeting Expense	1,353	1,530	1,391	1,500	2,000	**1,500**	1 meeting in Tahoe, 2 meetings in Sacramento.
9 Annual Retreat Expense	6,385	8,349	8,847	7,500	15,000	**10,000**	2 day retreat for Board members and staff
10 Fidelity Bond Premiums	992	992	1,033	1,033	1,000	**1,000**	Bonded coverage for those who control JPA funds.
11 Accreditation Fees	1,334	1,500	1,500	1,500	1,500	**1,500**	Pro-rated CAJPA Accreditation Fees for 3 years
12 Investment Management Services	23,091	23,160	19,146	26,000	20,000	**26,000**	Investment Management (PFM) fees
13 Genex Fees					0	**6,500**	Reporting fees for Medicare Set-aside
14 Contingency	0		52	100	10,000	**10,000**	Contingency
	$381,968	**$408,014**	**$438,733**	**$433,557**	**$450,800**	**$445,740**	

Administration Allocation Calculation

MEMBER	Non Claims Related Member Share	Unmodified Member Ex Mod Ratio	Claims Related Expenses	Claims Related Adjusted	Off-Balance Factor	Claims Related Member Share	TOTAL Calculated Administration Share	Additional Administration Calculation PARSAC's Calculated Share
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 8
BCJPIA	$45,442	1.254	$28,848	36,171	1.2892	$46,630	92,072	**109,342**
CSJVRMA	$45,442	0.574	$28,848	16,550	1.2892	$21,336	66,778	**79,303**
MBASIA	$45,442	0.303	$28,848	8,733	1.2892	$11,259	56,701	**67,336**
MPA	$45,442	1.524	$28,848	43,961	1.2892	$56,673	102,115	**121,270**
PARSAC	$45,442	1.000	$28,848	28,848	1.2892	$37,190	82,632	**14,523**
VCJPA	$45,442	0.000	$28,848	0	1.2892	$0	45,442	**53,966**
TOTAL	**$272,652**	0.776 (Average)	$173,088	$134,263		**$173,088**	**445,740**	**445,740**

NOTES:
1 Includes 40% of Management Contracted Services and 100% of all other items.
2 Member Experience Modifier (free floating)
3 Includes 60% of Management Contracted Services only.
4 (2)*(3)
5 TOTAL (3) / TOTAL (4)
6 (4)*(5)
7 Non Claims Related Member Share (1) Plus (+) Claims Related Member Share (6)
8 Calculation of PARSAC's calculated admin portion, with remainder allocated to other members proportionately

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
Actuarial and Reinsurance Rates
Fiscal Year 2011 / 2012

~ Reinsurance Purchase $10 million ex of $4 million ~ Excess Purchase $15 million ex of $14 million ~ Estimated 5% Increase

Only Broker Fee updated for Draft Budget

Actuarial Rates - Discounted at 4%								
Actuarial Data Discounted Range	50% Rate	60% Rate	Expected Rate	70% Rate	75% Rate	80% Rate	85% Rate	90% Rate
$1 mil ex $1 mil	0.112	0.142	0.148	0.179	0.203	0.231	0.268	0.321
$2 mil ex $1 mil		0.196	0.206	0.251	0.284	0.328	0.381	0.459
$3 mil ex $1 mil	0.171	0.223	0.237	0.289	0.329	**0.379**	0.446	0.538
$4 mil ex $1 mil	0.187	0.244	0.260	0.315	0.359	0.413	0.484	0.585
$5 mil ex $1 mil	0.198	0.257	0.271	0.328	0.374	0.431	0.501	0.607
$2 mil ex $2 mil	0.045	0.077	0.088	0.112	0.132	0.157	0.188	0.234
$3 mil ex $2 mil	0.057	0.093	0.112	0.138	0.166	0.198	0.240	0.299
$2 mil ex $3 mil		0.028	0.054	0.063	0.083	0.105	0.131	0.166
$1 mil ex $4 mil			0.024	0.000	0.037	0.051	0.064	0.082
$1 mil ex $5 mil			0.011	0.000	0.000	0.000	0.021	0.049

Indicates Expected Rate exceeds the higher confidence level rate(s)

Insurance Rates and Premiums - 5% Estimated Increase over Prior Year

Everest Reinsurance		
	With Broker Fees	Without Fees
Premium $10mil ex $4mil	$1,441,596	$1,373,306
Rate/$100 PR	$0.12720	$0.12117

Colony Excess Insurance $15mil ex $14mil	
Premium	$554,559
Rate/$100 PR	$0.04893

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
BRS Worksheet

	2007/08	2008/09	2009/10	2010/11	Current Year 2011/12
BRS Contract Price	$272,000	$285,600	$300,111	$312,230	$324,719
Percentage Increase over previous year	14.97%	5.00%	5.00%	4.00%	4.00%
Adjustment for New Members					
Delta VCD - VCJPA (7/1/08)		786,071			
City of Wildomar - PARSAC (7/1/08)		180,000			
City of Menifee - PARSAC (10/1/08)		135,000			
Kings MAD - VCJPA (7/1/09)			549,826		
Total	$0	$1,101,071	$549,826	$0	$0
BRS SHARE OF NEW PAYROLL/$100	0.0200	0.0200	0.0200	0.0200	0.0200
INCREASE IN B&A FEES	$0	$220	$110	$0	$0
BRS CONTRACT PREMIUM	$272,000	$285,820	$300,221	$312,230	$324,719
Reduction based on PARSAC Withdrawal			(11,168)	(23,230)	(36,239)
TOTAL BRS CONTRACT PREMIUM			**$289,053**	**$289,000**	**$288,480**

BCJPIA Loss Detail and Payroll

		Losses Valued at 12/31/10*							Payroll						
		09-10	08-09	07-08	06-07	05-06	04-05	03-04	2010	2009	2008	2007	2006	2005	2004
1	Albany				$32,629			$19,117	$7,541,694	$7,571,400	$7,133,602	$6,719,341	$6,270,503	$6,000,071	$5,645,028
2	Albany JPA								1,773,288	2,002,546	1,887,818	1,648,501	1,540,820	1,447,192	1,344,783
3	Berkeley	$145,001	$100,001		$45,750	$171,522			137,461,012	141,810,019	132,945,068	126,868,098	117,595,615	111,512,510	103,832,059
4	Brisbane							$154,654	7,198,185	7,608,947	7,477,338	7,319,645	6,895,390	6,373,842	6,263,683
5	Emeryville			$900,000					6,997,432	6,916,604	7,141,021	6,097,524	5,653,964	5,711,375	5,506,678
6	Emeryville MESA								7,629,193	8,219,556	7,322,533	7,149,257	6,903,006	6,534,363	6,214,910
7	Fairfax					$788,048			2,524,323	2,555,109	2,557,965	2,375,794	2,218,600	1,904,868	2,027,825
8	Larkspur					$1,765,818	$252,219	$394,602	5,006,762	5,135,174	5,162,446	4,754,855	4,489,663	4,390,231	3,879,139
9	Menlo Park			$255,092		$80,000	$205,287		22,702,024	23,180,947	22,959,814	21,101,406	19,160,987	19,615,574	19,994,499
10	Mill Valley			$40,581		$2,872,294			12,705,290	12,785,513	12,145,840	11,465,669	10,866,323	10,178,479	10,203,337
11	Monte Sereno							$1,100,000	728,211	710,308	675,878	621,996	534,626	525,945	507,809
12	Novato		$320			$55,721			19,010,871	20,197,782	20,728,955	19,294,376	17,996,855	17,429,262	16,089,923
13	Piedmont			$45,500	$8,790		$28,537		10,272,372	10,403,144	9,660,940	9,092,265	8,284,421	8,065,878	7,539,687
14	Pleasanton					$198,739	$160,180		36,399,043	37,970,188	35,371,912	34,474,058	32,829,920	30,918,696	29,233,905
15	Pleasanton fire								17,449,387	17,805,178	16,930,123	16,260,750	15,314,862	14,384,229	14,115,113
16	Redwood City		$921,502		$477,383		$84,295		52,272,619	55,283,166	54,289,688	51,556,200	49,369,650	47,941,932	49,584,481
17	San Anselmo					$2,232,323			4,809,247	4,886,643	4,703,687	4,393,391	4,392,932	4,194,255	4,129,042
18	San Francisco			$8,308					10,095,229	10,372,482	9,972,476	9,613,435	9,969,983	10,157,594	10,123,975
19	Sausalito								6,972,284	6,973,698	6,156,440	5,614,534	5,755,776	5,203,000	5,701,310
20	Twin Cities								3,682,612	3,846,593	3,847,925	3,585,605	3,480,997	3,175,228	3,081,355
21	Union City		$40,000	$510,924			$5,117		26,623,669	26,073,000	31,954,278	31,172,614	28,738,594	22,489,596	20,932,458
	TOTALS	**$145,001**	**$1,061,823**	**$1,760,405**	**$564,552**	**$8,164,465**	**$735,635**	**$1,668,373**	**$399,854,746**	**$412,307,996**	**$401,025,744**	**$381,179,313**	**$358,263,487**	**$338,154,121**	**$325,950,999**
									-3.02%	**2.81%**	**5.21%**	**6.40%**	**#REF!**	**3.74%**	**3.44%**

*** Inverse condemnation claims capped at $1.5 million**

Losses from $100k & capped at $1 million *

CSJVRMA Loss Detail and Payroll

		Losses Valued at 12/31/10*							Payroll						
		09-10	08-09	07-08	06-07	05-06	04-05	03-04	2010	2009	2008	2007	2006	2005	2004
1	ANGELS CAMP								$2,272,058	$2,420,825	$2,279,043	$2,285,453	$2,226,950	$1,983,813	$1,728,456
2	ARVIN								2,875,267	2,737,316	2,354,414	2,439,296	2,087,230	1,735,372	1,572,040
3	ATWATER					$218,702			8,454,573	8,042,220	8,950,313	7,721,587	6,864,802	6,090,485	5,702,447
4	AVENAL							$739,363	1,721,633	1,308,113	1,234,170	1,286,880	1,254,139	1,166,622	1,067,702
5	CERES		$45,000						14,132,375	14,917,938	13,653,640	12,540,069	11,331,810	10,128,242	9,406,048
6	CHOWCHILLA			$299,500				$96,612	3,158,967	4,780,928	4,539,350	4,255,027	3,853,000	3,076,210	2,933,341
7	CLOVIS			$90,000					35,064,579	36,319,502	38,855,397	38,576,764	34,633,822	31,358,673	28,219,051
8	CORCORAN								3,808,284	3,829,517	3,534,289	3,189,863	2,997,544	2,644,163	2,509,916
9	DELANO							$17,294	11,374,896	10,942,445	9,709,149	8,832,804	7,804,468	7,366,321	7,153,205
10	DELANO_CCF								4,109,025	4,094,884	3,657,582	3,236,777	3,142,542	3,172,436	3,062,273
11	DINUBA								8,258,231	9,344,322	8,860,628	7,941,276	6,749,926	6,056,701	5,922,097
12	DOS PALOS								1,245,898	1,133,554	1,089,607	1,018,760	931,020	841,509	807,979
13	ESCALON								2,097,135	2,422,288	2,595,142	2,357,017	2,079,052	1,783,475	1,855,513
14	EXETER								2,234,970	2,397,104	2,300,288	2,170,942	2,061,136	1,684,115	1,693,315
15	FARMERSVILLE								1,809,415	1,875,699	1,846,958	1,579,170	1,320,297	1,114,197	1,089,006
16	FIREBAUGH								1,790,980	1,882,990	2,026,474	1,725,807	1,565,314	1,375,164	1,301,312
17	FOWLER								1,776,370	1,816,262	1,870,872	1,739,487	1,540,303	1,017,881	1,142,460
18	GUSTINE								1,450,672	1,420,455	1,342,969	1,314,186	1,109,548	993,717	997,131
19	HANFORD		$117,102				$899,957		14,932,964	15,034,425	14,737,696	12,849,820	12,576,423	11,813,192	10,868,392
20	HUGHSON								1,232,118	1,255,328	1,315,594	1,306,046	1,129,113	955,306	869,728
21	HURON								1,111,754	1,392,951	1,455,236	1,195,839	1,250,045	984,632	843,795
22	KERMAN								3,328,713	3,241,635	3,240,597	3,006,550	2,674,182	2,164,773	1,955,137
23	KINGSBURG						$594,000		3,689,391	3,801,068	3,716,674	3,528,340	3,120,535	2,874,496	2,638,013
24	LATHROP								4,518,762	5,814,328	5,423,844	5,957,399	4,775,869	4,281,615	3,953,369
25	LEMOORE								5,814,614	6,185,921	5,732,705	4,870,371	4,834,877	4,124,668	4,247,812
26	LINDSAY			$13,160				$77,674	4,497,494	4,349,077	4,351,353	3,785,606	3,183,603	2,606,848	2,357,706
27	LIVINGSTON								3,670,396	3,464,551	3,722,610	3,895,504	3,342,949	3,098,094	2,267,423
28	LOS BANOS				$40,000				9,170,699	9,445,135	10,097,209	9,168,286	7,631,509	6,401,478	5,998,764
29	MADERA				$69,051			$93,659	14,430,550	15,232,187	14,186,968	14,015,450	12,607,337	10,658,673	10,250,021
30	MARICOPA								303,895	340,524	346,083	335,724	199,663	109,686	113,907
31	MCFARLAND								1,719,145	671,940	550,521	528,081	535,830	562,477	412,362
32	MENDOTA								1,596,621	1,127,617	934,365	881,901	851,816	688,139	584,085
33	MERCED					$900,000			33,082,749	37,114,632	36,338,116	33,755,250	29,146,632	24,888,187	23,050,882
34	NEWMAN								1,835,569	2,005,202	1,999,836	1,796,158	1,677,360	1,638,112	1,570,244
35	OAKDALE			$84,786	$59,163			$56,000	8,924,623	10,237,407	10,072,028	9,639,027	8,432,167	7,149,773	6,360,867
36	ORANGE COVE								2,071,167	1,030,234	887,119	807,624	759,934	638,555	609,753
37	PARLIER					$29,283			2,519,591	2,421,557	1,963,305	1,775,730	1,619,926	1,591,750	1,521,563
38	PATTERSON								4,611,441	4,766,127	4,407,064	3,783,753	3,166,806	2,296,464	1,933,356
39	PORTERVILLE								17,271,465	17,385,018	15,903,701	12,810,276	12,022,507	11,466,279	11,106,029
40	REEDLEY							$94,355	6,855,040	6,791,821	6,597,188	6,505,324	5,959,888	5,104,028	5,003,192
41	RIPON								5,643,488	6,140,871	6,696,074	5,930,533	5,365,558	4,550,778	4,054,758
42	RIVERBANK				$15,942	$240,000			3,725,586	3,661,862	3,656,440	3,302,560	2,788,688	2,308,040	2,177,554
43	SAN JOAQUIN								678,949	625,597	552,657	541,594	432,073	351,522	393,327
44	SANGER								7,489,557	7,690,288	8,709,553	8,751,049	8,048,070	6,843,734	6,776,069
45	SELMA								5,405,021	6,377,988	8,182,282	7,755,647	7,034,762	6,132,780	5,822,877
46	SHAFTER		$5,000					$20,495	4,995,143	4,935,405	4,937,393	4,518,700	4,092,358	3,611,157	3,438,184
47	SHAFTER_CCF								3,088,111	3,153,827	3,153,355	2,881,187	2,494,836	2,475,830	2,447,673
48	SONORA								3,419,489	3,353,387	3,607,299	3,353,858	3,102,431	2,688,658	2,324,381
49	SUTTER CREEK								1,029,321	1,239,742	1,344,060	1,264,324	1,098,462	1,000,346	951,982

CSJVRMA Loss Detail and Payroll

		Losses Valued at 12/31/10*							Payroll						
		09-10	08-09	07-08	06-07	05-06	04-05	03-04	2010	2009	2008	2007	2006	2005	2004
50	TAFT								3,327,022	3,221,006	3,088,488	3,081,921	2,906,595	2,539,541	2,485,580
51	TAFT_CCF								2,686,497	2,848,608	2,631,348	2,686,612	2,035,408	2,038,724	2,042,973
52	TEHACHAPI								3,098,284	3,091,624	3,344,135	3,020,427	2,312,713	1,949,425	1,383,609
53	TRACY				$367,500	$97,750	$30,480	$34	38,308,727	41,562,060	40,475,502	36,600,917	32,549,578	30,051,378	28,735,841
54	TULARE	$16,459							20,046,644	19,393,809	18,633,276	16,801,554	17,910,597	13,700,435	13,605,323
55	TURLOCK			$102,501	$413,000	$152,000			25,129,154	26,752,493	27,536,562	23,792,113	20,777,171	20,108,207	19,494,927
56	WASCO					$9,391			3,037,427	3,118,786	3,543,932	3,773,283	3,036,834	2,564,112	2,025,614
57	WATERFORD								835,840	774,333	713,668	679,225	568,700	564,931	529,768
58	WOODLAKE		$251,518				$131,288	$855,790	1,612,287	1,670,604	1,381,002	1,270,799	1,242,260	1,130,144	1,118,268
	TOTALS	**$16,459**	**$418,620**	**$589,947**	**$964,656**	**$1,647,126**	**$1,655,725**	**$2,051,276**	**$388,380,637**	**$404,407,339**	**$400,867,123**	**$370,415,527**	**$332,848,968**	**$294,296,063**	**$276,488,400**
									-3.96%	**0.88%**	**8.22%**	**11.29%**	**13.10%**	**6.44%**	**7.49%**

*** Inverse condemnation claims capped at $1.5 million**

Losses from $100k & capped at $1 million *

MBASIA Loss Detail and Payroll

		Losses Valued at 12/31/10*							Payroll						
		09-10	08-09	07-08	06-07	05-06	04-05	03-04	2010	2009	2008	2007	2006	2005	2004 Estimated*
1	Capitola								$5,388,301	$6,057,085	$5,574,567	$5,450,707	$5,075,270	$ 4,769,082	
2	Del Ray Oaks								981,337	851,353	826,796	728,430	703,097	652,276	
3	Gonzales	$203,680					$2,221		2,300,829	2,324,012	2,284,153	2,088,521	1,976,732	1,836,253	
4	Greenfield				$60,792				3,051,941	2,926,868	2,701,726	2,733,460	2,733,646	1,806,540	
5	Hollister			$57,252			$27,258		7,678,611	10,906,537	10,351,750	9,549,691	9,972,732	11,071,462	
6	King City								2,789,997	2,785,334	2,799,571	2,607,259	2,238,325	1,936,989	
7	Marina					$16,494			6,537,137	8,407,026	8,136,327	7,372,914	5,988,604	6,019,286	
8	Sand City								2,451,156	2,383,774	2,318,657	2,152,756	1,908,987	1,656,252	
9	Scotts Valley								4,622,599	4,911,286	4,969,940	5,700,353	5,730,971	5,677,868	
10	Soledad			$110,000		$33,183			5,982,312	5,149,165	5,804,209	4,872,368	3,890,332	2,926,058	
	TOTALS	**$203,680**	**$0**	**$167,252**	**$60,792**	**$49,677**	**$29,479**	**$0**	**$41,784,220**	**$46,702,440**	**$45,767,695**	**$43,256,460**	**$40,218,695**	**$ 38,352,066**	**$ 39,268,949**
									-10.53%	**2.04%**	**5.81%**	**7.55%**	**4.87%**	**-2.33%**	**-3.54%**
	Non-covered (EPL, Land use)						$201,234	$367,290						* - Never received actual payroll	
	TOTALS including Non-covered						$230,713	$367,290							

Losses from $100k & capped at $1 million *

MPA Loss Detail and Payroll

		Losses Valued at 12/31/10*							Payroll						
		09-10	08-09	07-08	06-07	05-06	04-05	03-04	2010	2009	2008	2007	2006	2005	2004
1	Antioch		$33,775	$302,504	$2,626,398			$333,349	$26,298,219	$29,829,993	$30,971,652	$28,822,952	$26,152,973	$ 24,396,770	$ 24,422,156
2	Brentwood		$900,000			$212,336			24,549,012	24,245,162	25,394,950	24,586,213	22,582,127	20,797,328	18,957,031
3	Clayton				$900,000				2,104,342	2,101,779	2,034,690	1,907,554	1,701,022	1,861,031	1,814,219
4	Danville					$93,496			7,209,408	7,160,897	6,976,211	6,578,450	6,016,579	5,486,122	5,286,649
5	El Cerrito					$51,116			16,424,867	15,751,245	15,338,807	14,092,215	12,963,703	11,596,294	11,154,357
6	Hercules								9,815,688	9,883,697	8,069,811	7,358,694	6,630,507	5,417,446	5,334,856
7	Lafayette								3,561,889	3,588,147	3,335,073	3,104,041	2,777,007	2,681,442	2,497,758
8	Manteca				$27,862				30,138,818	32,209,737	31,824,488	28,211,354	25,582,392	23,638,042	22,406,431
9	Martinez	$6,166			$18,322				11,981,627	12,056,458	11,979,334	11,678,783	10,981,200	10,454,096	10,354,155
10	Moraga								2,920,429	2,709,640	2,738,533	2,877,265	2,532,920	2,242,265	2,161,730
11	MPA Staff								1,325,723	1,289,220	1,206,186	1,128,631	1,047,816	1,037,791	1,005,249
12	Oakley								1,768,337	2,130,148	2,291,053	1,904,418	1,829,761	1,721,860	1,467,572
13	Orinda				$9,258	$315,236	$547,400		3,073,737	3,044,409	2,913,286	2,592,991	2,462,494	2,437,852	2,293,082
14	Pinole	$166,781				$386,817		$259,238	11,226,420	12,670,279	12,521,685	11,776,010	10,338,047	8,931,453	8,757,646
15	Pittsburg			$825,998		$385,881			22,615,658	23,259,943	25,655,151	22,862,903	21,619,577	20,047,152	19,088,652
16	Pleasant Hill			$24,275	$17,235	$51,202		$50,404	11,138,737	11,267,320	10,981,980	10,837,439	10,187,283	9,467,053	9,713,589
17	San Pablo	$710,000				$310,334	$900,000		12,928,776	12,716,464	12,068,111	10,390,833	10,765,739	9,326,804	8,665,191
18	San Ramon			$485,974		$74,367			25,805,717	25,837,283	23,532,765	18,624,126	14,318,726	13,112,099	12,210,360
19	Walnut Creek							$30,097	32,706,079	35,371,212	33,352,168	31,594,043	30,144,633	28,996,279	27,811,605
	TOTALS	**$882,947**	**$933,775**	**$1,638,751**	**$3,599,075**	**$1,880,785**	**$1,447,400**	**$673,088**	**$257,593,483**	**$267,123,031**	**$263,185,935**	**$240,928,914**	**$220,634,505**	**$203,649,180**	**$195,402,288**
									-3.57%	**1.50%**	**9.24%**	**9.20%**	**8.34%**	**4.22%**	**5.64%**

*** Inverse condemnation claims capped at $1.5 million**

Losses from $100k & capped at $1 million *

VCJPA Loss Detail and Payroll

#		Losses Valued at 12/31/10*							Payroll						
		09-10	08-09	07-08	06-07	05-06	04-05	03-04	2010	2009	2008	2007	2006	2005	2004
1	Alameda County								$1,024,684	$937,596	$811,940	$812,103	$843,338	$894,633	$830,097
2	Burney Basin								69,237	71,481	70,749	64,888	60,351	56,998	58,251
3	Butte County								1,155,277	1,046,311	1,056,094	978,350	999,072	943,195	879,826
4	Coachella Valley								3,595,218	3,517,311	3,094,494	1,912,970	2,092,661	1,354,155	1,395,555
5	Coalinga-Huron								15,600	12,675	5,100	11,520	11,630	11,605	24,915
6	Colusa								172,894	170,966	161,077	171,177	122,805	129,243	108,387
7	Compton Creek								76,165	75,065	73,856	72,620	70,067	68,395	65,029
8	Consolidated								1,180,304	1,168,728	1,119,849	1,068,120	1,046,158	1,048,733	874,345
9	Contra Costa County								2,682,779	2,860,890	2,908,166	2,706,044	2,409,863	2,139,488	1,950,159
10	Delta VCD								977,501	896,087	858,333	786,071			
11	Durham								55,529	53,286	50,889	48,324	44,180	38,385	34,100
12	Fresno								580,711	642,244	607,954	600,075	561,214	550,132	511,859
13	Glenn County								130,011	126,225	114,887	91,038	56,341	63,922	55,556
14	Greater Los Angeles County								4,637,545	4,340,120	3,971,323	3,725,632	3,413,940	3,209,438	2,979,344
15	Kings MAD								686,872	663,141	549,826				
16	Lake County								575,044	519,073	492,481	440,684	403,732	381,958	364,141
17	Los Angeles County West								2,544,935	2,426,285	2,319,368	2,240,099	2,236,127	2,015,909	1,757,908
18	Marin-Sonoma								2,892,694	2,624,097	2,642,004	2,501,328	2,324,099	2,172,745	1,688,113
19	Napa County								687,214	671,668	648,174	586,795	512,719	510,806	448,547
20	Northern Salinas Valley								442,790	465,690	518,945	588,847	940,816	541,250	496,278
21	Northwest								1,174,803	1,149,878	1,119,015	909,881	886,948	895,538	977,393
22	Orange County								5,374,748	4,735,074	4,533,410	4,094,636	4,335,195	4,281,332	3,629,345
23	Orange County (fire ant)								0	0	0	0	0	0	121,907
24	Oroville								71,061	45,583	49,518	41,413	32,817	32,944	31,254
25	Pine Grove								36,761	33,520	33,466	34,600	48,630	30,000	36,531
26	Placer								980,837	790,317	670,988	614,699	609,774	536,223	463,762
27	Sacramento Yolo								4,357,682	4,286,495	4,339,032	3,991,640	3,818,858	3,561,693	2,884,269
28	San Gabriel Valley								1,481,230	1,519,933	1,550,331	1,430,302	1,319,997	1,295,868	1,235,279
29	San Joaquin County								2,193,677	2,095,112	2,087,338	1,948,166	1,892,964	1,759,213	1,645,134
30	San Mateo County								1,652,723	1,514,017	1,328,087	1,324,771	1,178,899	1,204,463	789,322
31	Santa Barbara Costal								384,578	342,647	345,362	239,190	326,126	305,263	226,093
32	Shasta								965,664	941,780	883,195	862,249	834,743	785,827	682,696
33	Sutter-Yuba								883,581	912,009	898,482	875,806	842,924	792,180	729,292
34	Tehama County								312,116	302,416	283,650	291,986	246,905	160,725	144,935
35	Turlock								749,291	773,849	760,025	703,520	680,824	663,848	602,989
36	West Valley								956,643	954,097	993,315	849,599	769,069	697,182	548,610
	TOTALS	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$45,758,398**	**$43,685,667**	**$41,950,723**	**$37,619,142**	**$35,973,784**	**$33,133,287**	**$29,271,222**
									4.74%	**4.14%**	**11.51%**	**4.57%**	**8.57%**	**13.19%**	**5.56%**

Losses from $100k & capped at $1 million *

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

PARSAC Administration Budget Portion

~ Fiscal Years 2009 / 2010 through 2012 / 2013 ~

BUDGET LINE ITEMS:	2009-2010 Calc	2010-2011 Calc	2011-2012 Calc	2012-2013 Calc	Total PARSAC Admin Fees	CARMA Admin 2009-2010
Management Contracted Services	$ 32,104	$ 20,581	$ 12,841	$ 7,740	**$ 73,266**	**$300,111**
Membership Dues						**1,800**
Financial Audit						**7,800**
Claims Audit	2,570	1,928	1,285	643	**6,426**	**18,900**
Actuarial Services	497	332	199	133	**1,160**	**7,800**
Legal Services						**35,000** *
Marketing/Consultants/Website						**5,000**
Conference						**0**
Board Meeting Expense						**2,000**
Annual Retreat Expense						**15,000**
Fidelity Bond Premiums	136	102	68	34	**340**	**1,000**
Accreditation Fees						**1,500**
Investment Management Services	2,720	2,040	1,360	680	**6,800**	**20,000**
Contingency						**10,000**
Totals	**$ 38,027**	**$ 24,982**	**$ 15,754**	**$ 9,229**	**$ 87,992**	**$425,911**
Allocation based on Agreed upon Total	**$ 29,046**	**$ 21,785**	**$ 14,523**	**$ 7,262**	**$ 72,615**	

Key
Not included
75/50/30/20 allocation
Actuary - Prior Liabilities - 50% of study
BRS - Litigation - 51.7%
75/50/30/20 allocation
Admin & Finance - 48.3%
50/30/20/10 allocation

2009-2010 Payroll Percentage Calculation

Member	Payroll	Payroll %age
BCJPIA	$401,025,744	0.289
CSJVRMA	400,867,123	0.289
MBASIA	45,723,997	0.033
MPA	263,185,935	0.190
PARSAC	235,766,612	0.170
VCJPA	41,400,897	0.030
TOTALS	$1,387,970,307	1.000

* - Legal services will be billed according to time and expense that pertains to PARSAC.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
Administration Budget
~ Fiscal Years 2009/2010 through 2011/2012 ~
BRS Fee Reduction

From: 2009/2010 Administration Budget Page

BUDGET LINE ITEMS:	ACTUAL COSTS 2005-2006	ACTUAL COSTS 2006-2007	ACTUAL COSTS 2007-2008	ACTUAL COSTS 12/31/2008	PROJECTED COSTS 2008-2009	CARMA BUDGET 2008-2009	PROPOSED CARMA BUDGET 2009-2010	BUDGET EXPLANATIONS
Management Contracted Services	$228,653	$236,575	$272,000	$142,913	$285,820	$285,820	**$300,221**	BRS Contract
Totals	**$307,891**	**$348,845**	**$381,968**	**$193,629**	**$406,774**	**$424,520**	**$426,021**	

Administration Allocation Calculation

MEMBER	Non Claims Related Member Share	Unmodified Member Ex Mod Ratio	Claims Related Expenses	Claims Related Adjusted	Off-Balance Factor	Claims Related Member Share	TOTAL Calculated Administration Share	Additional Administration Calculation PARSAC's Calculated Share
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 8
BCJPIA	$40,981	1.254	$30,022	37,643	1.2892	$48,528	89,509	**100,276**
CSJVRMA	$40,981	0.574	$30,022	17,223	1.2892	$22,204	63,185	**70,785**
MBASIA	$40,981	0.303	$30,022	9,089	1.2892	$11,717	52,699	**59,037**
MPA	$40,981	1.524	$30,022	45,750	1.2892	$58,980	99,961	**111,985**
PARSAC	$40,981	1.000	$30,022	30,022	1.2892	$38,704	79,685	**38,027**
VCJPA	$40,981	0.000	$30,022	0	1.2892	$0	40,981	**45,911**
TOTAL	**$245,888**	0.776 (Average)	$180,133	$139,727		**$180,133**	**426,021**	**426,021**

PARSAC's percentage share of total administration **0.187**

From: PARSAC Fee Calculation

BUDGET LINE ITEMS:	2009-2010 Calc	2010-2011 Calc	2011-2012 Calc	2012-2013 Calc	Total PARSAC Admin Fees	CARMA Admin 2009-2010
Management Contracted Services	$ 32,104	$ 20,581	$ 12,841	$ 7,740	$ 73,266	**$300,111**
Totals	38,027	24,982	15,754	9,229	87,992	**425,911**

** This was calculated before the addition of Kings MAD, hence the $110 difference.*

Key
Not included
75/50/30/20 allocation
Actuary - Prior Liabilities - 50% of study
BRS - Litigation - 51.7% 75/50/30/20 allocation
Admin & Finance - 48.3% 50/30/20/10 allocation

From: BRS Worksheet

	Current Year 2009/10	2010/11	2011/12	No Contract yet 2012/13
BRS Contract Price	$300,111	$312,230	$324,719	
Percentage Increase over previous year	5.00%	4.00%	4.00%	
Adjustment for New Members				
Kings MAD - VCJPA (7/1/09)	549,826			
Total	$549,826	$0	$0	
BRS Share of New Payroll/$100	0.0200	0.0200	0.0200	
Increase in BRS Fees	$110	$0	$0	
TOTAL BRS Contract Premium	**$300,221**	**$312,230**	**$324,719**	
PARSAC's %age share of BRS contract: 18.60% *	$ 55,841	$ 58,075	$ 60,398	
* BRS Contract reduction per annual reduction percentage	$11,168	$23,230	$36,239	
BRS Reduced contract premium	**$289,053**	**$289,000**	**$288,480**	

**** Reduced by 20% the first year, 40% the second year, 60% the third year***

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
Draft Annual Operating Budget
Fiscal Year 2011 / 2012
Funding For Losses at the 75% Confidence Level

~ Reinsurance Purchase $10 million ex of $4 million ~ Excess Purchase $15 million ex of $14 million ~ Estimated 5% Increase

	2010 PAYROLL	FUNDING FOR LOSSES	EXPERIENCE MOD FACTOR	LOSSED ADJUSTED FOR EX MOD	OFF-BALANCE FACTOR	ADJUSTED LOSSES
MEMBER AGENCY	NOTE 1	NOTE 2	NOTE 3	NOTE 4	NOTE 5	NOTE 6
BCJPIA	$399,854,746	$1,351,041	1.152	$1,556,444	0.9879	$1,537,679
CSJVRMA	388,380,637	1,312,272	0.752	986,413	0.9879	974,520
MBASIA	41,784,220	141,182	0.859	121,332	0.9879	119,869
MPA	257,593,483	870,365	1.249	1,086,769	0.9879	1,073,667
PARSAC						
VCJPA	45,758,398	154,610	0.810	125,246	0.9879	123,736
TOTALS	**$1,133,371,484**	**$3,829,470**	**0.964**	**$3,876,203**		**$3,829,470**
			(average)			

LAYER "B" RATE	**$3 X $1 Rate for Discounted Losses and ALAE (80% Confidence Level)**	**0.338**
LAYER "C" RATE	**Reinsurance Rate + Broker's Fee**	**$0.12720**
($5-14 MIL)	Broker's Fee (included in reinsurance rate)	$68,290
LAYER "D" RATE	**Excess ($15-$29 Mil) Insurance Rate**	**$0.04893**

LAYER "A" $0 - $1 MIL - NOT ACTIVATED
LAYER "B" $3 MIL EX $1 MIL
LAYER "C" $10 MIL EX $4 MIL
LAYER "D" $15 MIL EX $14 MIL

NOTES:
1 2010 Payroll
2 Payroll/100 * Rate Discounted at 3.50%
3 Minimum of .75 AND Maximum of 1.25 (Page 2).
4 (2)*(3)
5 Total (2) / Total (4)
6 (4) * (5).
7 From Page 3
8 (Payroll/100) * Reinsurance Rate (2/3 applied to ex mod)
9 (Payroll/100) * Excess Insurance Rate
10 Sum of (6) Through (9)

	ADJUSTED LOSSES	ADMIN PREMIUM	REINSURANCE: $10 Mil X $4 Mil — 2/3 Premium Applied to ExMod	1/3 Premium Not Applied to ExMod	Reinsurance Premium	EXCESS $15Mil x $14Mil	2011-2012 CARMA PREMIUM	RATE PER $100	COMPARISON TO PRIOR YEAR — 2010-2011 CARMA PREMIUM	INCREASE (DECREASE)	Percentage INCREASE (DECREASE)
MEMBER AGENCY	NOTE 6	NOTE 7	NOTE 8			NOTE 9	NOTE 10	PAYROLL			
BCJPIA	$1,537,679	$109,342	$385,904	$169,532	**$555,436**	$195,649	**$2,398,106**	$0.600	$2,414,657	($16,551)	-0.69%
CSJVRMA	974,520	79,303	244,571	164,667	**409,238**	$190,035	**1,653,096**	$0.426	1,801,732	($148,636)	-8.25%
MBASIA	119,869	67,336	30,083	17,716	**47,799**	$20,445	**255,449**	$0.611	260,461	($5,012)	-1.92%
MPA	1,073,667	121,270	269,453	109,216	**378,669**	$126,040	**1,699,645**	$0.660	1,734,781	($35,136)	-2.03%
PARSAC		14,523					**14,523**		21,785	($7,262)	-33.33%
VCJPA	123,736	53,966	31,053	19,401	**50,454**	$22,390	**250,545**	$0.548	237,316	$13,229	5.57%
TOTALS	**$3,829,470**	**$445,740**	**$961,064**	**$480,532**	**$1,441,596**	**$554,559**	**$6,271,365**	**$0.553**	**$6,470,732**	**-$199,367**	-3.08%

Revision from prior year:
~ Revised reinsurance allocation: Two thirds of the reinsurance premium continues to be applied to the JPA ex mod, while one third of the premium is not.
~ A detail combined loss and payroll page for each JPA, rather than the two detail pages as provided in the past.

Proposed Budget ~ 75% CL ~ 3.5% Discount

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
Actuarial and Reinsurance Rates
Fiscal Year 2011 / 2012

~ Reinsurance Purchase $10 million ex of $4 million ~ Excess Purchase $15 million ex of $14 million ~ Estimated 5% Increase

Only Broker Fee updated for Draft Budget

Actuarial Rates - Discounted at 3.50%

Actuarial Data Discounted Range	50% Rate	60% Rate	Expected Rate	70% Rate	75% Rate	80% Rate	85% Rate	90% Rate
$1 mil ex $1 mil	0.115	0.146	0.152	0.184	0.208	0.237	0.275	0.330
$2 mil ex $1 mil		0.201	0.212	0.258	0.292	0.337	0.391	0.471
$3 mil ex $1 mil	0.176	0.229	0.243	0.297	**0.338**	0.389	0.458	0.553
$4 mil ex $1 mil	0.192	0.251	0.267	0.324	0.369	0.424	0.497	0.601
$5 mil ex $1 mil	0.203	0.264	0.278	0.337	0.384	0.443	0.515	0.623
$2 mil ex $2 mil	0.046	0.079	0.090	0.115	0.136	0.161	0.193	0.240
$3 mil ex $2 mil	0.059	0.096	0.115	0.142	0.170	0.203	0.246	0.307
$2 mil ex $3 mil		0.029	0.055	0.065	0.085	0.108	0.135	0.170
$1 mil ex $4 mil			0.025	0.000	0.038	0.052	0.066	0.084
$1 mil ex $5 mil			0.011	0.000	0.000	0.000	0.022	0.050

Indicates Expected Rate exceeds the higher confidence level rate(s)

Insurance Rates and Premiums

Everest Reinsurance	With Broker Fees	Without Fees
Premium $10mil ex $4mil	$1,441,596	$1,373,306
Rate/$100 PR	$0.12720	$0.12117

Colony Excess Insurance $15mil ex $14mil	
Premium	$554,559
Rate/$100 PR	$0.04893

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
Approved Annual Operating Budget
Fiscal Year 2010 / 2011
Funding For Losses at the 80% Confidence Level

~ Reinsurance Purchase $10 million ex of $4 million ~ Excess Purchase $15 million ex of $14 million ~

	2009 PAYROLL	FUNDING FOR LOSSES	EXPERIENCE MOD FACTOR	LOSSED ADJUSTED FOR EX MOD	OFF-BALANCE FACTOR	ADJUSTED LOSSES
MEMBER AGENCY	NOTE 1	NOTE 2	NOTE 3	NOTE 4	NOTE 5	NOTE 6
BCJPIA	$412,307,996	$1,422,463	1.117	$1,589,114	0.9849	$1,565,152
CSJVRMA	404,407,339	1,395,205	0.823	1,148,226	0.9849	1,130,912
MBASIA	46,702,440	161,123	0.827	133,310	0.9849	131,300
MPA	267,123,031	921,574	1.215	1,120,121	0.9849	1,103,230
PARSAC						
VCJPA	43,685,667	150,716	0.812	122,331	0.9849	120,486
TOTALS	**$1,174,226,474**	**$4,051,081**	**0.959**	**$4,113,103**		**$4,051,081**
			(average)			

LAYER "B" RATE	**$3 X $1 Rate for Discounted Losses and ALAE (80% Confidence Level)**	**0.345**
LAYER "C" RATE	**Reinsurance Rate + Broker's Fee**	**$0.12107**
($5-14 MIL)	Broker's Fee (included in reinsurance rate)	$66,625
LAYER "D" RATE	**Excess ($15-$29 Mil) Insurance Rate**	**$0.04660**

LAYER "A" $0 - $1 MIL - NOT ACTIVATED
LAYER "B" $3 MIL EX $1 MIL
LAYER "C" $10 MIL EX $4 MIL
LAYER "D" $15 MIL EX $14 MIL

NOTES:

1 2009 Payroll
2 Payroll/100 * Discounted Rate.
3 Minimum of .75 AND Maximum of 1.25 (Page 2).
4 (2)*(3)
5 Total (2) / Total (4)
6 (4) * (5).
7 From Page 3
8 (Payroll/100) * Reinsurance Rate * (3) * Off-balance
9 (Payroll/100) * Excess Insurance Rate
10 Sum of (6) Through (9)

	ADJUSTED LOSSES	ADMIN PREMIUM	REINSURANCE: $10 Mil X $4 Mil Premium & Broker's Fee	Ex Mod Applied	Off Balance Applied	EXCESS $15Mil x $14Mil	2010-2011 CARMA PREMIUM	RATE PER $100	COMPARISON TO PRIOR YEAR 2009-2010 CARMA	INCREASE	Percentage INCREASE
MEMBER AGENCY	NOTE 6	NOTE 7		NOTE 8		NOTE 9	NOTE 10	PAYROLL	PREMIUM	(DECREASE)	(DECREASE)
BCJPIA	$1,565,152	$108,106	$499,177	$557,660	$549,251	$192,148	**$2,414,657**	$0.586	$2,262,791	$151,866	6.71%
CSJVRMA	1,130,912	85,488	489,612	402,941	396,865	$188,466	**1,801,732**	$0.446	2,115,672	($313,940)	-14.84%
MBASIA	131,300	61,319	56,542	46,782	46,076	$21,765	**260,461**	$0.558	277,713	($17,252)	-6.21%
MPA	1,103,230	119,913	323,403	393,078	387,151	$124,487	**1,734,781**	$0.649	1,545,223	$189,558	12.27%
PARSAC		21,785					**21,785**		29,046	($7,262)	-25.00%
VCJPA	120,486	54,189	52,890	42,929	42,282	$20,359	**237,316**	$0.543	225,309	$12,007	5.33%
TOTALS	**$4,051,081**	**$450,800**	**$1,421,625**	**$1,443,390**	**$1,421,625**	**$547,225**	**$6,470,731**	**$0.551**	**$6,455,754**	**$14,977**	0.23%

Revision from prior year:
~ Change in experience modification calculation: Inverse Condemnation claims capped at $1.5 million

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
Experience Modification Calculations
Fiscal Year 2010 / 2011
Losses from $100k & Capped at $1 million* - Valued at 12/31/09

	1	2	3	4	5	6	7	8	
EXPERIENCE MODIFICATION SECTION	4 YEAR AVERAGE LOSS	4 YEAR AVERAGE PAYROLL	4 YEAR LOSS RATE $100/PR	AVERAGE EXPECTED LOSSES	MEMBER EXPERIENCE RATIO	CREDIBILITY FACTOR	DEVIATION FROM NORM MULTIPLIER By CREDIBILITY	FACTORED EXPERIENCE MODIFIER	CAPPED EXPERIENCE MODIFIER	*2009/10 Ex Mod (For comparison)*
BCJPIA	$2,288,616	$350,886,980	0.652	$1,917,340	1.194	0.605	0.117	1.117	**1.117**	*1.055*
CSJVRMA	1,205,958	318,512,240	0.379	1,740,436	0.693	0.576	-0.177	0.823	**0.823**	*0.980*
MBASIA	34,737	40,274,042	0.086	220,068	0.158	0.205	-0.173	0.827	**0.827**	*0.888*
MPA	1,708,599	214,902,410	0.795	1,174,284	1.455	0.473	0.215	1.215	**1.215**	*1.076*
VCJPA	0	33,999,359	0.000	185,782	0.000	0.188	-0.188	0.812	**0.812**	*0.812*
	$5,237,910	**$958,575,030**	**$0.546**	**$5,237,910**	**0.700**			**0.959**	**0.959**	***0.962***
					(Average)			(Average)	(Average)	

LOSSES	08/09	07/08	06/07	05/06	04/05	03-04	02-03	01-02	00-01	AVERAGE
BCJPIA	$926,502	$1,192,164	$310,681	$6,439,775	$735,635	$1,668,373	$1,623,798	$694,900	$560,376	$2,288,616
CSJVRMA	256,780	69,260	244,051	872,780	1,655,725	2,051,276	2,384,664	405,458	998,308	$1,205,958
MBASIA	5,000	122,500	60,792	48,678	29,479	0	241,269	57,252	0	$34,737
MPA	868,775	182,317	2,875,415	2,003,478	1,282,413	673,088	998,426	373,680	1,552,269	$1,708,599
VCJPA	0	0	0	0	0	0	0	900,000	0	$0
TOTAL	**$2,057,057**	**$1,566,241**	**$3,490,939**	**$9,364,711**	**$3,703,252**	**$4,392,737**	**$5,248,157**	**$2,431,290**	**$3,110,953**	**$5,237,910**

PAYROLL	2009	2008	2007	2006	2005	2004	2003	2002	2001	AVERAGE
BCJPIA	$412,307,996	$401,025,744	$381,179,313	$358,263,487	$338,154,121	$325,950,999	$315,114,527	$292,189,694	$253,039,423	$350,886,980
CSJVRMA	404,407,339	400,867,123	370,415,527	332,848,968	294,296,063	276,488,400	257,228,148	246,683,846	227,979,931	$318,512,240
MBASIA	46,702,440	45,767,695	43,256,460	40,218,695	38,352,066	39,268,949	40,710,135	25,380,378	24,404,210	$40,274,042
MPA	267,123,031	263,185,935	240,928,914	220,634,505	203,649,180	194,397,040	184,030,621	163,072,259	154,197,211	$214,902,410
VCJPA	43,685,667	41,950,723	37,619,142	35,973,784	33,133,287	29,271,222	27,730,726	26,163,100	24,817,761	$33,999,359
TOTAL	**$1,174,226,474**	**$1,152,797,219**	**$1,073,399,357**	**$987,939,438**	**$907,584,718**	**$865,376,610**	**$824,814,157**	**$753,489,277**	**$684,438,536**	**$958,575,030**
Percentage Change	*1.86%*	*7.40%*	*8.65%*	*8.85%*	*4.88%*	*4.92%*	*9.47%*	*10.09%*		

NOTE: * Losses are claims in excess of $100,000 and capped at $1,000,000, with the exception of inverse condemnation claims which are capped at $1,500,000.
Only the oldest four of the last six years of losses are utilized.

Calculation Notes:

3	4	5	6	7	8
"1" / ("2"/100)	*("2"/100) * Total "4"*	*"1" / "4"*	*SqRt ("2"/Total "2")*	*(1-"5") * "6"*	*1 + "7"*

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
Administration Budget
Fiscal Year 2010 / 2011

BUDGET LINE ITEMS:	ACTUAL COSTS 2006-2007	ACTUAL COSTS 2007-2008	ACTUAL COSTS 2008-2009	ACTUAL COSTS 12/31/2009	PROJECTED COSTS 2009-2010	CARMA BUDGET 2009-2010	PROPOSED CARMA BUDGET 2010-2011	BUDGET EXPLANATIONS
1 Management Contracted Services	$236,575	$272,000	$285,820	$144,526	$289,053	$289,053	**$289,000**	BRS Contract - Revised - PARSAC withdrawal
2 Membership Dues	1,654	1,765	1,326	711	1,750	1,800	**1,800**	CAJPA, PRIMA, AGRIP membership
3 Financial Audit	7,000	7,250	7,500	7,800	7,800	7,800	**7,800**	Independent financial auditors
4 Claims Audit	39,400	15,200	29,900	0	18,900	18,900	**29,900**	Claims audit for the participating members
5 Actuarial Services	11,571	6,250	8,900	0	7,500	7,800	**7,800**	Rate setting and actuarial soundness
6 Legal Services	19,415	45,748	37,411	30,887	61,774	35,000	**60,000**	Coverage matters and legal counsel
7 Marketing/Consultants/Website	600	600	1,626	894	1,194	5,000	**5,000**	Expenses for marketing consultants/materials.
8 Conference	0	0	0	0	0	0	**0**	Board members to attend CAJPA & PARMA
9 Board Meeting Expense	951	1,353	1,530	840	1,680	2,000	**2,000**	1 meeting in Tahoe, 2 meetings in Sacramento.
10 Annual Retreat Expense	11,652	6,385	8,349	0	8,700	15,000	**15,000**	2 day retreat for Board members and staff
11 Fidelity Bond Premiums	992	992	992	518	1,033	1,000	**1,000**	Bonded coverage for those who control JPA funds.
12 Accreditation Fees	1,333	1,334	1,500	1,500	1,500	1,500	**1,500**	Pro-rated CAJPA Accreditation Fees for 3 years
13 Investment Management Services	17,702	23,091	23,160	9,945	20,000	20,000	**20,000**	Investment Management (PFM) fees
14 Contingency	0	0		336	1,000	10,000	**10,000**	Contingency
	$348,845	**$381,968**	**$408,014**	**$197,957**	**$421,884**	**$414,853**	**$450,800**	

Administration Allocation Calculation

MEMBER	Non Claims Related Member Share	Unmodified Member Ex Mod Ratio	Claims Related Expenses	Claims Related Adjusted	Off-Balance Factor	Claims Related Member Share	TOTAL Calculated Administration Share	Additional Administration Calculation PARSAC's Calculated Share
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	Note 7	Note 8
BCJPIA	$46,233	1.194	$28,900	34,496	1.3335	$46,001	92,234	**108,106**
CSJVRMA	$46,233	0.693	$28,900	20,025	1.3335	$26,703	72,937	**85,488**
MBASIA	$46,233	0.158	$28,900	4,562	1.3335	$6,083	52,317	**61,319**
MPA	$46,233	1.455	$28,900	42,050	1.3335	$56,074	102,307	**119,913**
PARSAC	$46,233	1.000	$28,900	28,900	1.3335	$38,538	84,772	**21,785**
VCJPA	$46,233	0.000	$28,900	0	1.3335	$0	46,233	**54,189**
TOTAL	**$277,400**	0.750 (Average)	$173,400	$130,033		**$173,400**	**450,800**	**450,800**

NOTES:
1 Includes 40% of Management Contracted Services and 100% of all other items.
2 Member Experience Modifier (free floating)
3 Includes 60% of Management Contracted Services only.
4 (2)*(3)
5 TOTAL (3) / TOTAL (4)
6 (4)*(5)
7 Non Claims Related Member Share (1) Plus (+) Claims Related Member Share (6)
8 Calculation of PARSAC's calculated admin portion, with remainder allocated to other members proportionately

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
Actuarial and Reinsurance Rates
Fiscal Year 2010 / 2011

~ Reinsurance Purchase $10 million ex of $4 million ~ Excess Purchase $15 million ex of $14 million ~

Actuarial Rates

Actuarial Data Discounted Range	50% Rate	60% Rate	Expected Rate	70% Rate	80% Rate	85% Rate	90% Rate
$1mil ex $1 mil	0.095	0.121	0.126	0.154	0.199	0.231	0.277
$2mil ex $1mil		0.175	0.182	0.220	0.284	0.329	0.393
$3mil ex $1mil	0.165	0.209	0.220	0.266	**0.345**	0.402	0.483
$4mil ex $1 mil	0.178	0.228	0.240	0.291	0.380	0.442	0.531
$2mil ex $2mil	0.057	0.087	0.094	0.119	0.164	0.195	0.241
$3mil ex $2mil	0.061	0.099	0.115	0.143	0.202	0.243	0.302
$4mil ex $2mil							

Insurance Rates and Premiums

Everest Reinsurance	With Broker Fees	Without Fees
Premium $10mil ex $4mil	$1,421,625	$1,355,000
Rate/$100 PR	$0.12107	$0.11540

Colony Excess Insurance $15mil ex $14mil	
Premium	$547,225
Rate/$100 PR	$0.04660

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
BRS Worksheet

	2007/08	2008/09	2009/10	Current Year 2010/11	2011/12
BRS Contract Price	$272,000	$285,600	$300,111	$312,230	$324,719
Percentage Increase over previous year	14.97%	5.00%	5.00%	4.00%	4.00%
Adjustment for New Members					
Delta VCD - VCJPA (7/1/08)		786,071			
City of Wildomar - PARSAC (7/1/08)		180,000			
City of Menifee - PARSAC (10/1/08)		135,000			
Kings MAD - VCJPA (7/1/09)			549,826		
Total	$0	$1,101,071	$549,826	$0	$0
BRS SHARE OF NEW PAYROLL/$100	0.0200	0.0200	0.0200	0.0200	0.0200
INCREASE IN B&A FEES	$0	$220	$110	$0	$0
BRS CONTRACT PREMIUM	$272,000	$285,820	$300,221	$312,230	$324,719
Reduction based on PARSAC Withdrawal			(11,168)	(23,230)	(36,239)
TOTAL BRS CONTRACT PREMIUM			**$289,053**	**$289,000**	**$288,480**

BCJPIA Losses at 12/31/09

Losses from $100k & capped at $1 million *

		Updated as of 12/31/09							Not Updated				
		08/09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00	98-99	97-98
1	Albany			$32,629			$19,117						
2	Albany JPA												
3	Berkeley			$45,750	$171,522			$771,795	$29,205	$6,344		Vickroy	$1,151,450
4	Brisbane						$154,654			$179,889			
5	Emeryville		$900,000					$72,354				$2,180	
6	Emeryville MESA												
7	Fairfax				$461,810				$53,472				
8	Larkspur				$1,799,758	$252,219	$394,602						
9	Menlo Park		$288,164		$80,000	$205,287		$41,265					
10	Mill Valley				$2,360,719				$49,918		$131,868		$29,043
11	Monte Sereno						$1,100,000						$84,679
12	Novato				$55,721								
13	Piedmont		$4,000	$8,790		$28,537		$4,083					
14	Pleasanton				$198,739	$160,180		$31,761				$96,794	
15	Pleasanton fire												
16	Redwood City	$921,502		$223,512		$84,295		$702,540		$68,378		$35,118	
17	San Anselmo				$1,311,506				$332,740			Bulkley	$643,122
18	San Francisco												
19	Sausalito									$87,939			$2,976
20	Twin Cities												
21	Union City	$5,000				$5,117			$229,565	$217,826	$409,846		$405,497
	TOTALS	**$926,502**	**$1,192,164**	**$310,681**	**$6,439,775**	**$735,635**	**$1,668,373**	**$1,623,798**	**$694,900**	**$560,376**	**$541,714**	**$134,092**	**$2,316,767**

*** Inverse condemnation claims capped at $1.5 million**

CSJVRMA Losses at 12/31/09

Losses from $100k & capped at $1 million *

		Updated as of 12/31/09							Not Updated				
		08/09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00	98-99	97-98
1	ANGELS CAMP												
2	ARVIN												
3	ATWATER				$229,586								
4	AVENAL						$739,363						
5	CERES							$11,186				$30,018	
6	CHOWCHILLA						$96,612						
7	CLOVIS		$5,000								$42,790		$167,646
8	CORCORAN							$41,082					
9	DELANO						$17,294						$46,783
10	DELANO_CCF												
11	DINUBA												$892,550
12	DOS PALOS												
13	ESCALON											$99,764	
14	EXETER										$5,543		
15	FARMERSVILLE												
16	FIREBAUGH												
17	FOWLER												
18	GUSTINE												
19	HANFORD					$899,957				$98,308		$86,407	
20	HUGHSON										$10,034		
21	HURON								$87,831				
22	KERMAN												
23	KINGSBURG					$594,000			$32,483				
24	LATHROP												
25	LEMOORE								$190,342				
26	LINDSAY		$13,160				$77,674						
27	LIVINGSTON												
28	LOS BANOS			$15,000							$142,663		
29	MADERA			$11,551			$93,659	$915,458	$34,600				
30	MARICOPA												
31	MCFARLAND												
32	MENDOTA												
33	MERCED				$400,559								
34	NEWMAN												
35	OAKDALE			$55,000			$56,000						
36	ORANGE COVE												
37	PARLIER				$41,244								
38	PATTERSON												
39	PORTERVILLE												
40	REEDLEY						$94,355						

CSJVRMA Losses at 12/31/09

Losses from $100k & capped at $1 million *

		Updated as of 12/31/09							Not Updated				
		08/09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00	98-99	97-98
41	RIPON												
42	RIVERBANK												
43	SAN JOAQUIN												
44	SANGER								$8,024		$15,000		
45	SELMA		$51,100					$900,000					$210,181
46	SHAFTER	$5,000					$20,495	$506,501				$467,046	Oviedo
47	SHAFTER_CCF												
48	SONORA												
49	SUTTER CREEK												
50	TAFT												
51	TAFT_CCF												
52	TEHACHAPI								$716				
53	TRACY			$110,000	$55,000	$30,480	$34	$10,437		$900,000	$1,040,415	Inc. Shabazz	$86,352
54	TULARE												
55	TURLOCK			$52,500	$137,000				$51,462				
56	WASCO				$9,391								
57	WATERFORD												
58	WOODLAKE	$251,780				$131,288	$855,790						
	TOTALS	**$256,780**	**$69,260**	**$244,051**	**$872,780**	**$1,655,725**	**$2,051,276**	**$2,384,664**	**$405,458**	**$998,308**	**$1,256,445**	**$683,235**	**$1,403,512**

*** Inverse condemnation claims capped at $1.5 million**

MBASIA Losses at 12/31/09

Losses from $100k & capped at $1 million

		Updated as of 12/31/09							Not updated				
		08/09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00	98-99	97-98
1	Capitola							Not Updated					
2	Del Ray Oaks												
3	Gonzales					$2,221							
4	Greenfield			$60,792									
5	Hollister	$5,000	$67,500			$27,258		$96,269	$57,252				
6	King City												
7	Marina				$15,495								
8	Sand City							$70,000					
9	Scotts Valley												
10	Soledad		$55,000		$33,183			$75,000					
		$5,000	**$122,500**	**$60,792**	**$48,678**	**$29,479**	**$0**	**$241,269**	**$57,252**	**$0**	**$0**	**$0**	**$0**
	Non-covered (EPL, Land use)						$367,290	$373,931				$456,549	
	TOTALS including Non-covered					$29,479	$367,290	$615,200	$57,252	$0	$0	$456,549	$0

MPA Losses at 12/31/09

Losses from $100k & capped at $1 million *

		Updated as of 12/31/09							Not Updated				
		08/09	**07-08**	**06-07**	**05-06**	**04-05**	**03-04**	**02-03**	**01-02**	**00-01**	**99-00**	**98-99**	**97-98**
1	Antioch	$33,775	$45,000	$1,899,823			$333,349		$235,005	$65,775		$174,268	$210,771
2	Brentwood	$835,000			$212,336								
3	CCCMRMIA Staff												
4	Clayton			$839,700								$197,353	
5	Danville				$93,496								
6	El Cerrito				$51,116					$194,778			
7	Hercules												
8	Lafayette												
9	Manteca			$57,500				$74,081				$177,576	
10	Martinez			$21,727					$16,689	$391,716		$160,454	
11	Moraga												
12	Oakley												
13	Orinda			$9,258	$481,788	$382,413					$205,902		$400,000
14	Pinole				$386,817		$259,238						
15	Pittsburg				$385,881			$805,920					
16	Pleasant Hill		$24,275	$47,407	$51,202		$50,404	$83,768				$18,968	
17	Richmond												
18	San Pablo		$75,000		$261,254	$900,000							
19	San Ramon		$38,042		$79,588								
20	Walnut Creek						$30,097	$34,657	$121,986	$900,000	Shropshire		
	TOTALS	**$868,775**	**$182,317**	**$2,875,415**	**$2,003,478**	**$1,282,413**	**$673,088**	**$998,426**	**$373,680**	**$1,552,269**	**$205,902**	**$728,619**	**$610,771**

*** Inverse condemnation claims capped at $1.5 million**

VCJPA Losses at 12/31/09

Losses from $100k & capped at $1 million

Updated as of 12/31/09

		08/09	07-08	06-07	05-06	04-05	03-04	02-03	01-02	00-01	99-00	98-99	97-98
1	Alameda County												
2	Burney Basin												
3	Butte County												
4	Coachella Valley												
5	Coalinga-Huron												
6	Colusa												
7	Compton Creek												
8	Consolidated												
9	Contra Costa County												
10	Delta VCD												
11	Durham												
12	Fresno												
13	Glenn County												
14	Greater Los Angeles County												
15	Lake County												
16	Los Angeles County West												
17	Marin-Sonoma												
18	Napa County												
19	Northern Salinas Valley												
20	Northwest												
21	Orange County												
22	Orange County (fire ant)												
23	Oroville												
24	Pine Grove												
25	Placer												
26	Sacramento Yolo												
27	San Gabriel Valley												
28	San Joaquin County												
29	San Mateo County												
30	Santa Barbara Costal												
31	Shasta												
32	Sutter-Yuba												
33	Tehama County												
34	Turlock								$900,000				
35	West Valley												
	TOTALS	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$900,000**	**$0**	**$0**	**$0**	**$0**

COVERAGE MATTERS

SUBJECT: Discussion Regarding Cyber Liability Coverage

BACKGROUND AND STATUS:

"Cyber Liability" coverage (aka "Information Security & Privacy Insurance with Electronic Media Liability Coverage") provides limited first party property and third party liability coverage for breaches (from theft, hacking, fraud, or mere accidental loss) of confidential data of employees or other third parties in the community. The data "at risk" includes, but is not yet limited to, employees' social security numbers, credit card information, confidential notes from counseling sessions, personal health information, confidential personnel records, and notes on past or pending workers' compensation claims that may be collected in your normal course of public entity business. Due to the ever increasing reliance on collection and storage of this information on servers, computers, and other vulnerable formats not yet developed, the breach of private and confidential information has become an emerging liability risk. This is before the Board today to discuss whether any change to the CARMA MOC is required.

At the present, this risk is largely uninsured or not otherwise specifically addressed in common liability insurance coverages whether commercial or self-insured. Even if there is no real economic loss to a third party from the breach, certain laws require the employer to incur significant notification costs and credit monitoring fees on behalf of all employees or interested persons whose information may have been disclosed. It is not beyond the realm of possibility that these costs could exceed $1 million.

This topic was recently discussed at a Bay Cities Joint Powers Insurance Authority (BCJPIA) meeting. Alliant Insurance Services made a presentation to the BCJPIA Board on its applicable coverage from PEPIP and how it related to the BCJPIA Liability and Property Memorandums of Coverage (MOCs). From this discussion it was determined that there are no specific exclusions to the property or liability MOCs for this coverage. This created a possible conflict on whether PEPIP or the underlying pool would be primary, whether the breach was from an "occurrence" and whether the aggregate amount was adequate for this exposure. The BCJPIA Board directed staff to draft language to specifically exclude this coverage from their Liability MOC.

The CARMA Liability MOC essentially "follows form," whenever possible, to the Liability MOCs of its primary Members' pools and also does not specifically exclude Cyber Liability. As a note, it was never intended to cover this potential exposure, and CARMA has not endeavored to fund this exposure from its Members.

To date, there have been no CARMA claims for damages from Cyber Liability.

RECOMMENDATION:

The Board provides direction on whether to review, research, and, possibly, revise the CARMA Liability Memorandum of Coverage to specifically exclude coverage for Third Party Cyber Liability.

REFERENCE MATERIALS ATTACHED

None

COVERAGE MATTERS

SUBJECT: Marketing Excess Insurance Corridor Deductible and the Advantages and/or Disadvantages of Such Deductible from an Actuarial and Excess Perspective

BACKGROUND AND STATUS:

These two concepts are relatively easy to understand, but complex to both financially evaluate, and sometimes manage. All the information or the evaluation was obtained from the recently prepared actuarial study that will be discussed at the Board meeting in great detail. Rather than provide a table of summary data to support the conclusions reached, this narrative was prepared, with one example for each of the two concepts. It will be discussed in more detail at the Board meeting.

After review and discussion of CARMA's most recent actuarial study with CARMA staff, we don't believe that either a Quota Share or Corridor option make sense at the present time; especially if consideration is being given to reduce the discount rate from 4%, since the margin of savings decreases.

Quota sharing a layer of risk with a carrier can sometimes be an attractive mechanism to reduce the risk on any one claim(s), allowing an organization to increase their "Specific" SIR when the cost of excess insurance is high, compared to the pool's ability to fund to the higher attachment (SIR). It works best when there is enough money for a carrier to be exposed to a percentage share in a layer that they may otherwise wish to avoid.

Although the marketplace continues to be relatively "soft," *Quota Sharing* takes place at the lower attachments where claims continue to potentially penetrate these "working layers" in the minds of excess carriers. As a result of California litigation trends for public entities below the $5,000,000 level, carriers are pricing closer to the individual risk's Expected/Undiscounted rate, especially with Quota Share accounts where they only retain 25 – 33% of the premium.

After thoroughly reviewing CARMA's draft actuarial study, it seems that the current premium size is not sufficient to generate a strong benefit. When we combine that with the significant work necessary to monitor this type of program, we've concluded that it's not attractive at the present time.

> As one example, and assuming the actuarial study to be both a correct reflection of what may occur AND that the excess carrier(s) would price the Quota Share as a level close to Expect/Undiscounted as indicated, if CARMA were to purchase coverage at the current level ABOVE a $3 million xs $1 million attachment, but then also Quota Sharing the 5th million with a carrier taking 50%, that 5th million has an 80%/Discount Funding value of $204,007 (meaning, to quota share 50% you would fund $102,003 and you would PAY an insurance carrier around one-half of Expected/Undiscounted in insure; $76,984.

This means that your combined cost for the layer is now $178,988. This means that the *cost savings is projected to be around $25,000*; a lot of work for a little projected benefit.

The Corridor approach is somewhat different, and more difficult to examine utilizing *just* the actuarial data, but to stay consistent we are using those figures. This is because the Corridor Deductible approach is usually an Aggregate limit; the maximum amount the Insured would pay in anyone policy year, it allows a pool to assume a finite amount of risk ABOVE their traditional, Specific SIR; i.e, the pool assumes the first $3 xs $1 layer and then a carrier reinsures the next, say, $5 million layer - - then, within the carrier's insured layer, the pool has another $1,000,000 aggregate deductible. This means that, even though there is insurance, the first $1,000,000 on penetrating losses would also be paid by the Insured. (It could be just one loss, or a combination of losses.) Actuarially, because of the increased uncertainty in these higher layers, and the fact that excess insurance is likely being secured at a premium below the actuary's Expected/Undiscounted amount, this strategy does not seem to make financial sense.

As one example, if CARMA were to share risk for the current $3 xs $1 layer and then purchase excess above that, but have a Corridor Deductible of an additional $1,000,000 – this 5th million layer, at an 80% Confidence Level/Discounted at 4%, would require CARMA to fund an additional $578,019 when the cost of insuring this level is closer to the Expected/Undiscounted amount projected to be $335,931 - - *costs would increase $242,088.*

Obviously in the example above, if there were no losses in a year, than this money would be saved, but based on the study we have to assume, overtime, that these losses will occur. It's also very interesting to point out that beginning in FY 08/09 CARMA dropped their funded layer to $3 xs $1; and the additional carrier's rate for that 4th million was approximately .022[i]. This is 36% less than the actuarial estimated rate for this layer at Expected/Undiscounted - a "Good Buy" as we have stated in the past!

In Summary, although this was a valuable exercise to investigate options for CARMA's upcoming renewal, the analysis shows that the savings are not significant enough to warrant taking on either of these two approaches. In addition, the administrative burden increases with the Quota Share approach.

These are more of "defensive" mechanisms that will demonstrate value in a "hardening" insurance market environment. The Corridor Deductible concept would work to buffer CARMA from exposure to a *second* large loss, and the Quota Share tool would allow CARMA to "meet a carrier half way" when they want to insure the current attachment, and better act as your reinsurance partner. With the Quota Share tool it is likely that CARMA would have to look at something like a 50% share of a $2,000,000 layer for the actuarial trends to support the financial analysis.

[i] The Actuarial for that year suggested a rate of .028 80% Discounted 4% and THIS year the rate for Expected/Undiscounted is .030.

RECOMMENDATION:

For Board discussion and direction to staff.

REFERENCE MATERIALS ATTACHED

None

COVERAGE MATTERS

SUBJECT: Report from Alliant Insurance Services on the Status of the Excess Insurance Renewal for CARMA

BACKGROUND AND STATUS:

At the January 14, 2011, Annual Workshop, the CARMA Board of Directors discussed coverage options for the 2011/2012 program year and directed Ms. Susan Adams, Alliant Insurance Services, to seek quotes for the $3 million excess of $1 million pooled layer, as well as the $4 million excess of $1 million pooled layer. Further, Alliant was instructed to seek quotes for various retentions in conjunction with quota sharing and corridor deductible options.

Ms. Adams will be in attendance at the meeting to update the Board on the status of the CARMA excess insurance renewal.

RECOMMENDATION:

A recommendation will be provided at the meeting following the report from Ms. Adams.

REFERENCE MATERIALS ATTACHED:

- CARMA Marketing Update

Agenda Item 8.C.

CARMA

2011/2012 Marketing Update

Susan Adams & Mike Simmons
April 20, 2011

CARMA's Current Coverage – 2010/2011

1st Layer - Everest Re layer:

- $10,000,000 xs $3,000,000 xs $1,000,000 U/L
- Premium renewed flat @ $1,355,000
- *Retention shall be $4,000,000 each occurrence subject to no drop down over sub-limited coverage provided in the MOC".*

2nd Layer: Colony National :

- $15,000,000 xs $14,000,000
- Premium decreased from $540,000 to $530,000

Direction from CARMA BOD

January 14, 2011 Board of Directors Meeting directed Alliant to seek quotations for:

1. $3,000,000 xs $1,000,000
2. $2,000,000 xs $1,000,000
3. Quota Share/Corridor options for excess insurance/reinsurance

2011/2012 Marketing Status

MARKETS	REVIEWING	QUOTING	DECLINED	COMMENTS
Everest Reinsurance	X			Working on renewal quote
Colony National				
Genesis	X			Reviewing specifications
Ironshore	X			Reviewing specifications
Selective (Bermuda)	X			Reviewing specifications
Brit (Bermuda)	X			Reviewing specifications

2011/2012 Marketing

- Alliant National Municipal Insurance Program (ANML) – is being marketed to other carriers this year.
- Selective & Brit are interested in providing quotes in CARMA's retained layer (3x1)
- Genesis is interested in providing quotes for the 1st layer - $10m x 4m
- Ironshore is interested in providing a quote for the $1st layer - $10m x $4m
- Colony National is interested in providing renewal quote for their layer $15m x $14M

Alliant

Summary

- Markets have received specifications and have been reviewing and asking for additional information.
- Actuarial study was just provided to the markets.
- We have requested quotes by May 1st. but due to carriers' workloads do not anticipate final information until mid-May for a complete evaluation.

COVERAGE MATTERS

SUBJECT: Measurement of Litigation Management Performance

BACKGROUND AND STATUS:

Periodically, the Board has requested information from the Litigation Manager on the status of selected closed litigated cases that, for whatever reason, penetrated the CARMA layer. The Board has expressed a keen interest in how these cases are being managed and what factors go into the decision for the CARMA Litigation Manager to seek authority to pay costs or indemnity on these cases in the CARMA layer. Sometimes the facts were just egregious with probably liability, other times there were peculiar circumstances that developed during the litigation that prompted a decision to pay or a decision to try the case to a jury. Many factors go into the decision to pay on a litigated case. Often, settlements are made well below the demand or a mediator's suggested figure that ultimately save CARMA significant money. The Litigation Manager will discuss several closed cases where payments penetrated the CARMA layer and what factors went into the decision.

RECOMMENDATION:

None, Information only.

REFERENCE MATERIALS ATTACHED:

- Measurement of Litigation Management Performance – December 31, 2010, Closed Claims Discussion

CARMA

MEASUREMENT OF LITIGATION MANAGEMENT PERFORMANCE (CLOSED CLAIMS DISCUSSION FOR CLAIMS CLOSED AS OF DECEMBER 31, 2010)

Fitzgerald v. City of Elk Grove (PARSAC)

FACTS: On April 8, 2008 at noon at one of the busiest major intersection in the City of Elk Grove, a marked K-9 police unit driven by a City of Elk Grove police officer with a female Dispatch ride-a-long collided with the plaintiff's vehicle broadside crossing the traffic light controlled subject intersection. Although the facts were disputed, it is arguable that the police unit was an emergency vehicle with lights and siren at the time of the collision in the intersection. Some eye witnesses deny this scenario. The police officer was in a high-speed chase of the driver of a vehicle that allegedly had been involved in a relatively minor domestic dispute involving an assault. Other police units were already involved in the chase of the subject vehicle. It could be argued that this "high speed" chase was not justified given the minor crime.
The facts of the speed of the police unit, the color of the traffic lights, the position of the vehicles as they entered the intersection and whether the police unit was operating its lights and sirens were all in dispute from the very beginning. For some reason, the City of Elk Grove decided to secure and investigate the scene of the accident internally rather than turning it over to another jurisdiction, even though one of its officers was involved in the collision. The plaintiffs' attorney was able to paint a picture of a "cover up" that would not have played well with the jury. There was a computerized Opticom lighting system at the subject intersection that was designed to give the emergency vehicle a green light through the intersection with the activation of a strobe light on the police vehicle. After much discovery, the best argument we had was to say that "***if*** the Opticom system was working properly, the police unit would have had the green light." This "scientific puzzle" was countered by several eye witnesses at the scene who testified that the police unit had a red light at the time it entered the intersection and that the plaintiff had green light.

A decision was made that the jury would accept the eye witness observations over the admittedly confusing scientific evidence. Even the officer admitted that he was not very familiar with how the system worked. In addition to the testimony of the eye witnesses that countered the testimony of the police officer, even the Dispatch ride-a-long was not able to state that the unit had a green light when it entered the intersection. The best we could do on this was to argue that the police unit most likely received a green light several seconds before entering the intersection. The jury would most likely determine that the police vehicle was travelling too fast for the conditions at the time of the accident with an adverse finding of liability. We felt that the facts were adverse from the very beginning. The obvious argument to the jury was that this young male officer was "showing off" for his female ride-a-long to show her what really happened on the street.

Both vehicles were a total loss and towed from the scene. Mr. Fitzgerald, age 62, receive serious injuries in the accident and was taken to the hospital in an ambulance. The medical records revealed that Mr. Fitzgerald sustained serious and permanent traumatic brain injuries, significant orthopedic injuries and some mental impairment. Mrs. Fitzgerald sued for loss of consortium alleging that she was now the caretaker of a child "who used to be her husband." Both plaintiffs made good and sympathetic witnesses, whereas the police officer and our ride-a-long did not make good witnesses. The eye witnesses at the scene were also believable.

DEMAND AND RESOLUTION: The medical liens amounted to approximately $400,000 with "blackboard" specials of approximately $600,000. The plaintiff's wife also had a significant loss of consortium claim. Just before trial the plaintiffs' attorney demanded $4 million. It should be noted that the plaintiffs' attorney was Roger Dryer, a well known lawyer in Sacramento and one the California's "Super Trial Lawyers."

Settlement was also complicated by PARSAC's failure to follow the advice of the CARMA Litigation Manager regarding strategies to use during the mediation, including using a structured settlement, having a Medicare specialist present, and settling the wife's loss of consortium claim around the bodily injury claim of Mr. Fitzgerald. This may have caused more of a penetration into the CARMA layer than anticipated. Also, at the mediation, it seemed that the mediator was "siding" with the plaintiffs' attorney, a personal friend.

After the mediation, arguing comparative negligence and causation, the City of Elk Grove paid its SIR and PARSAC tendered its remaining retained limit of $900,000 to CARMA, allowing the matter to be ultimately settled for $1.5 million including a negotiated MSA Settlement agreement and money allocated to future treatment by Medicare. Due to the complicated negotiations on the MSA settlement agreement and language in the Release, further defense fees were expended after the settlement amount was agreed to. CARMA paid approximately $626,000 toward the ultimate settlement. We feel that, in light of the obstacles to trial, the reputation and trial competence of the plaintiffs' attorney and the mediation, this was a reasonable settlement.

Huerta v. City of Redwood City (BCJPIA)

FACTS: On Dec. 8, 2008 at approximately 2:30 AM, several city police cars were dispatched to a 911 call to investigate a fight involving 6 - 8 people at a Denny's restaurant. Apparently Mr. Huerta had been drinking alcohol with some friends and decided to have breakfast at Denny's. Unfortunately, he accepted an invitation to fight outside in the parking lot, ultimately being beaten unconscious and left lying in the parking lot. The first two police units arrived looking for the people involved in the fight. The third marked unit driven by Officer Poveda with headlights on also arrived but did not see Mr. Huerta lying alone in the parking lot in an area that was arguably not well lit. Initially, Officer Poveda ran over Mr. Huerta with his front tires of the police unit. However, after hearing some screams from bystanders, he backed up the police unit, running over Mr. Huerta's head and upper body area a second time. Admittedly, Officer Poveda never saw the plaintiff either time and did not realize that he had run over Mr. Huerta until he exited the vehicle. So, from a liability standpoint, this was a negligent driving of the police unit while acting under color of law as a police officer. The headlights and emergency lights were on at the time of the incident. This was a bad case from the start and one of adverse liability to a jury.

Mr. Huerta, age 32, suffered major head, eye and upper body injuries with a closed head injury and traumatic brain injuries. The medical records indicated that he sustained a large degloving injury to the left side of his face (his skin and subcutaneous tissue were separated from his forehead across his eye, nose and mouth) with multiple facial fractures, a basal skull fracture and laceration of the right heart ventricle. He had multiple surgeries to repair muscles around the left eye resulting in a permanently closed and disfigured eyelid. He also sustained some hearing loss. Even our medical experts opined that, most likely, the serious injuries were caused by being run over by the police unit, and not the beating he took in the fight. The medical bills from Stanford Hospital alone were approximately $826, 758. The Kaiser billings amounted to an additional $100,000. He was also claiming a wage loss that was disputed, as well as future medical expenses and income loss.

DEMAND AND RESOLUTION: At the mediation on Oct. 5, 2010, the initial demand was $5.3 million. Arguing for no negligence on the part of the officer, comparative negligence, and causation on injuries, we were able to resolve this matter for a total payment of $1.25 million, with Denny's and Jack-in-the Box contributing an additional $50,000. An amount of $50,000 was allocated as part of the settlement into a blocked account in case the plaintiff requested future medical treatment from Medicare. Most of the settlement came from the SIR of the City of Redwood City and the balance of the retained limit of the Bay Cities JPIA underlying pool. CARMA paid approximately $330,000 toward the global settlement. Given the potential high jury verdict in favor of the clearly disfigured young plaintiff, we felt that this was a good resolution of a dangerous case and well below the CARMA reserve of $1.5 million. The Board unanimously approved the settlement.

Starling v. City of Brentwood (PARSAC)

FACTS: On October 18, 2008, Mr. Starling was riding his motorcycle within the speed limit on a city street following a marked police unit driven by a police officer for the City of Brentwood. He was wearing a helmet and was licensed to operate a motorcycle. The police unit suddenly slowed down and pulled off to the right of the street. At that point, Mr. Starling accelerated to pass the police car still in his own lane of travel. Without warning, the police unit made a quick U Turn and collided with Mr. Starling and his motorcycle. Apparently, the police officer had observed a moving violation on the other side of the road and was attempting to give chase to the suspect. Mr. Starling stated that there were no emergency lights on the police unit at any time and the police officer could not state for certain that he had his emergency lights on at the time of the accident. Either way, the investigating CHP officer determined that the police unit did not have its emergency lights on, and, in any event, made an unsafe turn in front of Mr. Starling's vehicle. Both vehicles were a total loss and towed from the scene. The scene photos showed a horrendous accident with serious injuries. It was determined early on that this was a bad liability case with no comparative negligence on the part of Mr. Starling.

Mr. Starling, age 40, sustained serious and permanent injuries including being unconscious for some period of time, multiple fractures of his face and jaw, loss of teeth, multiple fractures of his

R and L legs, multiple lacerations and left radial palsy (nerve damage). He also had a total hip replacement of his R hip after the accident Concerns have been raised in the following situations:

- Where CARMA issues its Certificate of Coverage and then it is determined that there is no coverage under the CARMA MOC; must the underlying Member reimburse CARMA for any payment made pursuant to the Certificate of Coverage?

- What if there is disagreement between the underlying Member and CARMA as to whether the liability exposure is covered under the CARMA MOC; should there be a process for an appeal and decision by the Board? This is often difficult to implement when the request needs to be fulfilled immediately or there is not enough time to challenge the decision of the Litigation Manager and/or Board Counsel.

He was determined to be totally disabled by Social Security and was receiving benefits. The plaintiff claimed that he could no longer work for any gainful employment and was permanently disabled. Mrs. Starling also had a loss of consortium claim on her own behalf.

DEMAND AND RESOLUTION: The demand was $7.5 million. With the assistance of an able mediator, the matter was ultimately settled for $2.875 million. The plaintiffs were paid approximately $1 million in cash with another approximately $1.8 million in a structure settlement package. MPA paid the remaining balance of its $1 million retained limit (about $940,000) and CARMA paid approximately $1.9 million. We used a structured settlement annuity through Ringler Associates for the plaintiffs and their attorneys' fees for most of the settlement and negotiated a Settlement Agreement and Release to protect Medicare's future interests since the plaintiff was asserting the need for future medical treatment on his hips and therapy for the nerve damage.

The entry into the CARMA layer was necessitated by the egregious facts of the adverse liability accident, the aggravated and permanent injuries to the 40 year old father of 3 kids, his wife's loss of consortium claim, the added expenses for the Medicare Allocation and Set Aside Agreement, the need for a structured settlement, and the urgency to not try this case before a jury. In an attempt to avoid a catastrophic runaway jury verdict, we felt that this compromise settlement was a good one for CARMA and kept the settlement and potential jury verdict out of the Everest reinsurance layer.

CLAIMS MATTERS

SUBJECT: Closed Session Pursuant to Government Code Section 54956.95(a) to Discuss Claims

BACKGROUND AND STATUS:

Due to the content of the Litigation Manager's Report, staff has been advised to place this report within the parameters of closed session.

Pursuant to Government Code section 54956.95(a), the Board of Directors will hold a closed session to discuss the claims for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers authority.

By placing the Litigation Manager's Report as a closed session item, the Board of Directors may discuss any or none of the claims presented.

RECOMMENDATION:

None.

REFERENCE MATERIALS ATTACHED:

- The Litigation Manager's Report dated March 25, 2011, was mailed under separate cover and will be collected at the meeting.

Agenda Item 9.A.