

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES BOARD OF DIRECTORS' MEETING

AGENDA

**Embassy Suites Resort
4130 Lake Tahoe Boulevard
South Lake Tahoe, California
(530) 544-5400
www.embassytahoe.com**

**Friday, September 10, 2010
9:00 a.m. - 12:00 noon**

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 Sandra Spiess at (916) 244-1182, 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 June 23, 2010, Board of Directors' Meeting | 2 |
| *B. Warrant Listings for June 1, 2010, through July 31, 2010 | 9 |
| *C. Internal Financial Statements for the Year Ended June 30, 2010 | 10 |
| *D. Treasurer's Report as of June 30, 2010 | 23 |
| *E. Reinsurance Binder Confirmation from Everest Reinsurance | 43 |
| *F. Excess Binder Confirmation from Colony National Insurance Company | 45 |
| <i>Recommendation: Approval of the Consent Calendar</i> | |

* = Material on agenda item enclosed

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

Accredited with Excellence



| | | Page |
|------------|--|-------------|
| 6. | ADMINISTRATIVE MATTERS | |
| | A. Welcome and Review of CARMA for Visiting JPA Directors <i>Recommendation: None.</i> | 48 |
| | *B. Review of 2010 Strategic Goals <i>Recommendation: None.</i> | 49 |
| | *C. Discussion Regarding the 2010/2011 Board of Directors' Annual Workshop <i>Recommendation: Staff is seeking input from the Board of Directors as to the content and format the Board desires for the January 2011 workshop.</i> | 55 |
| | *D. Procedures for Issuance of Certificates of Coverage <i>Recommendation: The Board review and discuss the procedures for the issuance of certificates of coverage.</i> | 58 |
| | *E. Vendor Survey Process <i>Recommendation: The Board approves utilizing an electronic format for the Board of Directors' vendor survey going forward.</i> | 62 |
| 7. | FINANCIAL MATTERS | |
| | *A. Consideration of June 30, 2010, Independent Financial Audit Prepared by Sampson and Sampson <i>Recommendation: The Board of Directors accept and file the June 30, 2010, audit report as presented.</i> | 72 |
| 8. | COVERAGE MATTERS | |
| | A. Review of 2010/2011 Excess and Reinsurance Coverage Policies <i>Recommendation: None.</i> | 106 |
| | *B. Feedback from Underlying Members Regarding Memorandum of Coverage Changes <i>Recommendation: None.</i> | 107 |
| 9. | MARKETING MATTERS | |
| | *A. Update on Marketing Efforts <i>Recommendation: None.</i> | 140 |
| 10. | CLAIMS MATTERS | 144 |
| | **A. Closed Session Pursuant to Government Code Section 54956.95(a) to Discuss Claims. Pursuant to Government Code Section 54956.95(a), the Board will hold a closed session to discuss any claims for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers authority: | |

* = Material on agenda item enclosed

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

Abarca, et al. v. Merced (CSJVRMA)
McIntosh v. City of Wasco, et al. (CSJVRMA)
Padett v. Loventhal (BCJPIA)

- B. 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.

11. **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

12. **ADJOURNMENT**

NOTICES

- The CARMA Board of Directors' Annual Workshop is currently scheduled for January 13-14, 2011, at the Bodega Bay Lodge & Spa in Bodega Bay.

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 June 23, 2010, Board of Directors' Meeting
- *B. Warrant Listings for June 1, 2010, through July 31, 2010
- *C. Internal Financial Statements for the Year Ended June 30, 2010
- *D. Treasurer's Report as of June 30, 2010
- *E. Reinsurance Binder Confirmation from Everest Reinsurance
- *F. Excess Binder Confirmation from Colony National Insurance Company

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

**MINUTES OF THE BOARD OF DIRECTORS
MEETING OF JUNE 23, 2010**

A regular meeting of the Board of Directors of CARMA was held on June 23, 2010, at the offices of Bickmore Risk Services in Sacramento, California.

BOARD MEMBERS PRESENT:

Geoff Grote, BCJPIA, President
John Stroh, VCJPA, Vice President
Jake O'Malley, MPA, Treasurer

BOARD MEMBERS ABSENT:

Kent Rice, MBASIA
Joe Donabed, CSJVRMA

ALTERNATE MEMBERS PRESENT:

Robert Galvan, MBASIA (*joined the meeting at 10:30 a.m.*)
Linda Abid-Cummings, CSJVRMA

OTHERS PRESENT:

Karen Thesing, Executive Director
Sandra Spiess, Board Secretary
Nancy Broadhurst, Bickmore Risk Services
Linzie Kramer, Bickmore Risk Services
Rob Kramer, Bickmore Risk Services
Brian Kelley, Bickmore Risk Services
Jeanette Workman, Bickmore Risk Services
Ramona Buchanan, Bickmore Risk Services
Katrina Salumbides, Bickmore Risk Services
Adrienne Beatty, Bickmore Risk Services
Mike Simmons, Alliant Insurance Services
Susan Adams, Alliant Insurance Services
Craig Farmer, Legal Counsel

1. CALL TO ORDER

The June 23, 2010, Board of Directors' meeting was called to order at 10:15 a.m. by President Geoff Grote.

2. **INTRODUCTIONS**

Those present introduced themselves.

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

John Stroh moved to approve the agenda as amended. Seconded by Linda Abid-Cummings. Motion passed unanimously.

4. **PUBLIC COMMENTS**

None.

5. **CONSENT CALENDAR**

Jake O'Malley moved to approve/accept the following items: A) Minutes of the April 21, 2010, Board Meeting; B) Warrant Listings from April 1, 2010, through May 31, 2010; C) Treasurer's Report as of March 31, 2010; D) Internal Financial Statements for the Nine Months Ended March 31, 2010; E) Information Regarding California Association of Joint Powers Authorities (CAJPA) Fall Conference and Training Seminar. Seconded by John Stroh. Motion passed unanimously.

6. **ADMINISTRATIVE MATTERS**

A. Resolution of the Board of Directors of CARMA Establishing Meeting Dates for the 2010/2011 Program Year

The Board reviewed and discussed the proposed meeting dates for the 2010/2011 program year.

John Stroh moved to approve Resolution 4-2009/2010 Establishing Meeting Dates for the 2010/2011 Program Year as presented. Motion seconded by Jake O'Malley. Motion passed unanimously.

B. Updated Model Record Retention Policy

Ms. Karen Thesing explained that the original CARMA Record Retention Policy was approved on September 21, 2004, and since that time, the requirements for the retention of records and the technology providing the ability to do so have changed.

Ms. Thesing indicated that Bickmore Risk Services (BRS), in conjunction with the board legal counsel for several of the BRS public entity group clients, have taken statutory, public records, and CAJPA requirements into account in the development of the policy. The new retention periods will be effective on a go-forward basis.

Ms. Thesing confirmed that historically BRS has maintained all records in hard-copy format at an offsite location and that while those currently housed at BRS will be converted to electronic format, the historical information housed offsite will not be pulled for conversion.

Jake O'Malley moved to approve Resolution 3-2010/2011 Record Retention Policy as presented. Motion seconded by Linda Abid-Cummings. Motion passed unanimously.

C. Bickmore Risk Services Staff Change

Ms. Thesing indicated that Ms. Sandra Spiess, CARMA Board Secretary, has been promoted to a new position within the consulting department at BRS and will be transitioning the role of board secretary to Ms. Ramona Buchanan. Ms. Thesing introduced Ms. Buchanan and reviewed her extensive public entity experience for the Board. Ms. Thesing confirmed that Ms. Spiess is working closely with Ms. Buchanan on the transition of the board secretary role. Ms. Thesing further explained both will attend the September 2010 meeting and formal appointment of Ms. Buchanan as board secretary will take place at the January 2011 meeting.

The Board thanked Ms. Spiess for her service to CARMA over the last four years and wished her success in her new position.

7. **FINANCIAL MATTERS**

A. Renewal Rates for the 2010/2011 Program Year

Mr. Mike Simmons and Ms. Susan Adams, Alliant Insurance Services, reviewed the 2010/2011 excess and reinsurance renewal information with the Board. Mr. Simmons indicated the news was positive, with the incumbent Everest Reinsurance Company (Everest) quoting a flat renewal rate and Colony Excess Insurance Company quoting a slight decrease for excess coverage.

Mr. Simmons indicated very few carriers were interested in quoting CARMA this year, mainly due to the increased loss trending of the group. Mr. Simmons indicated that CARMA's loss pick is significantly higher than the group's premium. Mr. Simmons indicated this would be a good topic for discussion at the 2011 workshop, because as the Board is going to find, when the market hardens CARMA will see a large increase in the premiums for reinsurance and excess coverage.

Mr. Simmons further explained that a benefit of reinsurance coverage through the ANIML program within Everest is the fact that the group averages out premiums and losses for members within the group.

Mr. Simmons went on to explain Everest has provided clarification via an endorsement to the policy that reinsurance coverage will not drop down below the sublimits

established by CARMA for inverse condemnation coverage. Mr. Simmons indicated the inverse condemnation claims were a concern for Everest and it was required that CARMA provide specific information on these claims.

After further discussion, the Board consensus was to bind coverage with both incumbent carriers, Everest and Colony.

B. Consideration of the Approved Annual Operating Budget for the 2010/2011 Program Year

Ms. Nancy Broadhurst, Accounting Manager, reviewed the amended budget scenario with the Board, confirming the budget reflected the quoted rates for excess and reinsurance rates with the current carriers are included. Ms. Broadhurst indicated funding for the 80% confidence level, .345 per \$100 per payroll, is a decrease of approximately 2.6% over the prior year's rate of .354. Ms. Broadhurst also confirmed this budget reflects the new process adopted by the Board at the April 21, 2010, meeting whereby the experience modification factor (ex mod) calculation now reflects inverse condemnation losses capped at \$1.5 million. The ex mod has also once again been applied to the reinsurance premium, the coverage layer between \$4 million and \$10 million.

Ms. Broadhurst indicated the budget reflects an overall increase of \$15,000, or less than 1%, from the 2009/2010 budget. Ms. Karen Thesing inquired of the Board as to their desire to continue with the group's membership in AGRiP. It was noted that many of the JPA members did not belong to AGRiP, as the benefits are accessible to them through CARMA. After a brief discussion, the Board consensus was to continue CARMA's membership in AGRiP.

Mr. Jake O'Malley requested the topic of applying the ex mod calculation to the reinsurance premium for all members be added to the agenda for the January 2011 Board Workshop. Mr. O'Malley explained his actuary has questioned the practice of applying the ex mod to excess layers of coverage in a group pooling situation. Mr. O'Malley indicated that while MPA has been employing this practice for years, the group will be phasing out this practice over the next three years. Only 33% percent of the CARMA premium will be modified for the next three years for MPA.

Ms. Thesing confirmed the topic will be included on the agenda for the January 2011 Workshop.

Jake O'Malley moved to approve the 2010/2011 Annual Operating Budget as presented. Motion seconded by John Stroh. Motion passed unanimously.

8. COVERAGE MATTERS

A. Report by Board Legal Counsel, Mr. Craig Farmer

This item was discussed in conjunction with Agenda Item 8.B.

B. Draft Memorandum of Coverage for the 2010/2011 Program Year

Mr. Farmer explained that the Board performed a preliminary review of the 2010/2011 CARMA Memorandum of Coverage (MOC) at the April 21, 2010, meeting. At that time, the Board approved changes to confirm coverage for airport vehicles used off airport premises and to modify the declaration page to state that reinsurance coverage is subject to some conditions that may differ from the CARMA MOC.

Mr. Farmer indicated that at that same meeting, the Board expressed a need to investigate whether changes to the inverse condemnation language would be appropriate for the 2010/2011 year and tasked staff and board legal counsel to review options to bring back before the Board at the June 2010 meeting. Mr. Farmer confirmed that he, Ms. Thesing, and Mr. Michael Groff, BRS, reviewed the language reflected in the MOC in regards to inverse condemnation and determined that changes to the sublimits would be appropriate for the 2010/2011 program year.

Discussion ensued regarding the proposed revised language and the effect on limiting plaintiff's attorney's fees under damages, raising the aggregate limit, and raising the per occurrence limit of \$1 million. The possibility of including the more traditional zoning and planning type of inverse condemnation language was also discussed at length. The Board discussed the feasibility of the group distinguishing this type of inverse condemnation claim.

The Board also discussed the issues of a higher aggregate limit and implementing changes as of July 1, 2010, and the impact to the JPA members.

After further discussion, inclusive of all the issues raised, the Board consensus was to have staff and board legal counsel amend the proposed revised language to increase defense costs to \$2 million per occurrence and \$4 million aggregate in regards to inverse condemnation claims. The Board directed staff and board legal counsel to revise the language and review with President Geoff Grote prior to inclusion in the MOC.

Jake O'Malley moved to approve the 2010/2011 Memorandum of Coverage subject to review and approval of amended inverse condemnation language by President Geoff Grote. Motion seconded by John Stroh. Motion passed unanimously.

C. Update Regarding Medicare Set Aside Reporting Requirements

Ms. Karen Thesing explained that staff has completed the registration process on behalf of CARMA with the Centers for Medicare and Medicaid Services (CSM). Staff has also completed Phase 1 of the testing process and is now well into Phase 2 of the process. Thus far, all testing has resulted in a successful outcome.

Mr. Michael Groff provided the Board with an update on some particulars of the requirements and how they are beginning to affect claims in the CARMA layer. Mr. Groff indicated that every claim with the potential for CMS recovery must be reported. Mr. Groff indicated that CARMA will need to report any settlements, judgments, or awards involving Medicare, Medicaid, or SSDI made after

October 1, 2010, to CMS by January 11, 2011.

Mr. Linzie Kramer explained that BRS is the Responsible Reporting Entity (RRE) and has a library of settlement documents that are utilized for reporting on the claims. Mr. Kramer confirmed that CMS is not yet staffed appropriately, and at this point, will not accept or approve any Medical Set Asides. Mr. Kramer indicated BRS staff is keeping a diligent eye on the reporting requirements and will continue to update the Board going forward.

9. **MARKETING MATTERS**

A. Update on the CARMA Marketing Plan

Ms. Karen Thesing indicated that for the last two years, staff has sent a CARMA marketing letter and informational brochure to potential JPA members to provide information on CARMA and to invite interested JPA managers to attend the CARMA September Board meeting, held in conjunction with the Fall CAJPA Conference.

Ms. Thesing indicated staff was seeking direction from the Board as to the updating and distribution of the CARMA brochure and marketing letter. Ms. Thesing explained if it is the desire of the Board, the materials will be updated and then sent to target JPAs in late July or early August 2010 to educate the JPA managers as to CARMA's current coverage limits, and invite them to attend the CARMA September 2010 Board meeting in Lake Tahoe.

The Board directed staff to update and distribute the CARMA marketing materials to target JPAs.

10. **ELECTION AND APPOINTMENT OF OFFICERS FOR THE 2010/2011 PROGRAM YEAR**

A. Nomination and Election of President

John Stroh moved to nominate Geoff Grote, BCJPIA, as President of the CARMA Board of Directors for the 2010/2011 program year. Seconded by Linda Abid-Cummings. Nominations were then closed and a motion to elect Geoff Grote as President of CARMA was made by John Stroh. Seconded by Linda Abid-Cummings. Motion passed unanimously.

B. Nomination and Election of Vice President

Jake O'Malley moved to nominate John Stroh, VCPJPA, as Vice President of the CARMA Board of Directors for the 2010/2011 program year. Seconded by Geoff Grote. Nominations were then closed and a motion to elect John Stroh as Vice President of CARMA was made by Jake O'Malley. Seconded by Geoff Grote. Motion passed unanimously.

C. Appointment of Treasurer

Geoff Grote appointed Jake O'Malley, MPA, as Treasurer of the CARMA Board of Directors for the 2010/2011 program year.

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 12:30 p.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:

Starling v. City of Brentwood (MPA)
Fitzgerald v. City of Elk Grove (PARSAC)
Scott/Williams et al. v. City of Antioch

B. Report from Closed Session

The Board reconvened to open session at 1:18 p.m. and it was noted the following action was taken in closed session: The Board provided the Litigation Manager with settlement authority with respect to the Starling v. City of Brentwood claim.

13. **CLOSING COMMENTS**

A. Board

None

B. Staff

None

11. **ADJOURNMENT**

The June 23, 2010, Board of Directors' meeting adjourned at 1:20 p.m. by general consensus of the Board.

Sandra Spiess
Sandra Spiess, Board Secretary

| | | | | |
|--------------|-------|------|--------------|-------------------------|
| Ranges: | From: | To: | From: | To: |
| Check Number | First | Last | Check Date | 6/1/2010 7/31/2010 |
| 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 |
|--------------|-----------|--------------------------------|------------|--------------|------------------|----------------|
| 1615 | BI100 | Bickmore Risk Services | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$29,309.59 |
| 1616 | FA115 | Farmer Smith & Lane, LLP | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$3,237.50 |
| 1617 | CA120 | Callanan and Associates | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$17,094.30 |
| 1618 | FI100 | Frank Fitzgerald and his attor | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$900,000.00 |
| 1619 | HE100 | Heenan Communications | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$15,000.00 |
| 1620 | HU110 | Hutchings Court Reporters, LLC | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$984.50 |
| 1621 | OR100 | Orrick, Herrington & Sutcliffe | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$7,547.40 |
| 1622 | RA100 | Sidhaarth Radhakrishnan | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$2,062.50 |
| 1623 | SI110 | Simpson Investigative Services | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$1,434.45 |
| 1624 | FI110 | Susan Fitzgerald and her attor | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$600,000.00 |
| 1625 | ZA100 | Zandonella Reporting Service, | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$686.70 |
| 1626 | TS100 | Peggy N. Tsujimoto | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$1,882.85 |
| 1627 | CO105 | Copymat Walnut Creek, Inc. | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$485.47 |
| 1628 | MC100 | McNamara, Ney, Beatty, Slatter | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$71,438.93 |
| 1629 | MC100 | McNamara, Ney, Beatty, Slatter | 6/15/2010 | CBT GENERAL | PMCHK00000075 | \$272,922.15 |
| 1630 | BC100 | BCJPIA | 6/22/2010 | CBT GENERAL | PMCHK00000076 | \$65,586.48 |
| 1631 | BC100 | BCJPIA | 6/22/2010 | CBT GENERAL | PMCHK00000076 | \$16,573.85 |
| 1632 | CA120 | Callanan and Associates | 6/22/2010 | CBT GENERAL | PMCHK00000076 | \$3,046.21 |
| 1633 | HO100 | Howard Rome Martin & Ridley LL | 6/22/2010 | CBT GENERAL | PMCHK00000076 | \$62,702.78 |
| 1634 | AC100 | Accident Analysis Associates, | 7/8/2010 | CBT GENERAL | PMCHK00000077 | \$1,050.00 |
| 1635 | AG100 | AGRIP | 7/8/2010 | CBT GENERAL | PMCHK00000077 | \$876.13 |
| 1636 | FA115 | Farmer Smith & Lane, LLP | 7/8/2010 | CBT GENERAL | PMCHK00000077 | \$6,402.50 |
| 1637 | BI100 | Bickmore Risk Services | 7/8/2010 | CBT GENERAL | PMCHK00000077 | \$24,133.33 |
| 1638 | DR100 | Alliant Insurance Services, In | 7/8/2010 | CBT GENERAL | PMCHK00000077 | \$547,225.00 |
| 1639 | DR100 | Alliant Insurance Services, In | 7/8/2010 | CBT GENERAL | PMCHK00000077 | \$66,625.00 |
| 1640 | DR100 | Alliant Insurance Services, In | 7/8/2010 | CBT GENERAL | PMCHK00000077 | \$1,355,000.00 |
| 1641 | GI105 | Gibbons & Conley | 7/8/2010 | CBT GENERAL | PMCHK00000077 | \$11,830.56 |
| 1642 | JO100 | John Hancock Assignment Compan | 7/8/2010 | CBT GENERAL | PMCHK00000077 | \$1,816,733.00 |
| 1643 | ST105 | Mark Starling, Faylaizia Starl | 7/8/2010 | CBT GENERAL | PMCHK00000077 | \$1,058,267.00 |

Total Checks: 29

Total Amount of Checks: \$6,960,138.18

California Affiliated Risk Management Authorities

~ BALANCE SHEET ~

As of June 30, 2010

(Unaudited)

ASSETS

CURRENT ASSETS

| | | | |
|---------------------------------|----|-----------|-----------|
| Cash in Bank | \$ | 542,451 | |
| Local Agency Investment Fund | | 3,736,034 | |
| Market Valuation - LAIF | | 6,141 | |
| Investments - Managed Portfolio | | 3,828,247 | |
| Market Valuation - Investment | | (36,494) | |
| Accounts Receivable | | 0 | |
| Interest Receivable | | 109,473 | |
| Prepaid Expenses | | 26,813 | |
| | | | |
| TOTAL CURRENT ASSETS | | | 8,212,666 |

NONCURRENT ASSETS

| | | | |
|--|--|------------|----------------------|
| Investments - Managed Portfolio (Net of Rate Stabilization Fund) | | 19,444,333 | |
| Market Valuation - Investment | | 226,731 | |
| | | | |
| TOTAL OTHER ASSETS | | | 19,671,064 |
| | | | |
| TOTAL ASSETS | | | \$ 27,883,730 |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | | |
|--------------------------------------|----|-----------|-----------|
| Accounts Payable | \$ | 10,830 | |
| Deferred Revenue | | 0 | |
| Equity Payable to Withdrawing Member | | 21,785 | |
| Reserve for Claims | | 3,500,000 | |
| | | | |
| TOTAL CURRENT LIABILITIES | | | 3,532,615 |

NONCURRENT LIABILITIES

| | | | |
|--|--|------------|-------------------|
| Equity Payable to Withdrawing Member - Long Term Portion | | 21,784 | |
| Reserve for Claims | | 6,049,182 | |
| Reserve for IBNR | | 10,151,506 | |
| | | | |
| TOTAL NONCURRENT LIABILITIES | | | 16,222,472 |
| | | | |
| TOTAL LIABILITIES | | | 19,755,087 |

NET ASSETS

| | | | |
|---|--|-------------|----------------------|
| Unrestricted Net Assets - Prior Years | | 9,339,990 | |
| Net Assets - Current Year | | (1,211,347) | |
| | | | |
| TOTAL NET ASSETS | | | 8,128,643 |
| | | | |
| TOTAL LIABILITIES AND NET ASSETS | | | \$ 27,883,730 |

California Affiliated Risk Management Authorities
~ INCOME STATEMENT ~
For the Year Ended June 30, 2010
(Unaudited)

| | <u>Actual</u> | <u>Budget</u> | <u>% Used</u> | <u>\$ Variance</u> |
|--|------------------------------|------------------|-------------------|------------------------|
| OPERATING REVENUES | | | | |
| Deposit Premium | \$ 6,455,754 | \$ 6,455,755 | 100% | \$ 1 |
| Investment Income | 662,364 | 0 | | (662,364) |
| Misc Income | 0 | 0 | | 0 |
| TOTAL OPERATING REVENUES | <u>7,118,118</u> | <u>6,455,755</u> | <u>110%</u> | <u>(662,363)</u> |
| OPERATING EXPENSES | | | | |
| Direct Expenses | | | | |
| Claims Paid | \$ 1,835,214 | 4,080,902 | * { 145% | (1,832,416) |
| Incr/(Decr) in Reserves | 4,078,104 | <u>4,080,902</u> | } | <u>(1,832,416)</u> |
| Subtotal Claims Expense | <u>5,913,318</u> | <u>4,080,902</u> | <u>145%</u> | <u>(1,832,416)</u> |
| Reinsurance | 1,420,000 | 1,420,000 | 100% | 0 |
| Excess Insurance | 557,415 | 540,000 | 103% | (17,415) |
| Subtotal All Direct Expenses | <u>7,890,733</u> | <u>6,040,902</u> | <u>131%</u> | <u>(1,849,831)</u> |
| General & Administrative Expenses | | | | |
| Program Management | 289,053 | 289,053 | 100% | 0 |
| Membership Dues | 1,517 | 1,800 | 84% | 283 |
| Financial Audit | 7,800 | 7,800 | 100% | 0 |
| Claims Audit | 18,900 | 18,900 | 100% | 0 |
| Actuarial Services | 6,560 | 7,800 | 84% | 1,240 |
| Legal Services | 81,740 | 35,000 | 234% | (46,740) |
| Marketing, Consultants and Website | 1,194 | 5,000 | 24% | 3,806 |
| Board Meetings | 1,391 | 2,000 | 70% | 609 |
| Annual Retreat | 8,847 | 15,000 | 59% | 6,153 |
| Fidelity Bond | 1,033 | 1,000 | 103% | (33) |
| Accreditation | 1,500 | 1,500 | 100% | 0 |
| Investment Management Fees | 19,146 | 20,000 | 96% | 854 |
| Contingency | 52 | 10,000 | 1% | 9,948 |
| Subtotal General & Admin Expenses | <u>438,732</u> | <u>414,853</u> | <u>106%</u> | <u>(23,879)</u> |
| Member Equity Distribution | 0 | 0 | | 0 |
| TOTAL OPERATING EXPENSES | <u>8,329,465</u> | <u>6,455,755</u> | <u>129%</u> | <u>(1,873,710)</u> |
| CHANGE IN NET ASSETS | <u><u>\$ (1,211,347)</u></u> | <u><u>0</u></u> | | |

* 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 June 30, 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 | Total | Rate Stabilization Funds (Memo Only) |
|---|----------------|----------------|------------------|------------------|----------------|----------------|------------------|------------------|--------------------|--------------------|------------------|------------------|------------------|------------------|-------------------|--------------------------------------|
| Cash, L.A.I.F. & Investments | 207,503 | 136,493 | 1,567,769 | 1,280,968 | 113,264 | 298,378 | 1,366,813 | 3,044,595 | (2,596,962) | 3,752,552 | 3,967,429 | 4,818,474 | 5,758,014 | 4,168,446 | 27,551,065 | 88,789 |
| Market Valuation-LAIF & Investments | | | | | | | | | | | | | | | 196,378 | |
| Prepaid Expenses | | | | | | | | | | | | | | | 26,813 | |
| Interest Receivable | | | | | | | | | | | | | | | 109,473 | |
| Accounts Receivable | | | | | | | | | | | | | | | 0 | |
| Total Assets | 207,503 | 136,493 | 1,567,769 | 1,280,968 | 113,264 | 298,378 | 1,366,813 | 3,044,595 | (2,596,962) | 3,752,552 | 3,967,429 | 4,818,474 | 5,758,014 | 4,168,446 | 27,883,730 | 88,789 |
| Liabilities: | | | | | | | | | | | | | | | | |
| Accounts Payable | | | | | | | | | | | | | | | 10,830 | |
| Deferred Revenue | | | | | | | | | | | | | | | 0 | |
| Return of Equity | | | | | | | | | | | | | | | 0 | |
| Equity Payable | | | | | | | | | | | | | | | 43,569 | |
| Reserve for Claims (1) | 0 | 71,427 | 0 | 0 | 0 | 0 | 200,025 | 549,600 | 0 | 5,557,100 | 454,000 | 447,500 | 4,345,000 | 0 | 11,624,652 | |
| Reserve for IBNR (2) | (0) | 358 | 0 | 0 | 18,159 | 38,879 | 88,357 | 184,160 | 581,251 | 1,056,012 | 1,234,342 | 897,373 | 1,438,645 | 2,538,500 | 8,076,037 | |
| Total Liabilities | (0) | 71,785 | 0 | 0 | 18,159 | 38,879 | 288,382 | 733,760 | 581,251 | 6,613,112 | 1,688,342 | 1,344,873 | 5,783,645 | 2,592,899 | 19,755,087 | 0 |
| Retained Earnings: | | | | | | | | | | | | | | | | |
| 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 | 7,320,229 | 0 |
| Contingency Funds (4) | 207,503 | 64,708 | 1,567,769 | 1,280,968 | 95,105 | 259,499 | 1,078,431 | 2,310,836 | (3,432,352) | (3,932,152) | 1,065,071 | 2,194,705 | (1,935,981) | (15,692) | 808,419 | 88,789 |
| Total Retained Earnings | 207,503 | 64,708 | 1,567,769 | 1,280,968 | 95,105 | 259,499 | 1,078,431 | 2,310,836 | (3,178,213) | (2,860,560) | 2,279,087 | 3,473,601 | (25,632) | 1,575,547 | 8,128,643 | 88,789 |
| Total Liabilities and Retained Earnings: | 207,503 | 136,493 | 1,567,769 | 1,280,968 | 113,264 | 298,378 | 1,366,813 | 3,044,595 | (2,596,962) | 3,752,552 | 3,967,429 | 4,818,474 | 5,758,014 | 4,168,446 | 27,883,730 | 88,789 |

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 \$10,629,094 by \$1,079,912 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 Year Ended June 30, 2010
(Unaudited)

| | 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 | Total | Rate Stabilization Funds (Memo Only) |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|-----------|-------------|-------------|-----------|-------------|--------------------------------------|
| Revenue: | | | | | | | | | | | | | | | | |
| Deposit Premiums | 4,896 | 3,225 | 36,990 | 30,223 | 2,672 | 7,040 | 32,249 | 75,540 | (61,278) | 90,313 | 101,693 | 127,266 | 137,098 | 55,293 | 6,455,754 | 0 |
| Interest Income | | | | | | | | | | | | | | | 643,220 * | 2,095 |
| Misc Income | | | | | | | | | | | | | | 0 | 0 | |
| Total Revenue | 4,896 | 3,225 | 36,990 | 30,223 | 2,672 | 7,040 | 32,249 | 75,540 | (61,278) | 90,313 | 101,693 | 127,266 | 137,098 | 6,511,047 | 7,098,974 | 2,095 |
| Direct Expenses: | | | | | | | | | | | | | | | | |
| Claims Paid | 0 | 1,038 | 0 | 0 | 0 | 0 | 0 | 363,899 | 0 | 90,001 | 434,901 | 945,375 | 0 | 0 | 1,835,214 | |
| Incr./Decr. in Reserves | (1,603) | (91,140) | (9,617) | (23,615) | (53,703) | (65,982) | (269,692) | (366,640) | (510,247) | 3,162,712 | (603,079) | (2,174,980) | 2,547,190 | 2,538,500 | 4,078,104 | |
| Dividend/Assessment/Equity Distribution | | | | | | | | | | | | | | | 0 | |
| Reinsurance / Excess | | | | | | | | | | | | | | | 0 | |
| Total Direct Expenses | (1,603) | (90,102) | (9,617) | (23,615) | (53,703) | (65,982) | (269,692) | (2,741) | (510,247) | 3,252,713 | (188,178) | (1,229,605) | 2,547,190 | 4,515,915 | 7,890,733 | 0 |
| Indirect Expenses: | | | | | | | | | | | | | | | | |
| General Management | | | | | | | | | | | | | | | 289,063 | |
| Membership Dues | | | | | | | | | | | | | | | 1,517 | |
| Financial Audit | | | | | | | | | | | | | | | 7,800 | |
| Claims Audit | | | | | | | | | | | | | | | 18,900 | |
| Actuarial Services | | | | | | | | | | | | | | | 6,560 | |
| Legal Services** | | | | | | | | | | | | | | | 81,740 | |
| Marketing/Consultants/Website | | | | | | | | | | | | | | | 1,194 | |
| Conferences | | | | | | | | | | | | | | | 0 | |
| Board Meetings | | | | | | | | | | | | | | | 1,391 | |
| Annual Retreat | | | | | | | | | | | | | | | 8,847 | |
| Fidelity/ Bond | | | | | | | | | | | | | | | 1,033 | |
| Accreditation Fees | | | | | | | | | | | | | | | 1,500 | |
| Contingency | | | | | | | | | | | | | | | 52 | |
| Total Indirect Expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 419,586 | 419,586 | 0 |
| Net Income/(Loss) | 6,499 | 93,327 | 46,607 | 53,838 | 56,375 | 73,022 | 301,941 | 78,281 | 448,969 | (3,162,401) | 269,871 | 1,356,871 | (2,410,093) | 1,575,547 | (1,211,347) | 2,095 |

** 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

~ Summary of Member Equity ~
As of June 30, 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 | 130,768 | 0 | 130,768 | 0 | 130,768 |
| | PERMA | 17,047 * | 0 | 17,047 | 0 | 17,047 |
| | PARSAC | 45,784 | 0 | 45,784 | 0 | 45,784 |
| | VCJPA | 13,905 | 0 | 13,905 | 0 | 13,905 |
| | Total | 207,503 | 0 | 207,503 | 0 | 207,503 |
| 1997/98: | BCJPIA | 84,312 | 0 | 84,312 | 0 | 84,312 |
| | PERMA | (117,357) * | 0 | (117,357) ** | 0 | (117,357) ** |
| | PARSAC | 85,811 | 0 | 85,811 | 0 | 85,811 |
| | VCJPA | 11,942 | 0 | 11,942 | 0 | 11,942 |
| | Total | 64,708 | 0 | 64,708 | 0 | 64,708 |
| 1998/99: | BCJPIA | 798,376 | 0 | 798,376 | 0 | 798,376 |
| | PARSAC | 680,761 | 0 | 680,761 | 0 | 680,761 |
| | VCJPA | 88,631 | 0 | 88,631 | 0 | 88,631 |
| | PERMA | 0 | 0 | 0 | 0 | 0 |
| | Total | 1,567,769 | 0 | 1,567,769 | 0 | 1,567,769 |
| 1999/2000: | BCJPIA | 699,365 | 0 | 699,365 | 0 | 699,367 |
| | PARSAC | 504,541 | 0 | 504,541 | 0 | 504,541 |
| | VCJPA | 77,062 | 0 | 77,062 | 0 | 77,062 |
| | PERMA | 0 | 0 | 0 | 0 | 0 |
| | Total | 1,280,968 | 0 | 1,280,968 | 0 | 1,280,968 |
| 2000/2001: | BCJPIA | 28,401 | 0 | 28,401 | 0 | 28,401 |
| | CSJVRMA | 18,434 | 0 | 18,434 | 0 | 18,434 |
| | MPA | 24,859 | 0 | 24,859 | 0 | 24,859 |
| | PARSAC | 20,924 | 0 | 20,924 | 0 | 20,924 |
| | VCJPA | 2,487 | 0 | 2,487 | 0 | 2,487 |
| PERMA | 0 | 0 | 0 | 0 | 0 | |
| Total | 95,105 | 0 | 95,105 | 0 | 95,105 | |
| 2001/2002: | BCJPIA | 89,585 | 0 | 89,585 | 0 | 89,585 |
| | CSJVRMA | 63,584 | 0 | 63,584 | 0 | 63,584 |
| | MPA | 64,851 | 0 | 64,851 | 0 | 64,851 |
| | PARSAC | 31,772 | 0 | 31,772 | 0 | 31,772 |
| | VCJPA | 9,707 | 0 | 9,707 | 0 | 9,707 |
| PERMA | 0 | 0 | 0 | 0 | 0 | |
| Total | 259,499 | 0 | 259,499 | 0 | 259,499 | |

California Affiliated Risk Management Authorities

~ Summary of Member Equity ~
As of June 30, 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 | 257,402 | 0 | 257,402 | 0 | 257,402 |
| | CSJVRMA | 251,614 | 0 | 251,614 | 0 | 251,614 |
| | MPA | 345,396 | 0 | 345,396 | 0 | 345,396 |
| | PARSAC | 183,171 | 0 | 183,171 | 0 | 183,171 |
| | VCJPA | 40,848 | 0 | 40,848 | 0 | 40,848 |
| | PERMA | 0 | 0 | 0 | 0 | 0 |
| | Total | <u>1,078,431</u> | <u>0</u> | <u>1,078,431</u> | <u>0</u> | <u>1,078,431</u> |
| 2003/2004 | BCJPIA | 593,361 | 0 | 593,361 | 0 | 593,361 |
| | CSJVRMA | 621,244 | 0 | 621,244 | 0 | 621,244 |
| | MBASIA | 52,283 | 0 | 52,283 | 0 | 52,283 |
| | MPA | 563,732 | 0 | 563,732 | 0 | 563,732 |
| | PARSAC | 408,696 | 0 | 408,696 | 0 | 408,696 |
| | VCJPA | 71,520 | 0 | 71,520 | 0 | 71,520 |
| | Total | <u>2,310,836</u> | <u>0</u> | <u>2,310,836</u> | <u>0</u> | <u>2,310,836</u> |
| 2004/2005 | BCJPIA | (789,561) | 0 | (789,561) | (64,774) | (854,336) |
| | CSJVRMA | (818,805) | 0 | (818,805) | (64,664) | (883,469) |
| | MBASIA | (114,485) | 0 | (114,485) | (10,533) | (125,017) |
| | MPA | (871,133) | 0 | (871,133) | (68,116) | (939,250) |
| | PARSAC | (506,496) | 0 | (506,496) | (40,465) | (546,961) |
| | VCJPA | (77,734) | 0 | (77,734) | (5,585) | (83,320) |
| | Total | <u>(3,178,213)</u> | <u>0</u> | <u>(3,178,213)</u> | <u>(254,138)</u> | <u>(3,432,352)</u> |
| 2005/2006 | BCJPIA | (637,013) | (58,380) | (695,393) | (243,251) | (880,265) |
| | CSJVRMA | (941,791) | (70,725) | (1,012,516) | (294,688) | (1,236,479) |
| | MBASIA | (93,389) | (8,230) | (101,619) | (34,291) | (127,680) |
| | MPA | (602,594) | (65,324) | (667,918) | (272,184) | (874,779) |
| | PARSAC | (523,878) | (46,807) | (570,685) | (195,030) | (718,907) |
| | VCJPA | (61,895) | (7,715) | (69,611) | (32,148) | (94,043) |
| | Total | <u>(2,860,560)</u> | <u>(257,182)</u> * | <u>(3,117,741)</u> | <u>(1,071,592)</u> * | <u>(3,932,152)</u> |
| 2006/2007 | BCJPIA | 417,003 | (84,228) | 332,774 | (276,750) | 140,251 |
| | CSJVRMA | 758,054 | (111,481) | 646,573 | (366,294) | 391,759 |
| | MBASIA | 58,615 | (11,013) | 47,602 | (36,185) | 22,430 |
| | MPA | 553,054 | (87,257) | 465,797 | (286,702) | 266,352 |
| | PARSAC | 380,163 | (63,125) | 317,038 | (207,410) | 172,753 |
| | VCJPA | 112,200 | (12,379) | 99,821 | (40,674) | 71,526 |
| | Total | <u>2,279,087</u> | <u>(369,483)</u> | <u>1,909,604</u> | <u>(1,214,016)</u> | <u>1,065,071</u> |

California Affiliated Risk Management Authorities

~ Summary of Member Equity ~
As of June 30, 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 | 661,635 | (85,690) | 575,945 | (276,546) | 385,088 |
| | CSJVRMA | 1,060,719 | (116,652) | 944,066 | (376,469) | 684,250 |
| | MBASIA | 84,865 | (11,124) | 73,741 | (35,900) | 48,965 |
| | MPA | 854,814 | (95,642) | 759,171 | (308,664) | 546,149 |
| | PARSAC | 672,369 | (74,533) | 597,836 | (240,538) | 431,831 |
| | VCJPA | 139,201 | (12,636) | 126,565 | (40,779) | 98,422 |
| | Total | 3,473,601 | (396,277) | 3,077,324 | (1,278,895) | 2,194,705 |
| 2008/2009 | BCJPIA | (125,407) | (155,885) | (281,292) | (412,636) | (538,043) |
| | CSJVRMA | (7,589) | (199,186) | (206,774) | (527,256) | (534,845) |
| | MBASIA | (13,139) | (20,929) | (34,068) | (55,400) | (68,539) |
| | MPA | 11,137 | (175,370) | (164,233) | (464,215) | (453,078) |
| | PARSAC | 85,828 | (148,668) | (62,840) | (393,532) | (307,704) |
| | VCJPA | 23,538 | (21,651) | 1,888 | (57,310) | (33,772) |
| | Total | (25,632) | (721,688) | (747,319) | (1,910,350) | (1,935,981) |
| 2009/2010 | BCJPIA | 598,148 | (209,398) | 388,750 | (573,569) | 24,578 |
| | CSJVRMA | 517,954 | (194,429) | 323,525 | (532,567) | (14,612) |
| | MBASIA | 38,075 | (20,114) | 17,961 | (55,095) | (17,021) |
| | MPA | 412,854 | (140,124) | 272,730 | (383,818) | 29,036 |
| | VCJPA | 8,515 | (16,863) | (8,348) | (46,190) | (37,674) |
| | PARSAC | 0 | 0 | 0 | 0 | 0 |
| | Total | 1,575,547 | (580,929) | 994,618 | (1,591,238) | (15,692) |
| Total: | BCJPIA | 2,806,368 | (593,582) | 2,212,793 | (1,847,526) | 958,847 |
| | CSJVRMA | 1,523,418 | (692,473) | 830,945 | (2,161,938) | (638,520) |
| | MBASIA | 12,825 | (71,410) | (58,585) | (227,405) | (214,580) |
| | MPA | 1,356,970 | (563,718) | 793,252 | (1,783,700) | (426,730) |
| | PARSAC | 2,069,447 | (333,133) | 1,736,314 | (1,076,975) | 992,471 |
| | VCJPA | 459,926 | (71,244) | 388,683 | (222,686) | 237,241 |
| | PERMA * | (100,311) | 0 | (100,311) | 0 | (100,311) |
| | Total Equity | 8,128,643 | (2,325,560) | 5,803,092 | (7,320,229) | 808,419 |

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

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's Equity ~

As of June 30, 2010

| 1996/97 Program Year | | 6/30/02 | | 9/30/01 | | 80% Conf. | | | | | | | | |
|-----------------------------|------------------|----------------------|----------------|----------------------|----------------|------------------|------------------|--------------------|----------|-------------------------|---------------------------|--------------------------|--------------------|----------------------|
| Member | Deposit Premium | Re-allocated Reserve | Assessment | Equity Distributions | Interest Eamed | Admin. Expenses | Excess Insurance | Incurred Losses | IBNR | "Expected" Fund Balance | Contingency IBNR Reserves | "80% Conf." Fund Balance | Actual Payroll | Budgeted % of Losses |
| BCJPIA | 814,332 | 172,156 | 98,684 | | 143,325 | (34,598) | (302,123) | (761,008) | 0 | 130,768 | 0 | 130,768 | 189,027,168 | 36.12% |
| PERMA | 527,407 | 159,765 | 63,268 | (67,919) * | 79,222 | (34,598) | (114,758) | (595,340) | 0 | 17,047 * | 0 | 17,047 | 71,799,960 | 28.26% |
| PARSAC | 657,924 | 110,641 | 137,114 | (72,615) ** | 120,604 | (34,598) | (199,822) | (673,465) | 0 | 45,784 | 0 | 45,784 | 125,021,091 | 31.97% |
| VCJPA | 116,305 | 0 | 18,679 | | 20,014 | (34,598) | (29,679) | (76,817) | 0 | 13,905 | 0 | 13,905 | 18,569,072 | 3.65% |
| Total | 2,115,988 | 442,562 | 317,745 | (140,534) | 363,166 | (138,392) | (646,382) | (2,106,630) | 0 | 207,503 | 0 | 207,503 | 404,417,291 | 100.00% |

* Dividend - 6/30/06

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

Re-allocated Reserve: Allocated to members by contribution percentage of 1993/94 program year.

| 1997/98 Program Year | | 6/30/02 | | Dividend (Return of Equity) 6/30/06 | | 80% Conf. | | | | | |
|-----------------------------|------------------|----------------|------------------|-------------------------------------|--------------------|--------------|-------------------------|---------------------------|--------------------------|--------------------|----------------------|
| Member | Deposit Premium | Assessment | Admin. Expenses | Reinsurance | Incurred Losses | IBNR | "Expected" Fund Balance | Contingency IBNR Reserves | "80% Conf." Fund Balance | Actual Payroll | Budgeted % of Losses |
| BCJPIA | 636,940 | 262,014 | (41,745) | (284,332) | (714,483) | (126) | 84,312 | 0 | 84,312 | 195,827,843 | 35.13% |
| PERMA | 316,590 | 166,056 | (41,745) | (104,369) | (409,943) | (72) | (117,357) * | 0 | (117,357) * | 71,882,162 | 20.15% |
| PARSAC | 609,421 | 326,378 | (41,745) | (200,568) | (837,467) | (148) | 85,811 | 0 | 85,811 | 138,137,331 | 41.17% |
| VCJPA | 100,424 | 21,714 | (41,745) | (28,280) | (72,205) | (13) | 11,942 | 0 | 11,942 | 19,477,430 | 3.55% |
| Total | 1,663,375 | 776,162 | (166,980) | (617,550) | (2,034,098) | (358) | 64,708 | 0 | 64,708 | 425,324,766 | 100.00% |

(3mil ~ 10mil)

| 1998/99 Program Year | | Admin. Expenses To Date | | Reinsurance | | Incurred Losses | | IBNR | | "Expected" Fund Balance | | 80% Conf. | |
|-----------------------------|------------------|-------------------------|-------------------------|------------------|-----------------|-----------------|-------------------------|---------------------------|--------------------------|-------------------------|----------------------|-----------|--|
| Member | Deposit Premium | Assessment | Admin. Expenses To Date | Reinsurance | Incurred Losses | IBNR | "Expected" Fund Balance | Contingency IBNR Reserves | "80% Conf." Fund Balance | Actual Payroll | Budgeted % of Losses | | |
| BCJPIA | 793,751 | | (49,798) | (255,534) | (1,336) | 0 | 798,376 | 0 | 798,376 | 198,356,800 | 50.59% | | |
| PARSAC | 658,615 | | (49,798) | (185,181) | (1,171) | 0 | 680,761 | 0 | 680,761 | 143,745,259 | 44.34% | | |
| VCJPA | 117,920 | | (49,798) | (25,603) | (134) | 0 | 88,631 | 0 | 88,631 | 19,874,114 | 5.07% | | |
| PERMA* | 42,666 | | (42,666) | n/a | n/a | n/a | 0 | n/a | 0 | n/a | n/a | | |
| Total | 1,612,952 | | (192,060) | (466,318) | (2,641) | 0 | 1,567,769 | 0 | 1,567,769 | 361,976,173 | 100.00% | | |

(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's Equity ~
As of June 30, 2010

| 1999/2000 Program Year | | 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 | | Budgeted Payroll | | Budgeted % of Losses | | |
|------------------------|------------------|-------------------------|------------------|------------------|--------------------|-----------------|----------------|-----------------|----------------|-------------------------|----------|-------------------------------------|----------|--------------------------|----------|-------------------------------------|----------|--------------------------|------------------|--------------------|----------------|----------------------|--|--|
| Member | Deposit Premium | Interest Earned | | | | | | | | | | | | | | | | | | | | | | |
| BC/JPIA | 752,117 | 241,237 | (43,819) | (250,172) | 0 | 0 | 0 | 0 | 0 | 699,365 | 0 | 699,365 | 0 | 699,365 | 0 | 699,365 | 0 | 213,117,763 | 699,365 | 213,117,763 | 56.10% | | | |
| PARSAC | 522,375 | 167,549 | (43,819) | (141,564) | 0 | 0 | 0 | 0 | 0 | 504,541 | 0 | 504,541 | 0 | 504,541 | 0 | 504,541 | 0 | 120,895,797 | 504,541 | 120,895,797 | 40.77% | | | |
| VC/JPA | 108,966 | 34,950 | (43,819) | (23,036) | 0 | 0 | 0 | 0 | 0 | 77,062 | 0 | 77,062 | 0 | 77,062 | 0 | 77,062 | 0 | 19,624,227 | 77,062 | 19,624,227 | 4.14% | | | |
| PERMA* | 38,687 | n/a | (38,687) | n/a | n/a | n/a | n/a | n/a | n/a | 0 | n/a | 0 | n/a | 0 | 0 | 0 | n/a | n/a | 0 | 0 | n/a | n/a | | |
| Total | 1,422,145 | 443,736 | (170,143) | (414,772) | 0 | 0 | 0 | 0 | 0 | 1,280,968 | 0 | 1,280,968 | 0 | 1,280,968 | 0 | 1,280,968 | 0 | 353,337,777 | 1,280,968 | 353,337,777 | 100.00% | | | |
| (3mil - 10mil) | | | | | | | | | | | | | | | | | | | | | | | | |
| 2000/2001 Program Year | | 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 | | Budgeted Payroll | | Budgeted % of Losses | | |
| Member | Premium | Interest Earned | | | | | | | | | | | | | | | | | | | | | | |
| BC/JPIA | 794,604 | 45,786 | (51,593) | (289,204) | (741,751) | (5,428) | 28,401 | (5,428) | 28,401 | 28,401 | 0 | 28,401 | 0 | 28,401 | 0 | 28,401 | 0 | 218,824,174 | 28,401 | 218,824,174 | 29.89% | | | |
| CS/JVRMA | 575,048 | 33,135 | (51,593) | (233,192) | (473,153) | (3,462) | 18,434 | (3,462) | 18,434 | 18,434 | 0 | 18,434 | 0 | 18,434 | 0 | 18,434 | 0 | 176,443,369 | 18,434 | 176,443,369 | 19.07% | | | |
| MIPA | 664,940 | 38,315 | (51,593) | (213,601) | (653,582) | (4,783) | 24,859 | (4,783) | 24,859 | 24,859 | 0 | 24,859 | 0 | 24,859 | 0 | 24,859 | 0 | 161,619,598 | 24,859 | 161,619,598 | 26.34% | | | |
| PARSAC | 529,800 | 30,528 | (51,593) | (163,911) | (554,300) | (4,056) | 20,924 | (4,056) | 20,924 | 20,924 | 0 | 20,924 | 0 | 20,924 | 0 | 20,924 | 0 | 124,022,512 | 20,924 | 124,022,512 | 22.34% | | | |
| VC/JPA | 113,388 | 6,534 | (51,593) | (28,987) | (58,814) | (430) | 2,487 | (430) | 2,487 | 2,487 | 0 | 2,487 | 0 | 2,487 | 0 | 2,487 | 0 | 21,932,586 | 2,487 | 21,932,586 | 2.37% | | | |
| PERMA* | 29,372 | n/a | (29,372) | n/a | n/a | n/a | 0 | n/a | 0 | 0 | n/a | 0 | n/a | 0 | 0 | 0 | n/a | n/a | 0 | 0 | n/a | n/a | | |
| Total | 2,707,152 | 154,298 | (287,339) | (928,895) | (2,481,600) | (18,159) | 95,105 | (18,159) | 95,105 | 95,105 | 0 | 95,105 | 0 | 95,105 | 0 | 95,105 | 0 | 702,842,239 | 95,105 | 702,842,239 | 100.00% | | | |
| (3mil - 10mil) | | | | | | | | | | | | | | | | | | | | | | | | |
| 2001/2002 Program Year | | 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 | | Budgeted Payroll | | Budgeted % of Losses | | |
| Member | Premium | Interest Earned | | | | | | | | | | | | | | | | | | | | | | |
| BC/JPIA | 905,484 | 36,780 | (54,880) | (287,278) | (497,543) | (12,974) | 89,585 | (12,974) | 89,585 | 89,585 | 0 | 89,585 | 0 | 89,585 | 0 | 89,585 | 0 | 232,743,275 | 89,585 | 232,743,275 | 33.37% | | | |
| CS/JVRMA | 624,524 | 25,368 | (48,622) | (235,486) | (294,520) | (7,680) | 63,584 | (7,680) | 63,584 | 63,584 | 0 | 63,584 | 0 | 63,584 | 0 | 63,584 | 0 | 190,782,705 | 63,584 | 190,782,705 | 19.75% | | | |
| MIPA | 645,844 | 26,234 | (52,540) | (213,966) | (332,063) | (8,659) | 64,851 | (8,659) | 64,851 | 64,851 | 0 | 64,851 | 0 | 64,851 | 0 | 64,851 | 0 | 173,347,743 | 64,851 | 173,347,743 | 22.27% | | | |
| PARSAC | 570,948 | 23,191 | (60,266) | (161,268) | (332,172) | (8,662) | 31,772 | (8,662) | 31,772 | 31,772 | 0 | 31,772 | 0 | 31,772 | 0 | 31,772 | 0 | 130,653,728 | 31,772 | 130,653,728 | 22.28% | | | |
| VC/JPA | 116,448 | 4,730 | (47,785) | (28,079) | (34,702) | (905) | 9,707 | (905) | 9,707 | 9,707 | 0 | 9,707 | 0 | 9,707 | 0 | 9,707 | 0 | 22,748,765 | 9,707 | 22,748,765 | 2.33% | | | |
| PERMA* | 20,749 | n/a | (20,749) | n/a | n/a | n/a | 0 | n/a | 0 | 0 | n/a | 0 | n/a | 0 | 0 | 0 | n/a | n/a | 0 | 0 | n/a | n/a | | |
| Total | 2,883,997 | 116,302 | (284,842) | (926,077) | (1,491,000) | (38,879) | 259,499 | (38,879) | 259,499 | 259,499 | 0 | 259,499 | 0 | 259,499 | 0 | 259,499 | 0 | 750,276,216 | 259,499 | 750,276,216 | 100.00% | | | |
| (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's Equity ~
As of June 30, 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 | Budgeted Payroll | Budgeted % of Losses |
| BC/JPIA | 954,516 | 104,029 | (45,285) | (424,920) | (309,906) | (21,029) | 257,402 | 0 | 257,402 | 0 | 257,402 | 279,900,212 | 23.80% |
| CS/JVRMA | 835,195 | 91,025 | (48,768) | (317,151) | (289,072) | (19,615) | 251,614 | 0 | 251,614 | 0 | 251,614 | 208,910,912 | 22.20% |
| MPA | 1,088,511 | 118,633 | (52,749) | (372,386) | (408,868) | (27,744) | 345,396 | 0 | 345,396 | 0 | 345,396 | 245,295,487 | 31.40% |
| PARSAC | 672,441 | 73,287 | (58,223) | (219,284) | (266,936) | (18,113) | 183,171 | 0 | 183,171 | 0 | 183,171 | 144,445,370 | 20.50% |
| VC/JPA | 136,626 | 14,890 | (43,792) | (37,676) | (27,345) | (1,855) | 40,848 | 0 | 40,848 | 0 | 40,848 | 24,817,761 | 2.10% |
| PERMA* | 10,569 | n/a | (10,569) | 0 | n/a | 0 | 0 | n/a | 0 | n/a | 0 | | |
| Total | 3,697,858 | 401,865 | (259,386) | (1,371,418) | (1,302,128) | (88,357) | 1,078,431 | 0 | 1,078,431 | 0 | 1,078,431 | 903,369,742 | 100.00% |

| 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 | Budgeted Payroll | Budgeted % of Losses |
| BC/JPIA | 1,263,251 | 198,544 | (42,230) | (503,421) | (273,246) | (49,539) | 593,361 | 0 | 593,361 | 0 | 593,361 | 301,387,622 | 26.90% |
| CS/JVRMA | 1,214,146 | 190,826 | (46,497) | (412,047) | (275,277) | (49,907) | 621,244 | 0 | 621,244 | 0 | 621,244 | 246,683,846 | 27.10% |
| MBAIF | 140,449 | 22,074 | (41,448) | (42,394) | (22,347) | (4,052) | 52,283 | 0 | 52,283 | 0 | 52,283 | 25,380,378 | 2.20% |
| MPA | 1,111,447 | 174,685 | (45,103) | (389,311) | (243,788) | (44,198) | 563,732 | 0 | 563,732 | 0 | 563,732 | 233,072,259 | 24.00% |
| PARSAC | 801,461 | 125,965 | (46,328) | (264,811) | (175,730) | (31,860) | 408,696 | 0 | 408,696 | 0 | 408,696 | 188,537,145 | 17.30% |
| VC/JPA | 162,847 | 25,595 | (43,476) | (43,447) | (25,395) | (4,604) | 71,520 | 0 | 71,520 | 0 | 71,520 | 26,010,996 | 2.50% |
| Total | 4,693,601 | 737,689 | (265,082) | (1,655,431) | (1,015,783) | (184,160) | 2,310,836 | - | 2,310,836 | 0 | 2,310,836 | 981,072,246 | 100.00% |

| 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 | Budgeted Payroll | Budgeted % of Losses |
| BC/JPIA | 1,583,927 | 124,285 | (47,798) | (557,112) | (1,744,715) | (148,148) | 789,561 | 0 | 789,561 | (64,774) | (854,336) | 310,247,058.00 | 25.49% |
| CS/JVRMA | 1,469,177 | 115,281 | (51,703) | (461,905) | (1,741,758) | (147,897) | 818,805 | 0 | 818,805 | (64,664) | (883,469) | 257,228,148.00 | 25.44% |
| MBAIF | 295,609 | 23,195 | (52,390) | (73,103) | (283,705) | (24,090) | 114,485 | 0 | 114,485 | (10,533) | (125,017) | 40,710,135.00 | 4.14% |
| MPA | 1,514,082 | 118,804 | (53,011) | (460,474) | (1,834,742) | (155,792) | 871,133 | 0 | 871,133 | (68,116) | (939,250) | 256,430,900.00 | 26.80% |
| PARSAC | 943,711 | 74,049 | (51,614) | (290,152) | (1,089,941) | (92,550) | 506,496 | 0 | 506,496 | (40,465) | (546,961) | 161,581,032.00 | 15.92% |
| VC/JPA | 169,123 | 13,270 | (47,111) | (49,796) | (150,446) | (12,775) | 77,734 | 0 | 77,734 | (5,585) | (83,320) | 27,730,726.00 | 2.20% |
| Total | 5,975,629 | 468,885 | (303,627) | (1,892,542) | (6,845,307) | (581,251) | (3,178,213) | 0 | (3,178,213) | (254,138) | (3,432,352) | 1,063,927,999 | 100.00% |

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's Equity ~
As of June 30, 2010

| 2005/2006 Program Year | | 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 | Budgeted Payroll | Budgeted % of Losses |
|------------------------|------------------|-------------------------|--------------------------------------|--------------------|----------------------|-------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|----------------------|----------------------|
| Member | Premium | Interest Earned | | | | | | | | | | |
| BC/JPIA | 1,576,921 | 195,513 | (704,681) | (1,422,174) | (239,715) | (637,013) | (58,380) | (695,395) | (243,251) | (880,265) | 322,869,644 | 22.70% |
| CS/JVRMA | 1,534,667 | 190,274 | (603,452) | (1,722,898) | (290,403) | (941,791) | (70,725) | (1,012,516) | (294,688) | (1,236,479) | 276,488,400 | 27.50% |
| MBAIF | 242,229 | 30,032 | (85,707) | (200,483) | (33,792) | (93,389) | (8,230) | (101,619) | (34,291) | (127,680) | 39,268,949 | 3.20% |
| MPA | 1,657,780 | 205,538 | (556,352) | (1,591,331) | (268,227) | (602,594) | (65,324) | (667,918) | (272,184) | (874,779) | 254,908,400 | 25.40% |
| PARSAC | 1,100,726 | 136,472 | (377,160) | (1,140,245) | (192,194) | (523,878) | (46,807) | (570,685) | (195,030) | (718,907) | 172,806,534 | 18.20% |
| VC/JPA | 242,309 | 30,042 | (63,886) | (187,953) | (31,680) | (61,895) | (7,715) | (69,611) | (32,148) | (94,043) | 29,271,222 | 3.00% |
| Total | 6,354,632 | 787,872 | (2,391,237) (5mil ~ 20mil) | (6,265,084) | (1,056,012) * | (2,860,560) | (257,182) * | (3,117,741) | (1,071,592) * | (3,932,152) | 1,095,613,149 | 100.00% |

| 2006/2007 Program Year | | 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 | Budgeted Payroll | Budgeted % of Losses |
|------------------------|------------------|-------------------------|--------------------------------------|------------------|--------------------|-------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|----------------------|----------------------|
| Member | Premium | Interest Earned | | | | | | | | | | |
| BC/JPIA | 1,498,514 | 151,728 | (699,362) | (202,636) | (281,384) | 417,003 | (84,228) | 332,774 | (276,750) | 140,251 | 334,978,892 | 22.80% |
| CS/JVRMA | 1,881,767 | 190,533 | (614,426) | (268,200) | (372,427) | 758,054 | (111,481) | 646,573 | (366,294) | 391,759 | 294,296,063 | 30.17% |
| MBAIF | 231,052 | 23,395 | (80,071) | (26,495) | (36,791) | 58,615 | (11,013) | 47,602 | (36,185) | 22,430 | 38,352,066 | 2.98% |
| MPA | 1,501,897 | 152,071 | (543,493) | (209,923) | (291,502) | 553,054 | (87,257) | 465,797 | (286,702) | 266,352 | 260,320,790 | 23.62% |
| PARSAC | 1,109,870 | 112,377 | (425,190) | (151,865) | (210,883) | 380,163 | (63,125) | 317,038 | (207,410) | 172,753 | 203,656,346 | 17.08% |
| VC/JPA | 282,700 | 28,624 | (69,175) | (29,781) | (41,355) | 112,200 | (12,379) | 99,821 | (40,674) | 71,526 | 33,133,287 | 3.35% |
| Total | 6,505,800 | 658,728 | (2,431,716) (5mil ~ 20mil) | (888,901) | (1,234,342) | 2,279,087 | (369,483) | 1,909,604 | (1,214,016) | 1,065,071 | 1,164,737,446 | 100.00% |

| 2007/2008 Program Year | | 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 | Budgeted Payroll | Budgeted % of Losses |
|------------------------|------------------|-------------------------|--------------------------------------|--------------------|------------------|-------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|----------------------|----------------------|
| Member | Premium | Interest Earned | | | | | | | | | | |
| BC/JPIA | 1,617,841 | 111,564 | (519,211) | (301,192) | (194,046) | 661,635 | (85,690) | 575,945 | (276,546) | 385,088 | 358,263,487 | 21.62% |
| CS/JVRMA | 2,133,137 | 147,098 | (482,379) | (410,021) | (264,160) | 1,060,719 | (116,652) | 944,066 | (376,469) | 684,250 | 332,848,968 | 29.44% |
| MBAIF | 246,970 | 17,031 | (58,287) | (39,099) | (25,190) | 84,865 | (11,124) | 73,741 | (35,900) | 48,965 | 40,218,695 | 2.81% |
| MPA | 1,765,180 | 121,724 | (418,012) | (336,174) | (216,583) | 854,814 | (95,642) | 759,171 | (308,664) | 546,149 | 288,434,476 | 24.14% |
| PARSAC | 1,390,539 | 95,889 | (321,611) | (261,976) | (168,780) | 672,369 | (74,533) | 597,836 | (240,538) | 431,831 | 221,916,854 | 18.81% |
| VC/JPA | 306,267 | 21,120 | (52,135) | (44,413) | (28,614) | 139,201 | (12,636) | 126,565 | (40,779) | 98,422 | 35,973,784 | 3.19% |
| Total | 7,459,934 | 514,426 | (1,851,634) (5mil ~ 25mil) | (1,392,875) | (897,373) | 3,473,601 | (396,277) | 3,077,324 | (1,278,895) | 2,194,705 | 1,277,656,264 | 100.00% |

* 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's Equity ~
As of June 30, 2010

| 2008/2009 Program Year | | Admin. Expenses To Date | Reinsurance / Excess Ins | Incurred Losses | IBNR | "Expected" Fund Balance | 70% Conf. Contingency Reserves IBNR | "70% Cont." Fund Balance | 80% Conf. Contingency Reserves IBNR | "80% Cont." Fund Balance | Budgeted Payroll | Budgeted % of Losses |
|-------------------------------|------------------|-------------------------|--------------------------------------|--------------------|--------------------|-------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|----------------------|----------------------|
| Member | Premium | Interest Earned | | | | | | | | | | |
| BC/JPIA | 1,777,509 | 51,182 | (653,844) | (938,520) | (310,747) | (125,407) | (155,885) | (281,292) | (412,636) | (538,044) | 381,179,313 | 21.60% |
| CS/JVRMA | 2,218,108 | 63,869 | (635,381) | (1,199,220) | (397,066) | (7,589) | (199,186) | (206,774) | (527,256) | (534,845) | 370,415,527 | 27.60% |
| MBASIA | 275,441 | 7,931 | (74,199) | (126,005) | (41,721) | (13,139) | (20,929) | (34,068) | (55,400) | (68,539) | 43,256,460 | 2.90% |
| MPA | 1,957,242 | 56,358 | (538,015) | (1,055,835) | (349,591) | 11,137 | (175,370) | (164,233) | (464,215) | (453,078) | 313,652,761 | 24.30% |
| PARSAC | 1,669,177 | 48,063 | (374,595) | (895,070) | (296,361) | 85,828 | (148,668) | (62,840) | (393,532) | (307,704) | 218,382,079 | 20.60% |
| VC/JPA | 312,521 | 8,999 | (64,529) | (130,350) | (43,159) | 23,538 | (21,651) | 1,888 | (57,310) | (33,772) | 37,619,142 | 3.00% |
| Total | 8,209,998 | 236,402 | (2,340,563) (4mil ~ 29mil) | (4,345,000) | (1,438,645) | (25,632) | (721,688) | (747,318) | (1,910,350) | (1,935,981) | 1,364,505,282 | 100.00% |

| 2009/2010 Program Year | | Admin. Expenses To Date | Reinsurance / Excess Ins | Incurred Losses | IBNR | "Expected" Fund Balance | 70% Conf. Contingency Reserves IBNR | "70% Cont." Fund Balance | 80% Conf. Contingency Reserves IBNR | "80% Cont." Fund Balance | Budgeted Payroll | Budgeted % of Losses |
|-------------------------------|------------------|-------------------------|--------------------------------------|-----------------|--------------------|-------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|----------------------|----------------------|
| Member | Premium | Interest Earned | | | | | | | | | | |
| BC/JPIA | 2,262,791 | 19,468 | (687,887) | 0 | (915,014) | 598,148 | (209,398) | 388,750 | (573,569) | 24,578 | 401,025,744 | 36.05% |
| CS/JVRMA | 2,115,672 | 18,203 | (687,615) | 0 | (849,602) | 517,954 | (194,429) | 323,525 | (532,567) | (14,612) | 400,867,123 | 33.47% |
| MBASIA | 277,713 | 2,389 | (78,506) | 0 | (87,894) | 38,075 | (20,114) | 17,961 | (55,095) | (17,021) | 45,767,695 | 3.46% |
| MPA | 1,545,223 | 13,295 | (451,448) | 0 | (612,304) | 412,854 | (140,124) | 272,730 | (383,818) | 29,036 | 263,185,935 | 24.12% |
| VC/JPA | 225,309 | 1,938 | (71,959) | 0 | (73,686) | 8,515 | (16,863) | (8,348) | (46,190) | (37,674) | 41,950,723 | 2.90% |
| PARSAC* | 29,046 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | - | 0.00% |
| Total | 6,455,754 | 55,293 | (1,977,415) (4mil ~ 29mil) | 0 | (2,538,500) | 1,575,547 | (580,929) | 994,619 | (1,591,238) | (15,692) | 1,152,797,220 | 100.00% |
| PARSAC* | | | | | | | | | | | | |
| TOTAL ALL YEARS | | | | | | | | 5,803,095 | (7,320,229) | 808,419 | | |

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.

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 June 30, 2010

| Member | Original Balance @ 7/1/2002 | Cumulative Interest 2002/2003 - 2005/2006 | 2006/2007 | | 2007/2008 | | 2008/2009 | 2009/2010 | Balance @ 06/30/10 |
|--------------|-----------------------------|---|------------------------|---|-----------------------------|---------------------------|----------------------------|----------------------------|--------------------|
| | | | Interest as of 9/30/06 | Member Contribution / Withdrawal 9/30/06 & 3/31/07 * 10/1/06 - 06/30/07 | Member Withdrawal June 2008 | YE Interest as of 6/30/08 | YE Interest as of 06/30/09 | YE Interest as of 06/30/10 | |
| BCJPIA | 380,979 | 33,811 | 7,692 | 445,979 * | (970,226) | 63,690 | 0 | 0 | (0) |
| PARSAC | 201,011 | 17,839 | 4,058 | (222,909) | (22,390) | 0 | 0 | 0 | (0) |
| VCJPA | 28,165 | 2,500 | 569 | 63,251 | 0 | 6,989 | 4,130 | 2,095 | 88,789 |
| 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 | (992,616) | 70,679 | 4,130 | 2,095 | 88,789 |

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 | 0 | 68,558 | (18,679) | (21,714) | 28,165 |
| Totals | 240,417 | 1,234,321 | (254,477) | (610,106) | 610,155 |

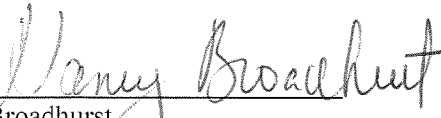
California Affiliated Risk Management Authorities
Treasurer's Report
As of June 30, 2010

| | Book Value | Market Value | % of Total | Effective Yield |
|--|----------------------|----------------------|-------------------|------------------------|
| California Bank & Trust – Petty Cash | \$ 732 | \$ 732 | 0.00% | 0.00% |
| California Bank & Trust – General Operating | 27,836 | 27,836 | 0.10% | 0.00% |
| California Bank & Trust - Promotional Money Market | 513,882 | 513,882 | 1.85% | 0.35% |
| State of California Local Agency Investment Fund | 3,736,034 | 3,742,175 | 13.44% | 0.53% |
| CAMP - Money Market | 52,898 | 52,898 | 0.19% | 0.24% |
| CAMP - Investments managed by PFM | 23,308,471 | 23,498,708 | 84.42% | 1.72% |
| Total Cash and Investments | \$ 27,639,853 | \$ 27,836,231 | 100.00% | 1.53% |

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.

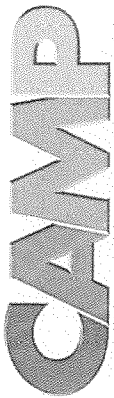
Respectfully submitted,



Nancy Broadhurst
Assistant Treasurer

Accepted,

Jake O'Malley
Treasurer



Account Statement - Transaction Summary

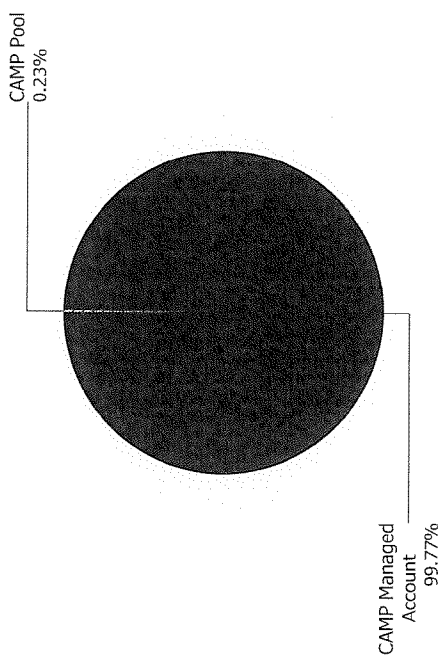
For the Month Ending **June 30, 2010**

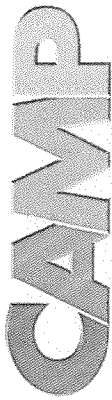
CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00

| Asset Summary | | June 30, 2010 | May 31, 2010 |
|-----------------------------|--|------------------------|------------------------|
| CAMP Pool | | 52,897.85 | 42,465.47 |
| CAMP Managed Account | | 23,498,708.48 | 19,395,719.45 |
| Total | | \$23,551,606.33 | \$19,438,184.92 |

| CAMP Pool | |
|-----------------------------|--------------------|
| Opening Market Value | 42,465.47 |
| Purchases | 5,107,348.04 |
| Redemptions | (5,096,915.66) |
| Unsettled Trades | 0.00 |
| Change in Value | 0.00 |
| Closing Market Value | \$52,897.85 |
| Cash Dividends and Income | 8.21 |

| CAMP Managed Account | |
|-----------------------------|------------------------|
| Opening Market Value | 19,395,719.45 |
| Purchases | 5,072,321.96 |
| Redemptions | (1,048,978.80) |
| Unsettled Trades | 0.00 |
| Change in Value | 79,645.87 |
| Closing Market Value | \$23,498,708.48 |
| Cash Dividends and Income | 19,605.16 |





Managed Account Detail of Securities Held

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

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

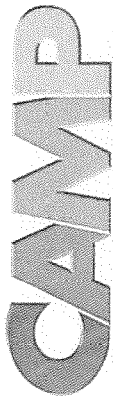
| Security Type/Description | Dated Date/Coupon/Maturity | CUSIP | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value | |
|----------------------------------|----------------------------------|-----------|------------|----------------|------------|-------------|---------------------|-------------|------------------|---------------------|---------------------|--|
| U.S. Treasury Bond / Note | | | | | | | | | | | | |
| US TREASURY NOTES | DTD 04/30/2006 4.875% 04/30/2011 | 912828FD7 | TSY | TSY | 04/29/08 | 05/02/08 | 960,046.88 | 2.55 | 7,391.98 | 917,118.50 | 933,750.00 | |
| US TREASURY NOTES | DTD 05/31/2009 0.875% 05/31/2011 | 912828KL3 | TSY | TSY | 12/07/09 | 12/08/09 | 251,386.72 | 0.50 | 185.28 | 250,859.92 | 251,191.50 | |
| US TREASURY NOTES | DTD 06/30/2009 1.125% 06/30/2011 | 912828LF5 | TSY | TSY | 06/03/10 | 06/03/10 | 755,302.73 | 0.46 | 22.93 | 754,922.71 | 755,420.25 | |
| US TREASURY NOTES | DTD 08/31/2006 4.625% 08/31/2011 | 912828FS4 | TSY | TSY | 08/28/08 | 08/29/08 | 528,593.75 | 2.63 | 7,729.28 | 511,352.10 | 524,277.50 | |
| US TREASURY NOTES | DTD 11/30/2009 0.750% 11/30/2011 | 912828MM9 | TSY | TSY | 06/03/10 | 06/03/10 | 750,644.53 | 0.69 | 476.43 | 750,611.60 | 752,812.50 | |
| US TREASURY NOTES | DTD 11/30/2009 0.750% 11/30/2011 | 912828MM9 | TSY | TSY | 12/04/09 | 12/08/09 | 998,359.38 | 0.83 | 635.25 | 998,823.73 | 1,003,750.00 | |
| Security Type Sub-Total | | | | | | | 4,244,333.99 | 1.32 | 16,441.15 | 4,183,688.56 | 4,221,201.75 | |

| | | | | | | | | | | | | |
|---|----------------------------------|-----------|-----|-----|----------|----------|---------------------|-------------|-----------------|---------------------|---------------------|--|
| U.S. Government Supported Corporate Debt | | | | | | | | | | | | |
| REGIONS BANK (FDIC) GLOBAL NOTE | DTD 12/11/2008 3.250% 12/09/2011 | 7591EAA89 | AAA | Aaa | 12/08/08 | 12/11/08 | 449,581.50 | 3.28 | 893.75 | 449,793.55 | 466,378.65 | |
| HSBC USA INC (FDIC) GLOBAL NOTE | DTD 12/16/2008 3.125% 12/16/2011 | 4042EPA45 | AAA | Aaa | 07/23/09 | 07/28/09 | 388,503.75 | 1.58 | 488.28 | 383,324.49 | 388,417.88 | |
| JOHN DEERE CAPITAL CORP (FDIC) GL MTN | DTD 12/19/2008 2.875% 06/19/2012 | 24424DAA7 | AAA | Aaa | 12/16/08 | 12/19/08 | 498,845.00 | 2.94 | 479.17 | 499,336.56 | 519,943.00 | |
| Security Type Sub-Total | | | | | | | 1,336,930.25 | 2.67 | 1,861.20 | 1,332,454.60 | 1,374,739.53 | |

| | | | | | | | | | | | | |
|-----------------------------------|----------------------------------|-----------|-----|-----|----------|----------|--------------|------|----------|--------------|--------------|--|
| Federal Agency Bond / Note | | | | | | | | | | | | |
| FNMA GLOBAL BENCHMARK NOTES | DTD 04/21/2006 5.125% 04/15/2011 | 31359MM26 | AAA | Aaa | 04/01/08 | 04/04/08 | 229,696.54 | 2.76 | 2,326.18 | 218,940.35 | 223,129.69 | |
| FFCB BONDS | DTD 04/21/2008 2.625% 04/21/2011 | 31331YG46 | AAA | Aaa | 12/19/08 | 12/22/08 | 1,071,126.00 | 1.74 | 5,359.38 | 1,057,398.83 | 1,068,703.13 | |



PFM Asset Management LLC



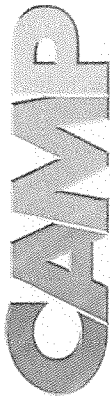
Managed Account Detail of Securities Held

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

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

| Security Type / Description | Dated Date / Coupon / Maturity | Federal Agency Bond / Note | CUSIP | Par | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value |
|-------------------------------|----------------------------------|----------------------------|-----------|--------------|------------|----------------|------------|-------------|---------------|-------------|------------------|----------------|--------------|
| 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 | 501,846.27 | 505,937.50 |
| 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 | 274,560.56 | 276,718.75 |
| 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 | 500,081.42 | 502,968.75 |
| FHLMC GLOBAL NOTES | DTD 02/19/2009 2.125% 03/23/2012 | | 3137EABY4 | 900,000.00 | AAA | Aaa | 02/02/10 | 02/03/10 | 919,197.00 | 1.11 | 5,206.25 | 915,543.72 | 922,218.75 |
| FNMA NOTES (CALLABLE) | DTD 04/19/2010 1.400% 04/19/2012 | | 31398AM41 | 625,000.00 | AAA | Aaa | 05/07/10 | 05/07/10 | 625,000.00 | 1.40 | 1,750.00 | 625,000.00 | 625,195.31 |
| FFCB BONDS | DTD 02/24/2009 2.250% 04/24/2012 | | 31331GN08 | 450,000.00 | AAA | Aaa | 02/19/09 | 02/24/09 | 449,991.00 | 2.25 | 1,884.38 | 449,991.13 | 462,656.25 |
| FHLB GLOBAL BONDS (CALLABLE) | DTD 10/27/2009 1.625% 04/27/2012 | | 3133XVJA0 | 500,000.00 | AAA | Aaa | 12/23/09 | 12/24/09 | 500,000.00 | 1.62 | 1,444.44 | 500,000.00 | 501,562.50 |
| FHLMC GLOBAL NOTES (CALLABLE) | DTD 05/10/2010 1.300% 05/10/2012 | | 3134GIAW4 | 500,000.00 | AAA | Aaa | 06/03/10 | 06/03/10 | 500,000.00 | 1.30 | 920.83 | 500,000.00 | 500,480.00 |
| FHLMC GLOBAL NOTES (CALLABLE) | DTD 05/10/2010 1.300% 05/10/2012 | | 3134GIAW4 | 675,000.00 | AAA | Aaa | 06/02/10 | 06/04/10 | 675,000.00 | 1.30 | 1,243.13 | 675,000.00 | 675,648.00 |
| 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 | 1,000,720.24 | 1,005,625.00 |
| FHLMC GLOBAL NOTES | DTD 05/21/2009 1.750% 06/15/2012 | | 3137EACC1 | 150,000.00 | AAA | Aaa | 05/19/09 | 05/21/09 | 149,514.00 | 1.86 | 116.67 | 149,686.49 | 152,953.13 |
| FHLMC GLOBAL NOTES | DTD 05/21/2009 1.750% 06/15/2012 | | 3137EACC1 | 500,000.00 | AAA | Aaa | 09/29/09 | 09/30/09 | 502,210.00 | 1.58 | 388.89 | 501,608.09 | 509,843.75 |
| FNMA GLOBAL NOTES | DTD 04/19/2010 1.250% 06/22/2012 | | 31398AP71 | 155,000.00 | AAA | Aaa | 04/15/10 | 04/19/10 | 154,947.30 | 1.27 | 48.44 | 154,951.46 | 156,453.13 |
| FNMA GLOBAL NOTES | DTD 04/19/2010 1.250% 06/22/2012 | | 31398AP71 | 300,000.00 | AAA | Aaa | 05/05/10 | 05/06/10 | 300,516.00 | 1.17 | 93.75 | 300,478.64 | 302,812.50 |





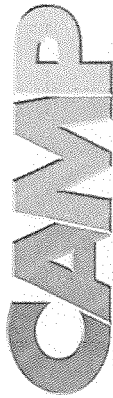
Managed Account Detail of Securities Held

For the Month Ending **June 30, 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 | | | | | | | | | | | |
| FNMA GLOBAL NOTES DTD 04/19/2010 1.250% 06/22/2012 | 31398AP71 | 770,000.00 | AAA | Aaa | 04/15/10 | 04/19/10 | 769,129.90 | 1.30 | 240.63 | 769,205.69 | 777,218.75 |
| FHLMC GLOBAL NOTES DTD 05/28/2010 1.125% 07/27/2012 | 3137EACK3 | 750,000.00 | AAA | Aaa | 06/03/10 | 06/03/10 | 750,187.50 | 1.11 | 773.44 | 750,181.22 | 755,390.63 |
| FHLB GLOBAL BONDS DTD 07/23/2009 1.750% 08/22/2012 | 3133XUE41 | 900,000.00 | AAA | Aaa | 07/22/09 | 07/23/09 | 898,758.00 | 1.80 | 5,643.75 | 899,126.16 | 917,437.50 |
| FHLB GLOBAL BONDS DTD 10/05/2007 4.625% 10/10/2012 | 3133XML66 | 500,000.00 | AAA | Aaa | 09/22/09 | 09/23/09 | 541,650.00 | 1.80 | 5,203.13 | 531,305.50 | 542,812.50 |
| 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 | 179,777.47 | 183,487.50 |
| FNMA GLOBAL NOTES DTD 01/15/2010 1.750% 02/22/2013 | 31398AE24 | 750,000.00 | AAA | Aaa | 06/03/10 | 06/03/10 | 755,910.00 | 1.45 | 4,703.13 | 755,745.92 | 764,531.25 |
| 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 | 2,772.66 | 527,267.95 | 532,875.00 |
| 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 | 6,073.44 | 1,148,559.17 | 1,167,250.00 |
| FHLMC GLOBAL NOTES (CALLABLE) DTD 05/03/2010 2.000% 05/03/2013 | 3128X97A2 | 500,000.00 | AAA | Aaa | 05/06/10 | 05/07/10 | 499,900.00 | 2.01 | 1,611.11 | 499,905.04 | 502,416.00 |
| 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 | 498,662.62 | 505,468.75 |
| Security Type Sub-Total | | 14,820,000.00 | | | | | 14,925,395.04 | 1.50 | 54,144.19 | 14,885,543.94 | 15,041,794.02 |
| Corporate Note | | | | | | | | | | | |
| JPMORGAN CHASE & CO GLOBAL SR NOTES DTD 11/07/2003 4.500% 11/15/2010 | 46625HBA7 | 500,000.00 | A+ | Aa3 | 05/01/08 | 05/06/08 | 507,790.00 | 3.85 | 2,875.00 | 501,193.86 | 506,660.50 |
| GENERAL ELEC CAP CORP GLOBAL NOTES DTD 08/13/2009 3.500% 08/13/2012 | 36962G4E1 | 400,000.00 | AA+ | Aa2 | 08/12/09 | 08/17/09 | 399,740.00 | 3.52 | 5,366.67 | 399,814.11 | 412,876.80 |





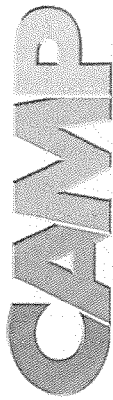
Managed Account Detail of Securities Held

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

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

| Security Type/Description | Dated Date/Coupon/Maturity | CUSIP | S&P Rating | Moody's Rating | Trade Date | Settle Date | Original Cost | YTM at Cost | Accrued Interest | Amortized Cost | Market Value | |
|---------------------------------------|----------------------------|------------------------|------------|----------------|------------|-------------|------------------------|--------------|--------------------|------------------------|------------------------|--|
| Corporate Note | | | | | | | | | | | | |
| GENERAL ELECTRIC CAPITAL CORP (FLOAT) | 36962GZ49 | 500,000.00 | AA+ | Aa2 | 04/08/10 | 04/13/10 | 490,810.00 | 1.11 | 392.66 | 491,553.32 | 487,157.00 | |
| NT | | | | | | | | | | | | |
| DTD 11/01/2006 0.474% 11/01/2012 | | | | | | | | | | | | |
| WELLS FARGO & COMPANY GLOBAL SR NOTES | 949746NY3 | 500,000.00 | AA- | A1 | 09/02/08 | 09/05/08 | 481,800.00 | 5.31 | 9,175.35 | 488,844.31 | 528,586.00 | |
| DTD 01/31/2008 4.375% 01/31/2013 | | | | | | | | | | | | |
| BANK OF NEW YORK MELLON GLOBAL NOTES | 06406HBJ7 | 360,000.00 | AA- | Aa2 | 06/11/10 | 06/16/10 | 386,647.20 | 1.77 | 4,050.00 | 386,259.30 | 387,812.88 | |
| DTD 03/27/2008 4.500% 04/01/2013 | | | | | | | | | | | | |
| WAL MART STORES INC GLOBAL NOTES | 931142CL5 | 500,000.00 | AA | Aa2 | 03/22/10 | 03/25/10 | 535,025.00 | 1.88 | 4,486.11 | 532,045.51 | 537,880.00 | |
| DTD 04/15/2008 4.250% 04/15/2013 | | | | | | | | | | | | |
| Security Type Sub-Total | | 2,760,000.00 | | | | | 2,801,812.20 | 2.95 | 26,345.79 | 2,799,710.41 | 2,860,973.18 | |
| Managed Account Sub-Total | | 23,055,000.00 | | | | | 23,308,471.48 | 1.72 | 98,792.33 | 23,201,397.51 | 23,498,708.48 | |
| Money Market Fund | | | | | | | | | | | | |
| CAMP Pool | | 52,897.85 | AAA+m | NR | | | 52,897.85 | | 0.00 | 52,897.85 | 52,897.85 | |
| Money Market Sub-Total | | 52,897.85 | | | | | 52,897.85 | | 0.00 | 52,897.85 | 52,897.85 | |
| Securities Sub-Total | | \$23,107,897.85 | | | | | \$23,361,369.33 | 1.72% | \$98,792.33 | \$23,254,295.36 | \$23,551,606.33 | |
| Accrued Interest | | | | | | | | | | | \$98,792.33 | |
| Total Investments | | | | | | | | | | | \$23,650,398.66 | |





Managed Account Security Transactions & Interest

For the Month Ending June 30, 2010

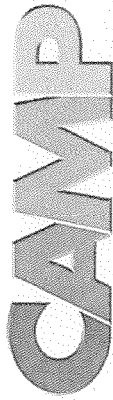
CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

| Transaction Type | Trade | Settle | Security Description | CUSIP | Par | Principal Proceeds | Accrued Interest | Total | Realized G/L Cost | Realized G/L Amort Cost | Sale Method |
|-----------------------------------|----------|----------|--|-----------|---------------------|-----------------------|--------------------|-----------------------|-------------------|-------------------------|-------------|
| BUY | | | | | | | | | | | |
| | 06/02/10 | 06/04/10 | FHLMC GLOBAL NOTES (CALLABLE) DTD 05/10/2010 1.300% 05/10/2012 | 3134G1AW4 | 675,000.00 | (675,000.00) | (585.00) | (675,585.00) | | | |
| | 06/03/10 | 06/03/10 | FHLMC GLOBAL NOTES (CALLABLE) DTD 05/10/2010 1.300% 05/10/2012 | 3134G1AW4 | 500,000.00 | (500,000.00) | (415.28) | (500,415.28) | | | |
| | 06/03/10 | 06/03/10 | US TREASURY NOTES DTD 11/30/2009 0.750% 11/30/2011 | 912828MM9 | 750,000.00 | (750,644.53) | (46.11) | (750,690.64) | | | |
| | 06/03/10 | 06/03/10 | FNMA GLOBAL NOTES DTD 05/21/2010 1.500% 06/26/2013 | 31398AT44 | 500,000.00 | (498,630.00) | (250.00) | (498,880.00) | | | |
| | 06/03/10 | 06/03/10 | FHLMC GLOBAL NOTES DTD 05/28/2010 1.125% 07/27/2012 | 3137EACK3 | 750,000.00 | (750,187.50) | (117.19) | (750,304.69) | | | |
| | 06/03/10 | 06/03/10 | FNMA GLOBAL NOTES DTD 01/15/2010 1.750% 02/22/2013 | 31398AE24 | 750,000.00 | (755,910.00) | (3,682.29) | (759,592.29) | | | |
| | 06/03/10 | 06/03/10 | US TREASURY NOTES DTD 06/30/2009 1.125% 06/30/2011 | 912828LF5 | 750,000.00 | (755,302.73) | (3,589.43) | (758,892.16) | | | |
| | 06/11/10 | 06/16/10 | BANK OF NEW YORK MELLON GLOBAL NOTES DTD 03/27/2008 4.500% 04/01/2013 | 06406HBJ7 | 360,000.00 | (386,647.20) | (3,375.00) | (390,022.20) | | | |
| Transaction Type Sub-Total | | | | | 5,035,000.00 | (5,072,321.96) | (12,060.30) | (5,084,382.26) | | | |

| 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 | | | | | | | | | | | |
| | 06/04/10 | 06/04/10 | FHLB NOTES (CALLED, OMD 3/04/2013) DTD 03/04/2010 1.950% 06/04/2010 | 3133XXB22 | 675,000.00 | 0.00 | 3,290.63 | 3,290.63 | | | |
| | 06/09/10 | 06/09/10 | REGIONS BANK (FDIC) GLOBAL NOTE DTD 12/11/2008 3.250% 12/09/2011 | 7591EAAB9 | 450,000.00 | 0.00 | 7,312.50 | 7,312.50 | | | |
| | 06/15/10 | 06/15/10 | FHLMC GLOBAL NOTES DTD 05/21/2009 1.750% 06/15/2012 | 3137EACCI | 150,000.00 | 0.00 | 1,312.50 | 1,312.50 | | | |
| | 06/15/10 | 06/15/10 | FHLMC GLOBAL NOTES DTD 05/21/2009 1.750% 06/15/2012 | 3137EACCI | 500,000.00 | 0.00 | 4,375.00 | 4,375.00 | | | |



PFM Asset Management LLC



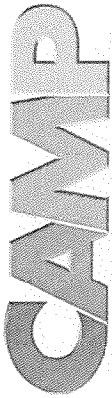
Managed Account Security Transactions & Interest

For the Month Ending June 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 | | | | | | | | | | | |
| 06/16/10 | 06/16/10 | | 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 | | | |
| 06/19/10 | 06/19/10 | | JOHN DEERE CAPITAL CORP (FDIC) GL MTN DTD 12/19/2008 2.875% 06/19/2012 | 24424DAA7 | 500,000.00 | 0.00 | 7,187.50 | 7,187.50 | | | |
| 06/22/10 | 06/22/10 | | FNMA GLOBAL NOTES DTD 04/19/2010 1.250% 06/22/2012 | 31398AP71 | 155,000.00 | 0.00 | 339.06 | 339.06 | | | |
| 06/22/10 | 06/22/10 | | FNMA GLOBAL NOTES DTD 04/19/2010 1.250% 06/22/2012 | 31398AP71 | 300,000.00 | 0.00 | 656.25 | 656.25 | | | |
| 06/22/10 | 06/22/10 | | FNMA GLOBAL NOTES DTD 04/19/2010 1.250% 06/22/2012 | 31398AP71 | 770,000.00 | 0.00 | 1,684.38 | 1,684.38 | | | |
| 06/26/10 | 06/26/10 | | FNMA GLOBAL NOTES DTD 05/21/2010 1.500% 06/26/2013 | 31398AT44 | 500,000.00 | 0.00 | 729.17 | 729.17 | | | |
| 06/28/10 | 06/28/10 | | FHLB GLOBAL BONDS DTD 11/16/2009 1.000% 12/28/2011 | 3133XVRS2 | 500,000.00 | 0.00 | 2,500.00 | 2,500.00 | | | |
| 06/30/10 | 06/30/10 | | 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 | | | | | 5,625,000.00 | 0.00 | 39,465.12 | 39,465.12 | | | |
| MATURITY | | | | | | | | | | | |
| 06/04/10 | 06/04/10 | | FHLB NOTES (CALLED, OMD 3/04/2013) DTD 03/04/2010 1.950% 06/04/2010 | 3133XXB22 | 675,000.00 | 675,000.00 | 0.00 | 675,000.00 | 0.00 | 0.00 | |
| Transaction Type Sub-Total | | | | | 675,000.00 | 675,000.00 | 0.00 | 675,000.00 | 0.00 | 0.00 | |
| SELL | | | | | | | | | | | |
| 06/15/10 | 06/16/10 | | FNMA GLOBAL BENCHMARK NOTES DTD 04/21/2006 5.125% 04/15/2011 | 31359MM26 | 225,000.00 | 233,736.75 | 1,953.91 | 235,690.66 | (6,939.90) | 4,326.77 | FIFO |
| 06/15/10 | 06/16/10 | | FNMA GLOBAL BENCHMARK NOTES DTD 04/21/2006 5.125% 04/15/2011 | 31359MM26 | 135,000.00 | 140,242.05 | 1,172.34 | 141,414.39 | (3,986.01) | 2,638.33 | FIFO |





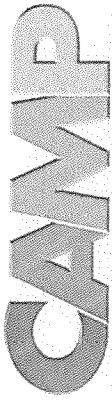
Managed Account Security Transactions & Interest

For the Month Ending **June 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 |
|-----------------------------|-------|--------|----------------------|-------|-----------------|--------------------|------------------|------------------|-------------------|-------------------------|-------------|
| Transaction Type Sub-Total | | | | | 360,000.00 | 373,978.80 | 3,126.25 | 377,105.05 | (10,925.91) | 6,965.10 | |
| Managed Account Sub-Total | | | | | 11,695,000.00 | (4,023,343.16) | 30,531.07 | (3,992,812.09) | (10,925.91) | 6,965.10 | |
| Total Security Transactions | | | | | \$11,695,000.00 | (\$4,023,343.16) | \$30,531.07 | (\$3,992,812.09) | (\$10,925.91) | \$6,965.10 | |





Managed Account Security Transactions & Interest

For the Month Ending May 31, 2010

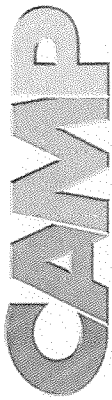
CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

| Transaction Type Trade Settle | Security Description | CUSIP | Par | Principal Proceeds | Accrued Interest | Total | Realized G/L Cost | Realized G/L Amort Cost | Sale Method |
|-----------------------------------|---|-----------|--------------|-----------------------|---------------------|---------------------|-----------------------|----------------------------|-----------------------|
| BUY | | | | | | | | | |
| 05/05/10 05/06/10 | FNMA NOTES DTD 04/19/2010 1.250% 06/22/2012 | 31398AP71 | 300,000.00 | (300,516.00) | (177.08) | (300,693.08) | | | |
| 05/06/10 05/07/10 | FHLMC NOTES (CALLABLE) DTD 05/03/2010 2.000% 05/03/2013 | 3128X97A2 | 500,000.00 | (499,900.00) | (111.11) | (500,011.11) | | | |
| 05/07/10 05/07/10 | FANNIE MAE NOTES (CALLABLE) DTD 04/19/2010 1.400% 04/19/2012 | 31398AM41 | 625,000.00 | (625,000.00) | (437.50) | (625,437.50) | | | |
| 05/18/10 05/20/10 | US TREASURY BILL -- 0.000% 06/10/2010 | 912795UT6 | 529,000.00 | (528,950.63) | 0.00 | (528,950.63) | | | |
| 05/24/10 05/25/10 | FNMA NOTES (CALLABLE) DTD 05/25/2010 1.300% 05/25/2012 | 31398AS37 | 1,000,000.00 | (1,000,800.00) | 0.00 | (1,000,800.00) | | | |
| 05/26/10 05/27/10 | FHLMC NOTES DTD 03/04/2010 1.625% 04/15/2013 | 3137EACJ6 | 525,000.00 | (527,341.50) | (1,966.93) | (529,308.43) | | | |
| Transaction Type Sub-Total | | | | | | 3,479,000.00 | (3,482,508.13) | (2,692.62) | (3,485,200.75) |

| Transaction Type | Security Description | CUSIP | Par | Principal Proceeds | Accrued Interest | Total | Realized G/L Cost | Realized G/L Amort Cost | Sale Method |
|-------------------|---|-----------|--------------|-----------------------|---------------------|-----------|----------------------|----------------------------|----------------|
| INTEREST | | | | | | | | | |
| 05/01/10 05/04/10 | GENERAL ELECTRIC CAPITAL CORP (FLOAT) NT DTD 11/01/2006 0.474% 11/01/2012 | 36962GZ49 | 500,000.00 | 0.00 | 483.96 | 483.96 | | | |
| 05/04/10 05/04/10 | MBNA CORP (BAC) SR MTN DTD 05/04/2005 5.000% 05/04/2010 | 55263ECL7 | 500,000.00 | 0.00 | 12,500.00 | 12,500.00 | | | |
| 05/15/10 05/15/10 | JPMORGAN CHASE & CO GLOBAL SR NOTES DTD 11/07/2003 4.500% 11/15/2010 | 46625HBA7 | 500,000.00 | 0.00 | 11,250.00 | 11,250.00 | | | |
| 05/17/10 05/17/10 | FHLMC NOTES (CALLED, OMD 2/17/2012) DTD 02/17/2010 1.250% 05/17/2010 | 3128X9XT2 | 1,000,000.00 | 0.00 | 3,125.00 | 3,125.00 | | | |
| 05/23/10 05/23/10 | FNMA NOTES DTD 10/09/2009 1.000% 11/23/2011 | 31398AZN5 | 275,000.00 | 0.00 | 1,375.00 | 1,375.00 | | | |
| 05/31/10 05/31/10 | US TREASURY NOTES DTD 05/31/2009 0.875% 05/31/2011 | 912828KU3 | 250,000.00 | 0.00 | 1,093.75 | 1,093.75 | | | |



PFM Asset Management LLC



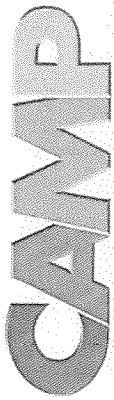
Managed Account Security Transactions & Interest

For the Month Ending **May 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 | | | | | | | | | | | |
| | 05/31/10 | 05/31/10 | 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 | | | | | 4,025,000.00 | 0.00 | 33,577.71 | 33,577.71 | | | |
| MATURITY | | | | | | | | | | | |
| | 05/04/10 | 05/04/10 | MBNA CORP (BAC) SR MTN DTD 05/04/2005 5.000% 05/04/2010 | 55263ECL7 | 500,000.00 | 500,000.00 | 0.00 | 500,000.00 | 1,110.00 | 0.00 | |
| | 05/17/10 | 05/17/10 | FHLMC NOTES (CALLED, OMD 2/17/2012) DTD 02/17/2010 1.250% 05/17/2010 | 3128X9XT2 | 1,000,000.00 | 1,000,000.00 | 0.00 | 1,000,000.00 | 280.00 | 0.00 | |
| Transaction Type Sub-Total | | | | | 1,500,000.00 | 1,500,000.00 | 0.00 | 1,500,000.00 | 1,390.00 | 0.00 | |
| SELL | | | | | | | | | | | |
| | 05/05/10 | 05/06/10 | US TREASURY NOTES DTD 04/15/2009 1.375% 04/15/2012 | 912828KK5 | 300,000.00 | 303,046.88 | 236.68 | 303,283.56 | 2,906.25 | 2,953.59 | FIFO |
| | 05/06/10 | 05/07/10 | CITIGROUP INC (FDIC) GLOBAL NOTE DTD 12/09/2008 2.875% 12/09/2011 | 17313UAA7 | 500,000.00 | 515,945.00 | 5,909.72 | 521,854.72 | 17,185.00 | 16,615.13 | FIFO |
| | 05/18/10 | 05/20/10 | US TREASURY NOTES DTD 03/15/2010 1.375% 03/15/2013 | 912828MT4 | 525,000.00 | 528,096.68 | 1,294.67 | 529,391.35 | 7,403.32 | 7,190.83 | FIFO |
| | 05/26/10 | 05/27/10 | US TREASURY BILL -- 0.000% 06/10/2010 | 912795UT6 | 529,000.00 | 528,971.20 | 0.00 | 528,971.20 | 20.57 | 4.11 | FIFO |
| Transaction Type Sub-Total | | | | | 1,854,000.00 | 1,876,059.76 | 7,441.07 | 1,883,500.83 | 27,515.14 | 26,763.66 | |
| Managed Account Sub-Total | | | | | 10,858,000.00 | (106,448.37) | 38,326.16 | (68,122.21) | 28,905.14 | 26,763.66 | |
| Total Security Transactions | | | | | \$10,858,000.00 | (\$106,448.37) | \$38,326.16 | (\$68,122.21) | \$28,905.14 | \$26,763.66 | |





Managed Account Security Transactions & Interest

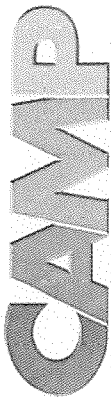
For the Month Ending April 30, 2010

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 |
|-----------------------------------|--------------|--|-----------|---------------------|-----------------------|------------------|-----------------------|-------------------|-------------------------|-------------|
| BUY | | | | | | | | | | |
| 04/08/10 | 04/13/10 | GENERAL ELECTRIC CAPITAL CORP (FLOAT) NT | 36962GZ49 | 500,000.00 | (490,810.00) | (373.49) | (491,183.49) | | | |
| | | DTD 11/01/2006 0.379% 11/01/2012 | | | | | | | | |
| 04/15/10 | 04/19/10 | FNMA NOTES | 31398AP71 | 770,000.00 | (769,129.90) | 0.00 | (769,129.90) | | | |
| | | DTD 04/19/2010 1.250% 06/22/2012 | | | | | | | | |
| 04/15/10 | 04/19/10 | FNMA NOTES | 31398AP71 | 155,000.00 | (154,947.30) | 0.00 | (154,947.30) | | | |
| | | DTD 04/19/2010 1.250% 06/22/2012 | | | | | | | | |
| Transaction Type Sub-Total | | | | 1,425,000.00 | (1,414,887.20) | (373.49) | (1,415,260.69) | | | |
| INTEREST | | | | | | | | | | |
| 04/10/10 | 04/10/10 | FHLB GLOBAL BONDS | 3133XVL66 | 500,000.00 | 0.00 | 11,562.50 | 11,562.50 | | | |
| | | DTD 10/05/2007 4.625% 10/10/2012 | | | | | | | | |
| 04/15/10 | 04/15/10 | WAL MART STORES INC GLOBAL NOTES | 931142CL5 | 500,000.00 | 0.00 | 10,625.00 | 10,625.00 | | | |
| | | DTD 04/15/2008 4.250% 04/15/2013 | | | | | | | | |
| 04/15/10 | 04/15/10 | US TREASURY NOTES | 912828KK5 | 300,000.00 | 0.00 | 2,062.50 | 2,062.50 | | | |
| | | DTD 04/15/2009 1.375% 04/15/2012 | | | | | | | | |
| 04/15/10 | 04/15/10 | FNMA GLOBAL BENCHMARK NOTES | 31359MM26 | 225,000.00 | 0.00 | 5,765.63 | 5,765.63 | | | |
| | | DTD 04/21/2006 5.125% 04/15/2011 | | | | | | | | |
| 04/15/10 | 04/15/10 | FNMA GLOBAL BENCHMARK NOTES | 31359MM26 | 350,000.00 | 0.00 | 8,968.75 | 8,968.75 | | | |
| | | DTD 04/21/2006 5.125% 04/15/2011 | | | | | | | | |
| 04/21/10 | 04/21/10 | FFCB BONDS | 31331YG46 | 1,050,000.00 | 0.00 | 13,781.25 | 13,781.25 | | | |
| | | DTD 04/21/2008 2.625% 04/21/2011 | | | | | | | | |
| 04/24/10 | 04/24/10 | FFCB BONDS | 31331GNO8 | 450,000.00 | 0.00 | 5,062.50 | 5,062.50 | | | |
| | | DTD 02/24/2009 2.250% 04/24/2012 | | | | | | | | |
| 04/27/10 | 04/27/10 | FHLB NOTES (CALLABLE) | 3133XVJA0 | 500,000.00 | 0.00 | 4,062.50 | 4,062.50 | | | |
| | | DTD 10/27/2009 1.625% 04/27/2012 | | | | | | | | |
| 04/30/10 | 04/30/10 | US TREASURY NOTES | 912828FD7 | 900,000.00 | 0.00 | 21,937.50 | 21,937.50 | | | |
| | | DTD 04/30/2006 4.875% 04/30/2011 | | | | | | | | |
| Transaction Type Sub-Total | | | | 4,775,000.00 | 0.00 | 83,828.13 | 83,828.13 | | | |



PFM Asset Management LLC



Managed Account Security Transactions & Interest

For the Month Ending April 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 | | | | | | | | | | | |
| | 04/08/10 | 04/13/10 | GENERAL ELECTRIC CAPITAL CORP (FLOAT) | 36962GZ80 | 500,000.00 | 499,318.50 | 166.10 | 499,484.60 | 37,264.45 | 21,465.13 | FIFO |
| | | | DTD 12/06/2006 0.332% 06/06/2011 | | | | | | | | |
| | 04/15/10 | 04/19/10 | US TREASURY NOTES | 912828KX7 | 755,000.00 | 766,531.45 | 4,861.35 | 771,392.80 | 5,515.04 | 7,089.32 | FIFO |
| | | | DTD 06/15/2009 1.875% 06/15/2012 | | | | | | | | |
| | 04/15/10 | 04/19/10 | US TREASURY NOTES | 912828KP4 | 150,000.00 | 150,808.59 | 883.11 | 151,691.70 | 1,248.04 | 1,119.37 | FIFO |
| | | | DTD 05/15/2009 1.375% 05/15/2012 | | | | | | | | |
| Transaction Type Sub-Total | | | | | | 1,405,000.00 | 5,910.56 | 1,422,569.10 | 44,027.53 | 29,673.82 | |
| Managed Account Sub-Total | | | | | | 7,605,000.00 | 89,365.20 | 91,136.54 | 44,027.53 | 29,673.82 | |
| Total Security Transactions | | | | | | \$7,605,000.00 | \$89,365.20 | \$91,136.54 | \$44,027.53 | \$29,673.82 | |



CARMA
LAIF Fair Market Valuation
6/30/10

LAIF Statement Balance **3,736,034.28**

FAIR VALUE FACTOR:
Performance Rate as of 6/30/10 **1.001643776**

Market Value **\$3,742,175.48**

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

www.treasurer.ca.gov/pmia
 -laif
 July 12, 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

June 2010 Statement

| Effective Date | Transaction Date | Tran Type | Confirm Number | Authorized Caller | Amount |
|----------------|------------------|-----------|----------------|-------------------|---------------|
| 6/2/2010 | 6/1/2010 | RW | 1273637 | NANCY BROADHURST | -3,210,000.00 |
| 6/18/2010 | 6/17/2010 | RW | 1275225 | NANCY BROADHURST | -1,921,000.00 |
| 6/23/2010 | 6/23/2010 | RW | 1275664 | NANCY BROADHURST | -148,000.00 |

Account Summary

| | | | |
|-------------------|---------------|--------------------|--------------|
| Total Deposit: | 0.00 | Beginning Balance: | 9,015,034.28 |
| Total Withdrawal: | -5,279,000.00 | Ending Balance: | 3,736,034.28 |

**State of California
Pooled Money Investment Account
Market Valuation
6/30/2010**

| Description | Carrying Cost Plus | | Fair Value | Accrued Interest |
|-------------------------|-----------------------------|-----------------------------|-----------------------------|-------------------------|
| | Accrued Interest | Purch. | | |
| United States Treasury: | | | | |
| Bills | \$ 25,723,850,496.54 | \$ 25,768,990,114.47 | \$ 25,789,125,900.00 | NA |
| Notes | \$ 6,652,333,782.46 | \$ 6,652,151,462.02 | \$ 6,707,940,500.00 | \$ 10,971,765.50 |
| Federal Agency: | | | | |
| SBA | \$ 553,637,055.79 | \$ 553,637,055.79 | \$ 548,176,923.45 | \$ 601,009.04 |
| MBS-REMICs | \$ 650,242,108.58 | \$ 650,242,108.58 | \$ 689,811,108.29 | \$ 3,070,608.31 |
| Debentures | \$ 349,948,369.05 | \$ 349,948,369.05 | \$ 351,422,500.00 | \$ 959,799.50 |
| Debentures FR | \$ 200,000,000.00 | \$ 200,000,000.00 | \$ 200,150,000.00 | \$ 81,966.89 |
| Discount Notes | \$ 7,471,882,059.69 | \$ 7,480,057,498.58 | \$ 7,482,012,100.00 | NA |
| GNMA | \$ 71,094.71 | \$ 71,094.71 | \$ 79,244.92 | \$ 703.39 |
| IBRD Deb FR | \$ 300,000,000.00 | \$ 300,000,000.00 | \$ 300,852,000.00 | \$ 297,429.00 |
| CDs and YCDs FR | \$ - | \$ - | \$ - | \$ - |
| Bank Notes | \$ 400,000,000.00 | \$ 400,000,000.00 | \$ 400,013,706.00 | \$ 157,500.00 |
| CDs and YCDs | \$ 7,565,022,999.42 | \$ 7,565,012,999.42 | \$ 7,564,826,146.55 | \$ 1,717,588.91 |
| Commercial Paper | \$ 7,763,458,330.82 | \$ 7,765,999,127.47 | \$ 7,765,904,501.10 | NA |
| Corporate: | | | | |
| Bonds FR | \$ 125,119,550.90 | \$ 125,119,550.90 | \$ 125,061,250.00 | \$ 43,494.81 |
| Bonds | \$ - | \$ - | \$ - | \$ - |
| Repurchase Agreements | \$ - | \$ - | \$ - | NA |
| Reverse Repurchase | \$ - | \$ - | \$ - | \$ - |
| Time Deposits | \$ 4,146,150,000.00 | \$ 4,146,150,000.00 | \$ 4,146,150,000.00 | NA |
| AB 55 & GF Loans | \$ 7,484,250,710.44 | \$ 7,484,250,710.44 | \$ 7,484,250,710.44 | NA |
| TOTAL | \$ 69,385,966,558.40 | \$ 69,441,630,091.42 | \$ 69,555,776,590.75 | \$ 17,901,865.35 |

Fair Value Including Accrued Interest \$ 69,573,678,456.10

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 (**1.001643776**). 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 \$20,032,875.52 or \$20,000,000.00 x **1.001643776**.

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) |
|-----------|--------------|-----------------------|----------------------------|
| 7/7/2010 | 0.52 | 0.52 | 203 |
| 7/8/2010 | 0.51 | 0.52 | 203 |
| 7/9/2010 | 0.52 | 0.52 | 205 |
| 7/10/2010 | 0.52 | 0.52 | 205 |
| 7/11/2010 | 0.52 | 0.52 | 205 |
| 7/12/2010 | 0.52 | 0.52 | 208 |
| 7/13/2010 | 0.52 | 0.52 | 208 |
| 7/14/2010 | 0.52 | 0.52 | 211 |
| 7/15/2010 | 0.52 | 0.53 | 209 |
| 7/16/2010 | 0.52 | 0.54 | 208 |
| 7/17/2010 | 0.52 | 0.54 | 208 |
| 7/18/2010 | 0.52 | 0.54 | 208 |
| 7/19/2010 | 0.52 | 0.54 | 205 |
| 7/20/2010 | 0.52 | 0.54 | 203 |

*Daily yield does not reflect capital gains or losses

LAIF Performance Report

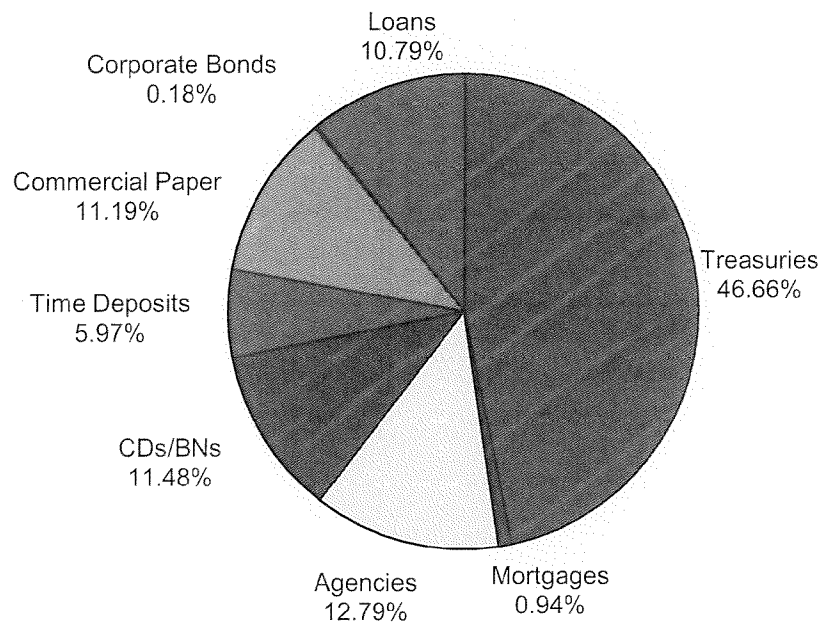
Quarter ending 6/30/2010

Apportionment Rate: 0.56%
 Earnings Ratio: .00001523807623153
 Fair Value Factor: 1.001643776
 Daily: 0.51%
 Quarter To Date: 0.56%
 Average Life: 203

PMIA Average Monthly Effective Yields

JUN 2010 0.528%
 MAY 2010 0.560%
 APR 2010 0.588%

Pooled Money Investment Account Portfolio Composition \$69.4 Billion 06/30/10



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

www.treasurer.ca.gov/pmia-laif
 July 12, 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

June 2010 Statement

| Effective Date | Transaction Date | Tran Type | Confirm Number | Authorized Caller | Amount |
|----------------|------------------|-----------|----------------|-------------------|---------------|
| 6/2/2010 | 6/1/2010 | RW | 1273637 | NANCY BROADHURST | -3,210,000.00 |
| 6/18/2010 | 6/17/2010 | RW | 1275225 | NANCY BROADHURST | -1,921,000.00 |
| 6/23/2010 | 6/23/2010 | RW | 1275664 | NANCY BROADHURST | -148,000.00 |

Account Summary

| | | | |
|-------------------|---------------|--------------------|--------------|
| Total Deposit: | 0.00 | Beginning Balance: | 9,015,034.28 |
| Total Withdrawal: | -5,279,000.00 | Ending Balance: | 3,736,034.28 |

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

www.treasurer.ca.gov/pmia-laif
 June 28, 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

May 2010 Statement

Account Summary

| | | | |
|-------------------|------|--------------------|--------------|
| Total Deposit: | 0.00 | Beginning Balance: | 9,015,034.28 |
| Total Withdrawal: | 0.00 | Ending Balance: | 9,015,034.28 |

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

www.treasurer.ca.gov/pmia

-laif

May 27, 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

April 2010 Statement

| Effective Date | Transaction Date | Tran Type | Confirm Number | Authorized Caller | Amount |
|----------------|------------------|-----------|----------------|-------------------|------------|
| 4/1/2010 | 4/1/2010 | RW | 1264776 | NANCY BROADHURST | -45,000.00 |
| 4/15/2010 | 4/14/2010 | QRD | 1267594 | SYSTEM | 12,623.44 |

Account Summary

| | | | |
|-------------------|------------|--------------------|--------------|
| Total Deposit: | 12,623.44 | Beginning Balance: | 9,047,410.84 |
| Total Withdrawal: | -45,000.00 | Ending Balance: | 9,015,034.28 |

June 30, 2010

Ms. Karen Thesing
Manager, Program Administration
Bickmore Risk Services and Consulting
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833

CARMA FY 10/11 Liability Renewal - Binder

Dear Karen:

We are pleased to present you with the binder of coverage for the renewal of CARMA's liability reinsurance program as follows:

COVERED PARTY: California Affiliated Risk Management Authorities (including all members listed on Endorsement #1 of CARMA's MOC.

REINSURER: Everest Reinsurance Company
477 Martinsville Road
Liberty Corner, New Jersey 07938-0830

AM BEST RATING: A+

REINSURANCE LIMITS: \$10,000,000 per occurrence and in the aggregate where applicable excess of Retained Limit

\$10,000,000 policy aggregate as respects for subsidence, per member of Covered Party

RETAINED LIMIT: \$4,000,000 each occurrence

COVERAGE FORM: Excess of Loss Certificate of Casualty Facultative Reinsurance providing reinsurance of CARMA's Memorandum of Coverage.

The reinsurance certificate will include the following clarification of limits: *"Retention shall be \$4,000,000 each occurrence subject to no drop down over sublimited coverage provided in the MOC".*¹

¹ Everest has provided wording to apply to their reinsurance agreement that will clarify how their coverage attaches over sub limits in the CARMA MOC. **This is not a restriction of coverage** but a clarification that would apply to the Inverse Condemnation coverage that has sub limits and would apply to future sub limits CARMA may entertain. It has never been the intent of the reinsurance to drop down over these sub limits. Everest does provide specific limits for Subsidence coverage that applies excess of CARMA's \$4,000,000 retention.

PREMIUM: \$1,355,000 minimum annual premium
\$ 338,750 minimum earned premium
Premium is due and payable within 20 days

COMMISSION: NIL

BROKER FEE: \$66,625²

EXCESS PLACEMENT:

LIMITS OF COVERAGE: \$15,000,000 per occurrence and in the aggregate excess of underlying limits.

UNDERLYING LIMITS: **REINSURANCE LIMITS:** \$10,000,000 per occurrence and in the aggregate where applicable excess of Retained Limit

\$10,000,000 policy aggregate as respects property damage from subsidence, per member of Covered Party. This aggregate does not apply to Bodily Injury claims from subsidence.

RETAINED LIMIT: \$4,000,000 each occurrence

INSURERS APPROACHED: Colony National Insurance Company – Am Best Rating – A

PREMIUM: \$530,000 premium plus surplus lines taxes and fees of \$17,225.

Karen, if you have any questions regarding this binder, please let us know.

Sincerely,



Susan D. Adams
Assistant Vice President
sadams@alliantinsurance.com

cc: Michael Simmons
Vice Chairman

² The Broker Fee represents all Compensation for this placement on all lines of liability coverages.



801 S. Figueroa St., Suite 850
Los Angeles, CA 90017

EXCESS BINDER CONFIRMATION

| | | |
|-------------------|--|--|
| Date: | 6/30/2010 | Policy #: AR6460089 Effective: 7/1/2010 <i>Per terms and conditions listed herein.</i> |
| To: | CRUMP INSURANCE SERVICES - SAN FRANCISCO (CALIF) | |
| Attn: | Dennis gamble | |
| Insured: | CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES (CARMA) C/O BICKMORE RISK SERV | |
| Rent of Policy #: | AR6460089 | |
| Insurance Co.: | Colony National Insurance Company | |
| | Rated A XII by A.M. Best | |

Please disregard the attached SLB Data sheet - it is not required for this risk.

Thank you for the opportunity to quote the above account. We are pleased to offer the following quotation:

NOTE: This is a following form Excess quote. The underlying General Liability is on an occurrence form.

| | |
|----------------------------|-----------------------|
| Policy Limit: \$15,000,000 | Each Occurrence Limit |
| \$15,000,000 | Aggregate Limit |

Total Premium: \$530,000

Terrorism Coverage Prem.: N/A-Coverage Rejected 25% Minimum Earned

Total Premium w/Terrorism Covg: N/A-Coverage Rejected Policy Term: 12 months

Terrorism Rejected

The underlying policies from the schedule of underlying limits noted below are due within 90 days of inception.

At 90 days from inception, without further notice, we will forward a Notice of Cancellation for all outstanding underlying policies not received by Argonaut Specialty Insurance Services
(EL policies are exempt).

Schedule of Underlying Limits:

| <u>General Liability</u> | <u>CARMA Retained Limit</u> |
|--|------------------------------------|
| Carrier: Everest Reinsurance Co Each Occurrence Limit: 10,000,000 General Agg. Limit: 0 Prod/Compl Ops Limit: 0 Pers & Adv Injury Limit: 0 | Each Occurrence Limit: \$4,000,000 |

***Subject to A- VI or Better Rated Underlying Carriers**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES (CARMA) C/O BICKMORE RISK SERVICES
Binder Confirmation, Page 2

FORMS:

| | |
|--|---|
| ZPJCG-0909 Policy Jacket | XP125-0806 Excl-Violation of Statutes that Govern Methods of Sending Mat.or Info. |
| TRIA2002Notice-0108 Policyholder Disclosure | 0 |
| XP0002-0607 Excess Liability Policy | |
| XP0002DAS-0605 Declarations-Excess Liability Policy | |
| U001-1004 Schedule of Forms and Endorsements | |
| ScheduleAAS-0808 Schedule of Underlying Insurance | |
| IL0017-1198 Common Policy Conditions | |
| U002-0904 Minimum Policy Premium | |
| U094-0702 Service of Suit | |
| XP03-0902 Care, Custody and Control Excl | |
| XP08-0902 Employment Related Practices Excl | |
| XP40-0902 ERISA Excl | |
| 0 | |
| XP103-0605 Cross Suits Exclusion | |
| XP2123-0902 Nuclear Energy Liab Excl Endt (Broad Form) | |
| XP2127-0902 Fungi and Bacteria Excl | |
| XP57-0107 Amendment of Ins Agrmnt-Known Inj/Dmg | |
| 0 | |
| XP200-0904 War Liability Excl | |
| 0 | |
| U173-0702 Cancellation | |

Terrorism Endorsement:
XP2128B-0108 Cert. Acts of Terr.& Other Acts of Terr.Excl.

Additional Forms (if any):

SUBJECT TO:

Prior to policy issuance, please provide carrier/company name & effective dates of underlying coverage.
Please forward a copy of the Primary General Liability Policy.

This is a Non Admitted Quote. Coverage is bound upon issuance of policy number by the Company.

If Coverage applies on a Claims Made basis an Optional Extended Reporting period may be available if policy is terminated or not renewed; restrictions apply. Maximum of five (5) years. Must be requested within sixty (60) days of termination or expiration. See Section VI of the policy for details.

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM INSURANCE COVERAGE**

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, that you have a right to purchase insurance coverage for losses resulting from acts of terrorism, as defined in Section 102(1) of the Act. The term "act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 85% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURER'S LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

PLEASE ALSO BE AWARE THAT YOUR POLICY DOES NOT PROVIDE COVERAGE FOR ACTS OF TERRORISM THAT ARE NOT CERTIFIED BY THE SECRETARY OF THE TREASURY.

Acceptance or Rejection of Terrorism Insurance Coverage

You must accept or reject this insurance coverage for losses arising out of acts of terrorism, *as defined in Section 102(1) of the Act*, before the effective date of this policy. Your coverage cannot be bound unless our representative has received this form signed by you on behalf of all insureds with all premiums due.

Coverage acceptance.

I hereby elect to purchase coverage for certified acts of terrorism, *as defined in Section 102(1) of the Act* for a prospective annual premium of \$26,500. I understand that I will not have coverage for losses resulting from any non-certified acts of terrorism.

OR

Coverage rejection.

I hereby decline to purchase coverage for certified acts of terrorism, *as defined in Section 102(1) of the Act*. I understand that I will not have coverage for any losses arising from certified or non-certified acts of terrorism.

Signature On File

Policyholder/Applicant's Signature
Must be person authorized to sign for all insureds.
On File
Print Name
CALIFORNIA AFFILIATED RISK MANAGEMENT
AUTHORITIES (CARMA) C/O BICKMORE RISK
Named Insured
On File
Date

Colony National Insurance Company

Insurance Company
AR6460089
Policy Number
N/A
Submission Number
A0416
Producer Number
UMP INSURANCE SERVICES - SAN FRANCISCO (CALIF. S
Producer Name
50 CALIFORNIA ST., STE. 2000
Street Address
SAN FRANCISCO, CA 94111
City, State, Zip

The producer shown above is the wholesale insurance broker your local insurance agent used to place your insurance coverage with us. Please discuss this Disclosure with your agent before signing.

ADMINISTRATIVE MATTERS

SUBJECT: Welcome and Review of CARMA for Visiting JPA Directors

BACKGROUND AND STATUS:

The CARMA Chairperson and Executive Director will provide guest JPA Directors with an overview of the CARMA Excess Liability Pool Program and highlight key elements and accomplishments of the program such as:

- ★ CARMA's membership currently consist of other primary JPAs only, administrative costs are kept to a minimum by focusing on claims management and litigation management and not on safety and loss prevention. All JPA members currently have exemplary safety programs in place at their primary layer.
- ★ The Board's philosophy has been, and continues to be, to try to make coverage as broad as the coverage for each underlying JPA. CARMA's current reinsurance and excess insurance relationships provide following-form coverage up to \$29,000,000 per occurrence with very few exceptions.
- ★ At the excess level, litigation oversight has been the key to a successful program, with CARMA's litigation management department reducing the JPA's liability exposure over the years.
- ★ Rates have remained stable on an annual basis. The Board annually selects the level of risk-sharing to retain based on market conditions.
- ★ CARMA provides flexible attachment points.
- ★ The Board continues to be a cohesive group that enjoys working together.
- ★ CARMA is "accredited with excellence" by the California Association of Joint Powers Authorities (CAJPA). All underlying members are also accredited.

A presentation on the financial standing of CARMA will be offered and time will be provided for guests to ask questions of the Board of Directors and the Executive Director.

RECOMMENDATION:

None.

REFERENCE MATERIALS ATTACHED:

None

ADMINISTRATIVE MATTERS

SUBJECT: Review of 2010 Strategic Goals

BACKGROUND AND STATUS:

At the 2010 Annual Workshop, the Board established the following specific goals for the 2010 program in the three areas of coverage, communications/marketing, and operations.

Coverage

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

Communications/Marketing

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

Operations

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

The Board has addressed and resolved/achieved each of the goals and objectives established, with the exception of the new vendor survey process, which will be addressed at this meeting.

RECOMMENDATION:

None.

REFERENCE MATERIALS ATTACHED:

- 2010/2011-2011/2012 Strategic Goals & Action Item List

Agenda Item 6.B.

**California Affiliated Risk Management Authorities
2010/2011-2011/2012 Strategic Goals & Action Item List**

| Target Date | Person Responsible | Action Item | Status | | | Comments |
|---|--------------------------------------|---|--------|--------|-----------|----------|
| | | | Done | Revise | On Target | |
| Coverage – Determine Coverage for Airport Vehicles off Airport Property | | | | | | |
| February 2010 | Staff and Alliant Insurance Services | Review CARMA Memorandum of Coverage (MOC) to determine if airport vehicles operating off airport property are covered. | X | | | |
| February 2010 | Staff and Craig Farmer | Determine if any changes to the language are necessary. If changes are necessary, draft new language and send to Craig Farmer, Board Legal Counsel, for review. | X | | | |
| April 2010 | Staff and Craig Farmer | Review results of research with the Board of Directors at the April 2010 meeting. If necessary, present changes made to the MOC. | X | | | |
| Coverage – Research Uninsured/Underinsured Motorists Law Coverage | | | | | | |
| February 2010 | Staff and Alliant Insurance Services | Review uninsured/underinsured motorists law coverage and determine if language included in CARMA MOC is appropriate. | X | | | |
| February 2010 | Staff and Craig Farmer | Determine if any changes to the language in MOC are necessary. If changes are necessary, draft new language and send to Craig Farmer, Board Legal Counsel, for review. | X | | | |
| April 2010 | Staff and Craig Farmer | Review results of research with the Board of Directors at the April 2010 meeting. If necessary, present changes made to the MOC. | X | | | |
| Coverage – Alternative Excess/Reinsurance Options for 2010/2011 Program Year | | | | | | |
| February/ March 2010 | Alliant Insurance Services | Seek quotes for \$3 ex \$1 million and \$2 ex \$1 in coverage for the 2010/2011 program year. | X | | | |
| February /March 2010 | Alliant Insurance Services | Seek quotes for possibility of quota sharing in the 2010/2011 program year. | X | | | |
| April 2010 | Alliant Insurance Services | Present preliminary quotes for coverage levels requested to the Board of Directors at the April 2010 meeting. Advise Board of feasibility of alternative coverage quotes. | X | | | |

**California Affiliated Risk Management Authorities
2010/2011-2011/2012 Strategic Goals & Action Item List**

| <u>Target Date</u> | <u>Person Responsible</u> | <u>Action Item</u> | Status | | | Comments |
|--------------------|----------------------------|---|--------|--------|-----------|----------|
| | | | Done | Revise | On Target | |
| June 2010 | Alliant Insurance Services | Present final quotes for requested coverage levels and obtain direction for binding coverage from the Board of Directors. | X | | | |

**California Affiliated Risk Management Authorities
2010/2011-2011/2012 Strategic Goals & Action Item List**

| <u>Target Date</u> | <u>Person Responsible</u> | <u>Action Item</u> | Status | | | Comments |
|---|---|--|---------------|---------------|------------------|-----------------|
| | | | Done | Revise | On Target | |
| Coverage – Revisit the CARMA Memorandum of Coverage and Inverse Coverage | | | | | | |
| February 2010 | Staff and Alliant Insurance Services | Review inverse coverage included in the CARMA MOC to determine if coverage should be expanded/contracted or if any changes to the current language are warranted. Identify the advantages/disadvantages of providing this type of coverage | X | | | |
| February 2010 | Staff and Craig Farmer | If changes are necessary, draft new language and send to Craig Farmer, Board Legal Counsel for review. | X | | | |
| April 2010 | Staff and Alliant Insurance Services | Review results of research with the Board of Directors at the April 2010 meeting. If necessary, present changes made to the MOC. | X | | | |
| Coverage – Investigate Sub-limits for Inverse Coverage | | | | | | |
| February 2010 | Staff, Alliant Insurance Services, Craig Farmer | Determine how sub-limits for inverse coverage impact CARMA and determine if additional coverage is necessary to protect CARMA's interests. | X | | | |
| April / May 2010 | Staff, Alliant Insurance Services, Craig Farmer | Determine how coverage gaps can be filled to provide protection for CARMA. If changes to MOC are necessary, draft changes and send to Craig Farmer, Board Legal Counsel, for review. | X | | | |
| June 2010 | Staff and Alliant Insurance Services | Review results of research with the Board of Directors at the April 2010 meeting. If necessary, present changes made to the MOC. | X | | | |

**California Affiliated Risk Management Authorities
2010/2011-2011/2012 Strategic Goals & Action Item List**

| <u>Target Date</u> | <u>Person Responsible</u> | <u>Action Item</u> | Status | | | Comments |
|--|---------------------------|--|---------------|---------------|------------------|-----------------|
| | | | Done | Revise | On Target | |
| Communication/Marketing – Provide Members with More Exposure to CARMA Staff | | | | | | |
| February / March 2010 | Staff | Obtain a listing of all member JPA Board meetings. Reach out to members and inquire as to which meeting would be opportune for CARMA staff to attend to present CARMA information/rates (for members who have not had CARMA staff in attendance at a meeting within the last few months) | X | | | |
| March / June 2010 | Staff | Attend and present information to members. | X | | | |
| June 2010 | Staff | Provide the Board with an update on outreach efforts to members. | X | | | |

**California Affiliated Risk Management Authorities
2010/2011-2011/2012 Strategic Goals & Action Item List**

| Target Date | Person Responsible | Action Item | Status | | | Comments |
|---|--------------------|---|--------|--------|-----------|----------|
| | | | Done | Revise | On Target | |
| Operations – Investigate Special Funding for Inverse Condemnation Coverage | | | | | | |
| February/ March 2010 | Staff | Create and evaluate scenarios for creating special inverse funding: <ul style="list-style-type: none"> ➤ Expand number of years used to ex-mod calculations. ➤ Evaluate a baseline then add on experience of each member for determination of funding. ➤ Surcharge only for members with exposure. ➤ Fund at a higher confidence level. ➤ Cap inverse claims at \$1.5 vs. \$1 million. | X | | | |
| April 2010 | Staff | Present alternative scenarios/budgets to Board of Directors at April meeting. | X | | | |
| Operations – Evaluate Claims | | | | | | |
| February / March 2010 | Staff | Review loss information / claim files to determine how long it takes for cases to settle. Specifically review inverse claims. | X | | | |
| April 2010 | Staff | Present information to Board of Directors at April meeting. | X | | | |
| Operations – New Vendor Survey Process/Format | | | | | | |
| June / July 2010 | Staff | Evaluate current vendor survey process and format to determine if improvements can be made. | X | | | |
| June / July 2010 | Staff | Create and document new process and format for surveys. | X | | | |
| September 2010 | Staff | Present new process and format to Board of Directors at September 2010 meeting. Incorporate feedback/suggestions from the Board. | | | X | |

ADMINISTRATIVE MATTERS

SUBJECT: Discussion Regarding the 2010/2011 Board of Directors' Annual Workshop

BACKGROUND AND STATUS:

At the June 23, 2010, Board of Directors' meeting, the Board established meeting dates for the 2010/2011 Fiscal Year, including the Annual Workshop to be held in Bodega Bay on January 13 - 14, 2011.

At that same meeting, the Board discussed various topics for discussion at the workshop which Staff has included on the draft workshop agenda included with this staff report. Staff is seeking input from the Board as to any additional topics which should be included on the agenda and the format for the workshop.

RECOMMENDATION:

Staff is seeking input from the Board of Directors as to the content and format the Board desires for the January 2011 workshop.

REFERENCE MATERIALS ATTACHED:

- Draft Agenda for the January 2011 Workshop

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

**18th ANNUAL WORKSHOP
A G E N D A**

DRAFT

**Bodega Bay Lodge
103 Coast Highway #1
Bodega Bay, CA 94923
(707) 875-3525**

**January 13, 2011
11:00 a.m. – 5:00 p.m.**

- A. Introductions and Welcome – President Geoff Grote
- B. Current Status of CARMA and Significant Accomplishments - Bickmore Risk Services
 - 1. History and Accomplishments
 - 2. Review of 2010 Action Plan
- C. CARMA Large Losses - Alliant Insurance Services
 - 1. Affect on the CARMA Reinsurance and Excess Renewals in Hard Market
- D. Containing Costs - Alliant Insurance Services / Bickmore Risk Services
 - 1. Public Liability Costs / Unfavorable Costs
 - 2. Paying More to Accept Less Coverage?
- E. Experience Modification Factor Calculations and Application – Bickmore Risk Services
 - 1. Applying Experience Modification Factor to Higher Levels of Coverage
- F. Financial Overview – Bickmore Risk Services
 - 1. Target Equity Goals and Assessments/Return of Equity

- G. Service Provider Evaluations – Board of Directors
 - 1. Administrator: Bickmore Risk Services
 - 2. Board Counsel: Craig Farmer of Farmer Smith & Lane
 - 3. Broker of Record: Susan Adams of Alliant Insurance Services
 - 4. Actuary: Jack Joyce of Bay Actuarial Consultants
 - 5. Financial Auditor: Bill Patterson, Sampson and Sampson
 - 6. Claims Auditor: Tim Farley of Farley Consulting Services

- H. 2011 Goals and Objectives – Board of Directors and Bickmore Risk Services
 - 1. Establish Two-Year Strategic Goals and Objectives

- I. Closing

ADMINISTRATIVE MATTERS

SUBJECT: Procedures for Issuance of Certificate of Coverage

BACKGROUND AND STATUS:

In 2005, CARMA reviewed a Procedure for Issuance of Certificates of Coverage. The procedure is included with this staff report for your review. As currently written, it allows for CARMA members to issue a certificate, providing that the certificate does not convey rights to others. However, the document seems to change course by extending authority to the member by also allowing them to provide an additional covered party status to a third party. Furthermore, it appears that the underlying JPA's have full authority to issue certificates beyond their \$1,000,000 retention and into the CARMA layer.

Staff is bringing this topic back for discussion and affirmation that the Board of Directors wish to continue with this procedure and bestow these ongoing rights to the Member JPA's.

By continuing under our current procedures, members will be able to issue additional covered party certificates of coverage up to the limits of CARMA's reinsurance layer with Everest Reinsurance Company; currently \$10,000,000 in excess of CARMA's retained limit of \$3,000,000. It is rare that there would there be an additional covered party request for limits excess of \$5,000,000.

In reviewing CARMA's procedure with Alliant Insurance Services, they cautioned that the CARMA procedure for issuing certificates must clearly state that CARMA does not have authority to extend coverage into the excess insurance layers through Colony Excess Insurance Company (Colony). Staff will need to obtain authorization from Colony if a request for an additional covered party status reaches into those higher limits.

An alternative approach to issuing certificates which is similar to other excess pools and mirrors many of the primary pools' protocols, is attached for the Board's review. In short, the Member JPA has authority to issue the certificates of coverage for evidence-only requests. However, for additional covered party certificates, it does require the JPA members to submit the contracts to CARMA for review and issuance. This approach will take more time and greater coordination between CARMA and its members to ensure a timely turn around.

In the event CARMA maintains its current practice, it recommended that when the Member JPA creates a certificate, that the additional covered party endorsement lists the policy numbers for the underlying coverage and through the reinsurance layer, when applicable.

RECOMMENDATION:

The Board review and discuss the procedures for the issuance of certificates of coverage.

REFERENCE MATERIALS ATTACHED:

- Current Procedures for the Issuance of Certificates of Coverage
- Alternative Procedures for the Issuance of Certificates of Coverage

Agenda Item 6.D.

CALIFORNIA AFFILIATED
RISK MANAGEMENT AUTHORITY
(CARMA)

PROCEDURES FOR ISSUANCE OF
CERTIFICATES OF COVERAGE

November 2005

The purpose of these procedures is to balance the two (2) conflicting goals of responsiveness to demands for certificates and control over extensions of coverage. These procedures establish authority within the member joint powers insurance authorities to issue certificates for certain types of activities and leaving authority for the issuance of all other certificates to the discretion of the California Affiliated Risk Management Authority's (CARMA) Administrator.

The Member JPAs have the authority to issue certificates that do not convey any rights to third parties, other than notice of cancellation, and are issued for informational purposes only. These may be issued with a promise to provide notice of cancellation at least thirty (30) days prior to cancellation. A period longer than thirty (30) days will not be promised.

AUTHORITY OF MEMBERS

The Member JPAs have the authority to issue certificates of coverage evidencing the certificate holder as an additional covered party for the activities described in the certificate and bind CARMA to provide such coverage in the following circumstances:

- A. Use of another's real property by a member:
 - 1. Leased premises, but only for the area leased to the member and under the exclusive control of the member.
 - 2. Permission to use another's premises for recreational activities, meetings, or other member sponsored function, but only for the negligent acts or omissions or willful misconduct of the member agency or its officers, agents, employees, or volunteers;
- B. Equipment leased for the use of the member agency;
- C. Borrowed equipment for the use of the member agency;
- D. Lenders of capital for the purchase of real or personal property;
- E. Trustees for bonds or other financing programs;

- F. Joint activities with other governmental agencies, but only for the liabilities arising out of the negligent acts or omissions or willful misconduct of the member agency; and
- G. Joint activities with private parties, but only for the liabilities arising out of the negligent acts or omissions or willful misconduct of the member agency.

ISSUANCE BY MEMBER

The certificates of coverage issued by the members in accordance with their authority should use the WP50 templates provided by CARMA to assure uniformity in the forms issued. The name of the certificate holder must be completed.

CALIFORNIA AFFILIATED
RISK MANAGEMENT AUTHORITY
(CARMA)

PROCEDURES FOR ISSUANCE OF
CERTIFICATES OF COVERAGE

September 2010

The purpose of these procedures is to balance the two (2) conflicting goals which are (1) responsiveness to demands for certificates and (2) control over extensions of coverage. This procedure establishes authority within the Member JPA to issue certificates for certain types of activities and leaving authority for the issuance of all other certificates to the discretion of the California Affiliated Risk Management Authority's (CARMA) Administrator.

The Member JPA has the authority to issue certificates provided that:

1. This certificate ***does not provide coverage*** to the certificate holder.
2. It only provides evidence of financial responsibility.
3. It may be issued for any amount within the coverage limits of CARMA.
4. It may be issued without notice to CARMA.

Issuance of Certificates of Insurance naming the certificate holder as an Additional Covered Party for limits within the CARMA layer the following procedures apply:

1. The contract requiring such language must be provided to the CARMA Administrator for review and issuance.
2. CARMA Administrator will issue Certificate as soon as possible, but no longer than 48 business hours from time of receipt of the contract.

ADMINISTRATIVE MATTERS

SUBJECT: Vendor Survey Process

BACKGROUND AND STATUS:

Each year the Board of Directors reviews the performance of Bickmore Risk Services, Alliant Insurance Services, and other service providers at the Annual Workshop. In previous years, a hard-copy paper survey was sent to each Board member in December and the Board returned the section regarding Bickmore Risk Services to President Geoff Grote and the remainder of the survey to staff for calculation of the results.

One of the objectives discussed by the Board during the January 2010 Workshop was to streamline the vendor survey process to make it a more user-friendly format for the Board members and more efficient process overall.

Staff would like to suggest moving to an electronic survey format going forward. This process was piloted for the 2010 Annual Workshop with good success. Each December the Board members will receive an email containing a link to the survey and instructions for completing the survey. Results will then be collected by staff and tabulated. Results specific to Bickmore Risk Services will be collected by an administrative assistant that will tabulate the responses and send them directly to President Geoff Grote, without sharing the results with the CARMA staff thus protecting the confidentiality of the results.

Staff has also included some additional questions to assist the Board in the evaluation of vendors and seeks feedback from the Board regarding these questions.

RECOMMENDATION:

The Board approves utilizing an electronic format for the Board of Directors vendor survey going forward.

REFERENCE MATERIALS ATTACHED:

- Draft Vendor Survey Questions
- Draft BRS Survey Questions

CARMA Evaluation of Vendor Services

CARMA - Evaluation of Vendor Services

California Affiliated Risk Management Authorities (CARMA)

Board Survey

The Board of Directors will be reviewing the performance of the CARMA service providers at the Annual Workshop in January 2011. To assist the Board in this effort, please complete the following survey by January 7, 2011.

Please evaluate the effectiveness of the following services provided by the CARMA services providers. If you have no opinion, or do not recall using or receiving the service, indicate N/A (Not Applicable).

Board Legal Counsel

Please evaluate the services of Board Legal Counsel - Craig Farmer, Farmer Smith & Lane

1. Adequacy of reports made to the Board

- Excellent
- Above Average
- Average
- Below Average
- Poor
- Not Applicable

2. Adequacy and timeliness in providing assistance with coverage issues

- Excellent
- Above Average
- Average
- Below Average
- Poor
- Not Applicable

3. Overall Services of Board Legal Counsel

- Excellent
- Above Average
- Average
- Below Average
- Poor
- Not Applicable

4. Comments

Brokerage Services

Please evaluate the services of the broker - Susan Smith, Alliant Insurance Services

5. Adequacy of reports made to the Board

- Excellent
- Above Average
- Average
- Below Average
- Poor
- N/A

6. Level of expertise and knowledge

- Excellent
- Above Average
- Average
- Below Average
- Poor
- N/A

7. Overall services of the broker

- Excellent
- Above Average
- Average
- Below Average
- Poor
- N/A

8. Comments

Actuarial Services

Please evaluate the services of the actuary - Jack Joyce, Bay Actuarial Consultants

9. Adequacy of reports to the Board

- Excellent
- Above Average
- Average
- Below Average
- Poor
- N/A

10. Level of expertise and knowledge

- Excellent
- Above Average
- Average
- Below Average
- Poor
- N/A

11. Overall services of the actuary

- Excellent
- Above Average
- Average
- Below Average
- Poor
- N/A

12. Comments

Independent Claims Auditor Services

Please evaluate the services of the independent claims auditor - Tim Farley, Farley Consulting Services

13. Adequacy of reports to the Board

Excellent
Above Average
Average
Below Average
Poor
N/A

14. Level of expertise and knowledge

Excellent
Above Average
Average
Below Average
Poor
N/A

15. Overall services of the independent claims auditor

Excellent
Above Average
Average
Below Average
Poor
N/A

16. Comments

Independent Financial Auditor Services

Please evaluate the services of the independent financial auditor - Bill Patterson, Sampson & Sampson

17. Adequacy of reports made to the Board

Excellent
Above Average
Average
Below Average
Poor
N/A

18. Level of expertise and knowledge

Excellent
Above Average
Average
Below Average
Poor
N/A

19. Overall services of the independent financial auditor

Excellent
Above Average
Average
Below Average
Poor
N/A

20. Comments

CARMA Evaluation of Bickmore Risk Services

CARMA - BRS Evaluation - Page 1

California Affiliated Risk Management Authorities (CARMA)

Board Survey

The Board of Directors will be reviewing the performance of Bickmore Risk Services and other service providers at the Annual Workshop in January 2011. To assist the Board in this effort, please complete the following survey by January 7, 2011.

Please evaluate the effectiveness of the following services provided by Bickmore Risk Services. If you have no opinion, or do not recall using or receiving the service, indicate N/A (Not Applicable).

1. Administrator

Excellent
Above Average
Average
Below Average
Poor
N/A

2. Board Secretary

Excellent
Above Average
Average
Below Average
Poor
N/A

3. Financial Manager

Excellent
Above Average
Average
Below Average
Poor
N/A

4. Litigation Manager

- Excellent
- Above Average
- Average
- Below Average
- Poor
- N/A

5. Overall services of Bickmore Risk Services

- Excellent
- Above Average
- Average
- Below Average
- Poor
- N/A

CARMA - BRS Evaluation - Page 2

6. Level of expertise and knowledge of staff

Excellent
Above Average
Average
Below Average
Poor
N/A

7. Adequacy of reports made to the Board

Excellent
Above Average
Average
Below Average
Poor
N/A

8. Responsiveness of staff to requests

Excellent
Above Average
Average
Below Average
Poor
N/A

9. General communication with members

Excellent
Above Average
Average
Below Average
Poor
N/A

10. Comments

FINANCIAL MATTERS

SUBJECT: Consideration of June 30, 2010, Independent Financial Audit Prepared by Sampson and Sampson

BACKGROUND AND STATUS:

The financial audit for the year ending June 30, 2010, which was prepared by Sampson and Sampson, is attached for the Board's consideration. Mr. Bill Patterson, Sampson and Sampson, will be in attendance to review the financial audit with the Board, and answer any subsequent questions.

RECOMMENDATION:

The Board of Directors accept and file the June 30, 2010, audit report as presented.

REFERENCE MATERIALS ATTACHED:

- Draft 2010 Financial Audit Report

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

REPORT ON AUDITED
FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2010

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

CONTENTS

| | <u>Page</u> |
|---|-------------|
| FINANCIAL STATEMENTS: | |
| Independent auditors' report | 1 |
| Management's discussion and analysis | 2-11 |
| Balance sheet | 12 |
| Statement of revenues, expenses, and changes in net assets | 13 |
| Statement of cash flows | 14 |
| Statement of fiduciary net assets | 15 |
| Statement of changes in fiduciary net assets | 16 |
| Notes to financial statements | 17-26 |
| ADDITIONAL INFORMATION: | |
| Claims development information | 27-28 |
| Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> | 29-30 |

August 28, 2010

Governing Board
California Affiliated Risk Management Authorities
Sacramento, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the California Affiliated Risk Management Authorities (CARMA) as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of CARMA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the financial statements of CARMA for the year ended June 30, 2009, and in our report dated August 28, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CARMA as of June 30, 2010, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

The management's discussion and analysis on pages 2 through 11 and claims development information on pages 27 through 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2010, on our consideration of CARMA's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

The management of the California Affiliated Risk Management Authorities (CARMA) is pleased to present the following discussion and analysis of the operating results, financial condition, and liquidity of CARMA for the fiscal year ended June 30, 2010. This discussion should be read in conjunction with the financial statements and notes to the financial statements included with this report.

General Program Highlights

CARMA is a public agency created in 1993 by and among various joint powers authorities in California to provide a pooled approach to excess liability insurance pursuant to the California Government Code. As their mission statement attests, "CARMA is dedicated to innovative approaches in providing financial protection for public entities against catastrophic loss." CARMA consists of five members who are also joint powers authorities and provide primary level liability coverage to their underlying members, consisting of municipalities and special districts. CARMA provides reinsurance and excess insurance coverage above its pooled layer. Total CARMA coverage for each member is from \$1 million to \$29 million.

CARMA is a member of the California Association of Joint Powers Authorities (CAJPA), and for thirteen years has held the distinguished designation of "Accreditation With Excellence." This is the highest level of accreditation offered by CAJPA and places it among the elite of accredited JPAs in California. The accreditation review process involves an in-depth review of CARMA's operations, financial stability, performance, and overall management effectiveness.

CARMA contracts with Bickmore Risk Services (BRS), a firm specializing in the management of joint powers authorities and private self-insurance groups, to handle the day-to-day operations of CARMA. The firm's employees provide general administrative, financial accounting, underwriting, claims management oversight, risk management and other services as necessary for the operations of CARMA.

In an excess liability program such as CARMA, managing the claims development process is critical. Claims that are large enough to reach the CARMA retention are generally challenging and complex claims making effective litigation management vital to protecting CARMA's financial position. Each claim is carefully reserved and the actuary's task in determining each program year's ultimate loss projection is complicated.

Financial Highlights for the Fiscal Year Ended June 30, 2010

| | | |
|-------------|----------------|--|
| Revenues | \$7.1 million | Total revenues, operating and non-operating, decreased 24% due to decreased contributions with the withdrawal of one of CARMA's members, and decreased interest earnings. |
| Expenses | \$8.3 million | Increased 14% over the prior year primarily as a result of an increase in claims costs. |
| Assets | \$27.9 million | Increased \$2.8 million, resulting primarily from an increase in cash and investments due to a reduction in claims payments over the prior year, as well as the retention of cash as each year is funded in advance, but paid out over a period of time. |
| Liabilities | \$19.8 million | Increased \$4.0 million, due to the recognition of the claim liabilities for insured events attributable to the current fiscal year, as well as increased liabilities for prior years. |

JUNE 30, 2010

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

Description of the Basic Financial Statements

CARMA's financial statements are prepared in conformity with generally accepted accounting principles and include certain amounts based upon reliable estimates and judgments. The financial statements include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; the Statement of Cash Flows; the Statement of Fiduciary Net Assets; and the Statement of Changes in Fiduciary Net Assets, along with accompanying Notes to Financial Statements.

The **Balance Sheet** presents information on CARMA's assets and liabilities and the difference between the two representing net assets, or pool equity.

The **Statement of Revenues, Expenses, and Changes in Net Assets** presents information regarding revenues versus expenses and the change in CARMA's net assets during the fiscal year. All revenues and expenses are recognized as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the collection or disbursement of cash during future fiscal years (e.g., interest and accounts receivable and the expense associated with the increase in claim liability, both involving cash transactions beyond the date of the financial statements).

The **Statement of Cash Flows** presents the changes in CARMA's cash and cash equivalents during the fiscal year. The statement is prepared using the direct method of cash flows. The statement details the sources and uses of CARMA's cash and cash equivalents into two categories: operating activities and investing activities.

The **Statement of Fiduciary Net Assets** presents information on the Rate Stabilization Fund's assets and net assets.

The **Statement of Changes in Fiduciary Net Assets** includes information about the contributions to, withdrawals from, and net increase (or decrease) for the year in net assets of the Rate Stabilization Fund.

The **Notes to Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of CARMA's operations and significant accounting policies as well as clarify unique financial information.

CARMA's accounting system is organized so that each program year can be accounted for and evaluated independently. The assets, liabilities, revenues, and expenses are reported on a full-accrual basis. There were no significant accounting changes during the year.

Sampson, Sampson & Partners, LLP, Certified Public Accountants, has performed an independent audit of the accompanying financial statements in accordance with generally accepted auditing standards. Their opinion is included in the Financial Section of this report. Bay Actuarial Consultants provided an independent actuarial review to value the amounts recorded as outstanding claims liabilities for each program year.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

DRAFT
 SUBJECT TO FINAL
 REVIEW AND APPROVAL
 DRAFT DATE _____

Analysis of Overall Financial Position and Results of Operations

| CARMA Balance Sheet (Excluding Fiduciary Funds) | | | |
|--|---------------------|---------------------|----------------------|
| | June 30, 2010 | June 30, 2009 | Percentage Change |
| Current Assets | \$8,212,666 | \$11,619,581 | -29.3% |
| Investment with maturities in excess of one year | 19,671,064 | 13,425,628 | 46.5% |
| Total Assets | \$27,883,730 | \$25,045,209 | 11.3% |
| Current Liabilities | \$3,532,615 | \$2,739,066 | 29.0% |
| Non-Current Liabilities | 16,222,472 | 12,966,153 | 25.1% |
| Total Liabilities | 19,755,087 | 15,705,219 | 25.8% |
| Net Assets | 8,128,643 | 9,339,990 | -13.0% |
| Total Liabilities & Net Assets | \$27,883,730 | \$25,045,209 | 11.3% |

CARMA Pool Assets

Total assets (excluding fiduciary funds) increased \$2.8 million, attributable primarily to a decrease in claims payments of \$1.8 million over the prior year and the retention of cash as each year is funded in advance, but paid out over a period of time.

CARMA maintains those funds not immediately needed for the payment of claims and administrative expenses, approximately \$3.7 million, in the Local Agency Investment Fund (LAIF), which is administered by the State Treasurer's Office in Sacramento.

In 2009, CARMA transitioned its portfolio from direct management by Public Financial Management, Inc. (PFM) to the California Asset Management Program Trust (CAMP), a joint powers authority managed by (PFM). Custodial services are provided by Bank of New York. Holdings in CARMA's portfolio were \$23.4 million at June 30, 2010. Holdings are maintained in treasury and agency securities, U.S. Government supported corporate debt, and corporate notes. CARMA's investment earnings decreased 42% from the prior year due to plummeting interest rates and other adverse economic conditions, described in detail in the **Description of Facts or Conditions that are Expected to have a Significant Effect on Financial Position or Results of Operations** in the last section of this report.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

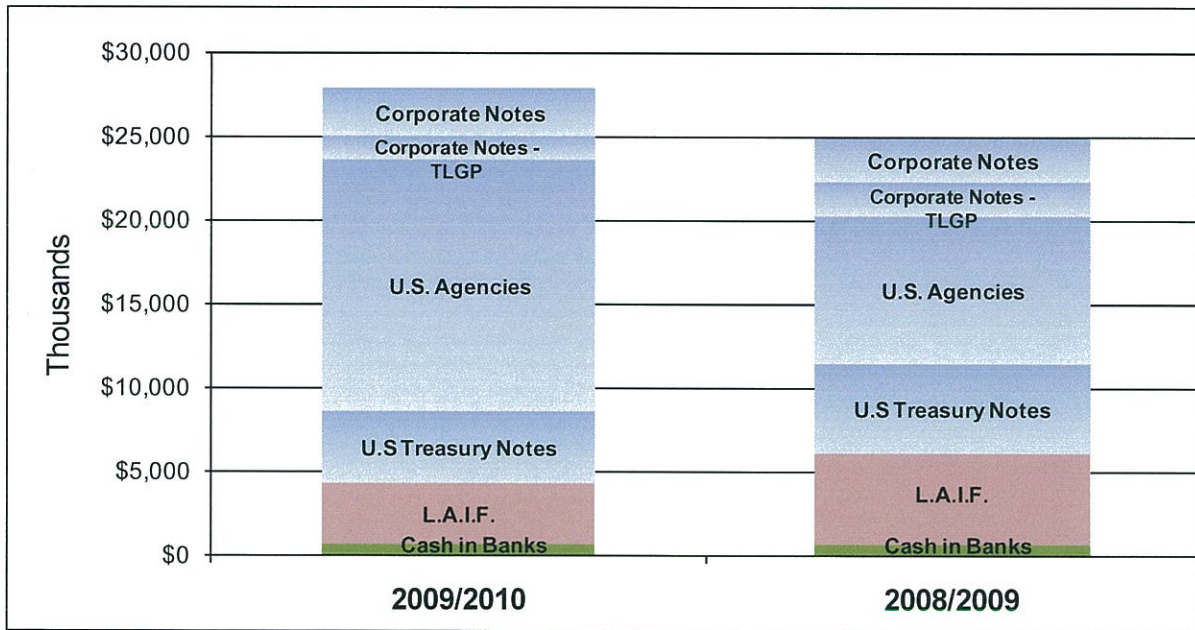
DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE

Even so, at June 30, 2010, the fair value of CARMA's investments was \$190,237 more than the book value. The ability of CARMA's excess funds to earn investment income has a direct effect on program rates, as this income is used to discount future liabilities. When investment yields fall short of projections, additional funding may be required to meet actuarial estimates.

At its Board of Directors meeting in September 2003, CARMA established a Rate Stabilization Fund (Fund) retroactive to July 1, 2003, to receive the dividends issued on June 30, 2002, for its three remaining members. The purpose of the Fund was to allow CARMA's members to safeguard this cash resource for possible future assessments or premium fluctuations. Each member has discretion over the use of its portion of the Fund. CARMA began presenting the cash assets in the Fund in a separate fiduciary fund on the June 30, 2007, financial statements. The Rate Stabilization Fund is now reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. Notwithstanding the separate reporting described above, the CARMA Bylaws allow for the fiduciary funds to be commingled with the general operating funds for the purposes of investment.

The chart below page depicts the make-up of CARMA's cash assets. Cash and investments include fiduciary funds of \$88,789 and \$86,694, respectively, at June 30, 2010, and 2009.

Total Cash by Category at June 30, 2010, and June 30, 2009



CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

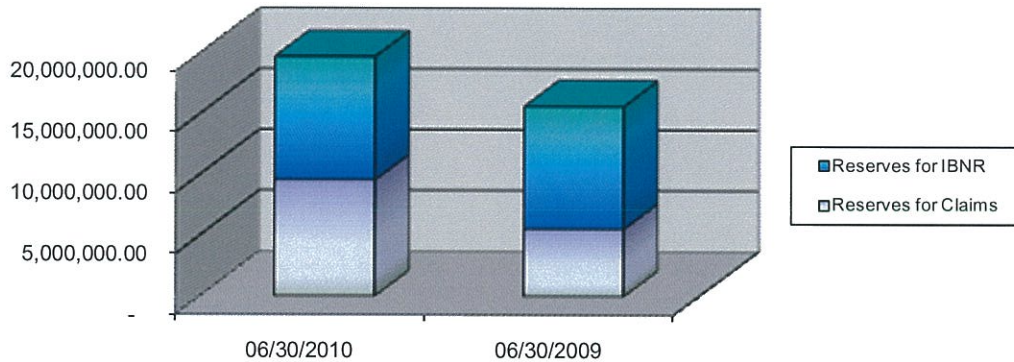
DRAFT

SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

CARMA Pool Liabilities

As shown below, claim liabilities increased by \$4.1 million over the prior year. Reserves for known claims increased by \$4.0 million, and reserves for anticipated future claims (IBNR) increased by \$0.1 million.

Comparison of Pool Liabilities at June 30, 2010, and June 30, 2009



The portion of claims considered to be currently payable (less than one year) was actuarially determined. CARMA's current claims liability at June 30, 2010, is projected to be \$3.5 million, an increase of 0.8 million over last year's prediction. Its long term claims liability is projected to be \$16.2 million.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

DRAFT

SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

CARMA Revenues and Expenses

| CARMA Statements of Revenue, Expenses, and Changes in Net Assets (Excluding Fiduciary Fund Income) | | | |
|---|------------------------------------|------------------------------------|----------------------|
| | Fiscal Year Ended June 30, 2010 | Fiscal Year Ended June 30, 2009 | Percentage Change |
| Revenues: | | | |
| Deposit premiums | \$6,455,754 | \$8,209,998 | -21.4% |
| Investment income | 662,364 | 1,134,663 | -41.6% |
| Misc income | 0 | 37,031 | -100.0% |
| Total Revenues | \$7,118,118 | \$9,381,692 | -24.1% |
| Expenses: | | | |
| Reinsurance / Excess insurance | 1,977,415 | 2,340,563 | -15.5% |
| Provision for claim and claim adjustment expenses | 5,913,318 | 4,504,821 | 31.3% |
| Administrative fees | 289,053 | 285,820 | 1.1% |
| Professional services | 135,339 | 108,497 | 24.7% |
| Other operating expenses | 14,340 | 13,696 | 4.7% |
| Total Operating Expenses | 8,329,465 | 7,253,397 | 14.8% |
| Net Income before Equity Distribution | (1,211,347) | 2,128,295 | |
| Equity Distribution | 0 | 72,615 | -100.0% |
| Changes in Net Assets | (1,211,347) | 2,055,680 | |
| Net Assets, Beginning of Year | 9,339,990 | 7,284,310 | 28.2% |
| Net Assets, End of Year | \$8,128,643 | \$9,339,990 | -13.0% |

Total revenues, operating and non-operating, decreased 24%, or \$2.3 million, over the prior year. Revenues consist primarily of deposit premiums. CARMA's membership declined by the departure of PARSAC, one of its members, on July 1, 2009. In addition, CARMA's funding for loss rate decreased with the reduction in confidence level funding from 85% the prior year to 80% the current year. While deposit premiums decreased 21% from the prior year, investment income decreased 42%, as discussed in a previous section. CARMA earned interest income of \$560,958 (including fiduciary fund earnings), with market appreciation on investments of \$105,358 increasing overall investment income to \$666,316.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

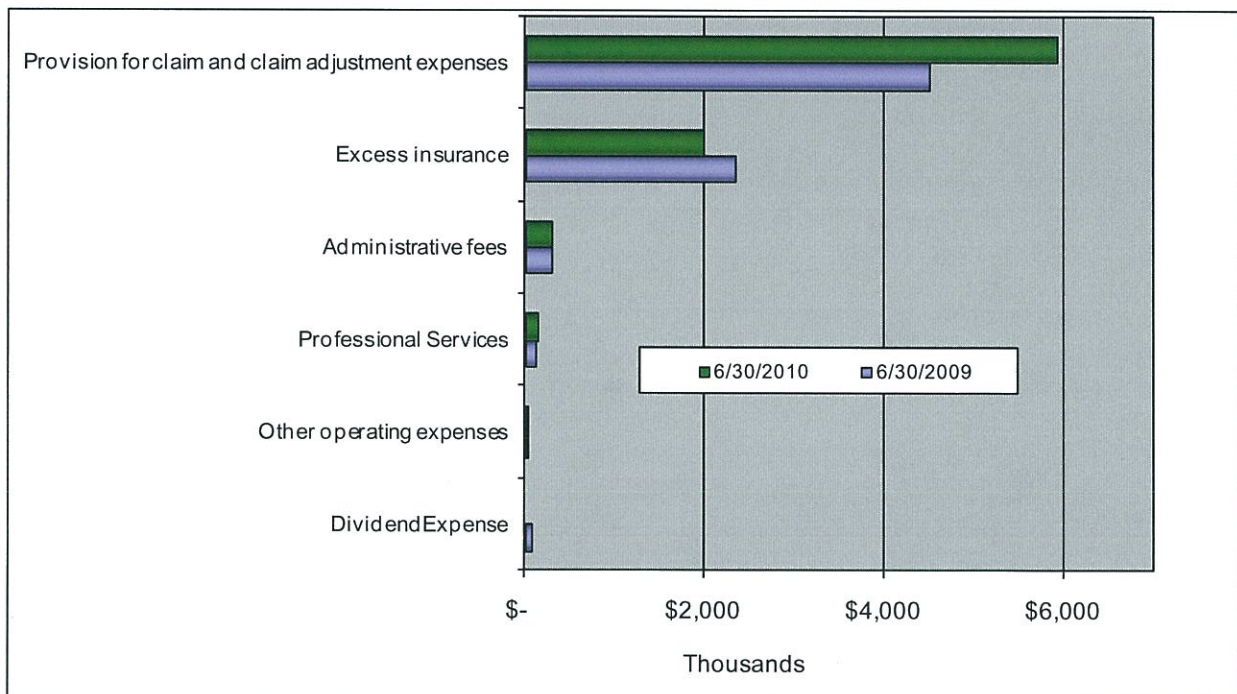
JUNE 30, 2010

DRAFT
 SUBJECT TO FINAL
 REVIEW AND APPROVAL
 DRAFT DATE _____

Operating expenses increased 14%, or \$1.0 million, over the prior year. Total operating expenses exceeded revenue by \$1.2 million during the current fiscal year, compared to the prior year during which total operating revenue exceeded expenses by \$2.1 million. The major factor contributing to this \$3.3 million negative swing in net assets was a 31% increase in claims expenses over the prior year, as well as the 24% decrease in revenue. Current estimates of ultimate claims costs of prior program years increased \$1.0 million, raising reserves and the corresponding claims expense, in comparison to the prior year in which estimates of total ultimate claims costs decreased by \$0.5 million. The largest increase during the current year was experienced in the 2005/2006 program year in which a glut of inverse condemnation claims resulted from a major one-hundred-year storm on December 31, 2005. These claims are complicated and have developed slowly, piercing the CARMA layer only during the last two years.

Prior year expenses include a member equity reduction in the amount of \$72,615. PARSAC served notice that it was terminating membership in CARMA as of July 1, 2009. Although no longer a member going forward, certain administrative costs would continue on their behalf for several years, due to the claims development cycle typical of an excess liability pool. The amount negotiated represents declining administrative costs for the next four program years, collected via the budgeting process over that time period, but deducted from PARSAC's equity in CARMA's oldest open program year, 1996/1997, as of June 30, 2009. The 2009/2010 portion was included in premium revenue in the amount of \$29,046 at June 30, 2010, and the 2010/2011 portion is included in current liabilities in the amount of \$21,785.

Expenses for the Years Ended June 30, 2010, and June 30, 2009



CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

DRAFT

**SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____**

Insurance Expense

CARMA is an excess liability pool, and its underlying members are also joint powers authorities (JPAs). Beginning in the prior year, CARMA pooled excess liability coverage from \$1 million to \$4 million, and purchased reinsurance coverage to cover losses in excess of its pooled coverage layer to \$14 million. In addition, CARMA purchased excess insurance to cover losses from \$14 million to \$29 million, thereby increasing the pool's total coverage by an additional \$4 million during the past two years. Previously for a three year period, these JPAs had attached to CARMA at the \$1 million layer and pooled excess liability coverage from \$1 million to \$5 million.

The reduction in payroll in the current year brought a decrease in both reinsurance and excess premiums, culminating in a decreased expense of \$0.4 million.

Provision for Insured Events

CARMA contracts with Bay Actuarial Consultants for an actuarial valuation of its outstanding claims liability as well as a recommendation of funding levels for the coming year. Funding for the 2009/2010 program year was calculated at the 80% confidence level and discounted to recognize the future investment earnings on those funds. The 80% confidence level assumes that there is an 80% chance that the amount collected to cover losses will be sufficient. For financial statement purposes, the liability for claims has been recorded at the expected confidence level (which the actuary has determined approximates the 57% confidence level). The 2008/2009 program year was funded at the 85% confidence level.

Since CARMA is an excess liability pool, it, as well as other similar agencies, can experience dramatic swings in both actual and actuarial determined loss development. In addition, the actuary considers primary member level claims data when determining rates for CARMA's pooled funding, even though CARMA provides only excess pool coverage. Dramatic increases in underlying member pool claims development can play a large role in affecting CARMA's rates, and hence, their actuarially determined losses.

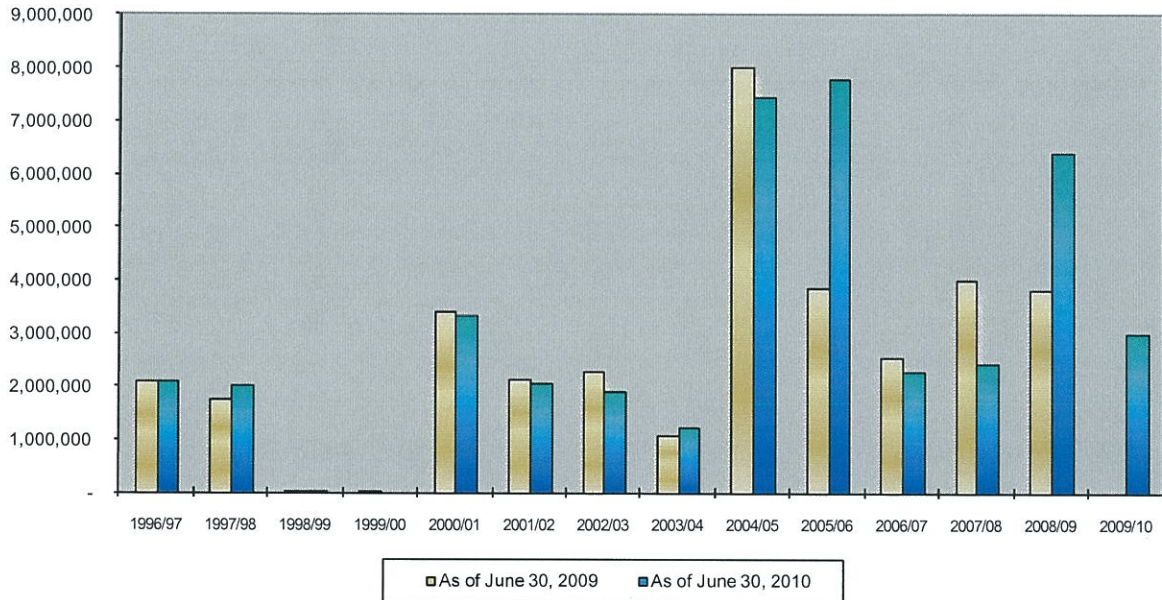
The graph on the following page illustrates the actuarially determined expected ultimate losses (anticipated claims costs) for each of CARMA's open program years, identifying the introduction of the current year claim costs, and changes to those of prior years. For the most recent actuarial study, the actuary based his projections on data valued as of December 31, 2009. Claims development was substantial during the subsequent six month period for two program years. It was therefore necessary to adjust the ultimate loss projections of those program years by a total of almost \$3 million, as incurred costs at June 30, 2010 exceeded the most recent actuarial estimates. As shown in the chart on the following page, claim cost estimates of three program years have varied dramatically, illustrating the volatility of excess liability claims.

JUNE 30, 2010

DRAFT

SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

**Summary of Ultimate Losses by Program Year
June 30, 2010**



General Administrative Expenses

Total general administrative and other operating expenses increased 7.5% over the prior year, due primarily to a substantial increase in legal costs stemming from the necessity of increased coverage opinions, offset by the bi-annual decrease in scope of the claims audit. Total general administrative expenses represent 6.8% of the total premiums for the fiscal year ended June 30, 2010, and 5.0% for the fiscal year ended June 30, 2009.

Economic Factors

In developing the budget for the fiscal year ended June 30, 2010, pool administration staff and the Board of Directors took into account the factors that had significant potential to affect the budgeted figures: primarily the claims, investment, and insurance environments. Projections for investment income took into consideration the trends in the interest income generated by CARMA's cash and the resulting affect that would have on the funding levels.

CARMA enjoys the stability of a JPA which has been in operation for seventeen years, coupled with a healthy retained earnings base. Although one member withdrew from the program on July 1, 2009, membership has been stable and current funding appears to be sufficient to meet obligations.

JUNE 30, 2010

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

Description of Facts or Conditions that are Expected to have a Significant Effect on Financial Position or Results of Operations

Although early Federal and government policies contributed greatly to the recovery over the past year, ongoing government intervention and unstable stock market moves have indicated a continued lack of confidence in the private sector among investors. Additionally, recent disappointing economic reports have signaled a slowdown severe enough to raise doubts about the recovery's strength and viability in the face of high unemployment, deflationary pressures, and an extremely weak housing sector. Despite three consecutive quarters of Gross Domestic Product (GDP) growth, many economists expect the pace of the recovery to be slower than in past recoveries.

Budgetary and fiscal policies have provided stimulus in the form of historically-low interest rates and stimulus-related grants and tax cuts, though the efficacy of these policies over the long-term continues to be questioned by many. A Federal Funds Target Rate of 0.00% to 0.25% has kept short-term rates at historic lows, which not only indicates lower income from fixed-income investments, but also the danger of fair value depreciation should interest rates rise. Though longer maturity investments offer considerably higher yields, the CARMA investment advisor, PFM Asset Management LLC, continues to balance the need for increased interest earnings against the dangers of asset devaluation on longer-maturity investments. The investment advisor continues to assess the investment marketplace and its impact on the portfolio in light of these current market forces.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

BALANCE SHEET

(Prior Year Data for Comparison Purposes Only)

DRAFT
 SUBJECT TO FINAL
 REVIEW AND APPROVAL
 DRAFT DATE _____

ASSETS

| | June 30, | |
|---------------------------|---------------------|---------------------|
| | <u>2010</u> | <u>2009</u> |
| Current Assets: | | |
| Cash and cash equivalents | \$ 4,337,524 | \$ 6,132,938 |
| Investments | 3,738,855 | 5,298,044 |
| Receivables: | | |
| Interest | 109,473 | 159,760 |
| Prepaid expenses | <u>26,814</u> | <u>28,839</u> |
| Total Current Assets | <u>8,212,666</u> | <u>11,619,581</u> |
| Non-Current Assets: | | |
| Investments | <u>19,671,064</u> | <u>13,425,628</u> |
| Total Non-Current Assets | <u>19,671,064</u> | <u>13,425,628</u> |
| Total Assets | <u>\$27,883,730</u> | <u>\$25,045,209</u> |

LIABILITIES AND NET ASSETS

| | | |
|---------------------------------------|---------------------|---------------------|
| Liabilities: | | |
| Current Liabilities: | | |
| Accounts payable | \$ 10,830 | \$ 10,020 |
| Equity payable to former member | 21,785 | 29,046 |
| Current portion of claims liabilities | <u>3,500,000</u> | <u>2,700,000</u> |
| Total Current Liabilities | <u>3,532,615</u> | <u>2,739,066</u> |
| Non-Current Liabilities: | | |
| Equity payable to former member | 21,784 | 43,569 |
| Claims liabilities | <u>16,200,688</u> | <u>12,922,584</u> |
| Total Non-Current Liabilities | <u>16,222,472</u> | <u>12,966,153</u> |
| Total Liabilities | <u>19,755,087</u> | <u>15,705,219</u> |
| Net Assets | <u>8,128,643</u> | <u>9,339,990</u> |
| Total Liabilities and Net Assets | <u>\$27,883,730</u> | <u>\$25,045,209</u> |

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

(Prior Year Data for Comparison Purposes Only)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

| | <u>Year Ended June 30,</u> | |
|--|----------------------------|---------------------|
| | <u>2010</u> | <u>2009</u> |
| OPERATING REVENUES | | |
| Deposit premiums | \$ 6,455,754 | \$ 8,209,998 |
| Other | | 37,031 |
| Total Operating Revenues | <u>6,455,754</u> | <u>8,247,029</u> |
| EXPENSES: | | |
| Claims paid | 1,835,214 | 3,688,812 |
| Change in claims liabilities | 4,078,104 | 816,009 |
| Insurance | 1,977,415 | 2,340,563 |
| Contract administration | 289,053 | 285,820 |
| General and administrative | 149,679 | 122,193 |
| Total Expenses | <u>8,329,465</u> | <u>7,253,397</u> |
| Operating Income (loss) | (1,873,711) | 993,632 |
| Other Income: | | |
| Investment earnings | <u>662,364</u> | <u>1,134,663</u> |
| Income (Loss) Before Equity Distribution | (1,211,347) | 2,128,295 |
| Equity Distribution | _____ | <u>(72,615)</u> |
| Changes in Net Assets | (1,211,347) | 2,055,680 |
| Net Assets, Beginning of Year | <u>9,339,990</u> | <u>7,284,310</u> |
| Net Assets, End of Year | <u>\$ 8,128,643</u> | <u>\$ 9,339,990</u> |

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF CASH FLOWS

(Prior Year Data for Comparison Purposes Only)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

| | <u>Year Ended June 30,</u> | |
|---|----------------------------|-----------------------------|
| | <u>2010</u> | <u>2009</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from: | | |
| Members | \$ 6,455,754 | \$ 9,143,606 |
| Other | | 37,031 |
| Cash payments for: | | |
| Claims | (1,835,214) | (2,218,886) |
| Insurance | (1,977,415) | (2,340,563) |
| Contract administration | (288,118) | (285,820) |
| General and administrative | <u>(147,779)</u> | <u>(124,269)</u> |
| Net cash provided by operating activities | 2,207,228 | 4,211,099 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Equity paid to former member | <u>(29,046)</u> | <u> </u> |
| Net cash used by capital and related financing activities | <u>(29,046)</u> | <u> </u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net increase in investments | (4,686,247) | (1,442,899) |
| Investment income | <u>712,651</u> | <u>1,217,973</u> |
| Net cash used by investing activities | <u>(3,973,596)</u> | <u>(224,926)</u> |
| Net increase (decrease) in cash | (1,795,414) | 3,986,173 |
| Cash and cash equivalents, beginning of year | <u>6,132,938</u> | <u>2,146,765</u> |
| Cash and cash equivalents, end of year | <u>\$ 4,337,524</u> | <u>\$ 6,132,938</u> |
| RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Net Operating Income (Loss) | \$(1,873,711) | \$ 993,632 |
| Changes in assets and liabilities: | | |
| Member receivable | | 933,608 |
| Reinsurance receivable | | 1,469,926 |
| Prepaid expenses | 2,025 | 133 |
| Accounts payable | 810 | (2,209) |
| Claims liabilities | <u>4,078,104</u> | <u>816,009</u> |
| Net cash provided by operating activities | <u>\$ 2,207,228</u> | <u>\$ 4,211,099</u> |

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF FIDUCIARY NET ASSETS

(Prior Year for Comparison Purposes Only)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

| | <u>Investment Trust Fund</u> | |
|--|------------------------------|-----------------|
| | <u>June 30,</u> | |
| | <u>2010</u> | <u>2009</u> |
| ASSETS: | | |
| Investments | <u>\$88,789</u> | <u>\$86,694</u> |
| TOTAL ASSETS | <u>\$88,789</u> | <u>\$86,694</u> |
| NET ASSETS: | | |
| Held in trust for rate stabilization fund participants | <u>\$88,789</u> | <u>\$86,694</u> |
| TOTAL NET ASSETS | <u>\$88,789</u> | <u>\$86,694</u> |

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

(Prior Year for Comparison Purposes Only)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

| | <u>Investment Trust Fund</u> | |
|--------------------------------|------------------------------|------------------|
| | <u>Year Ended June 30,</u> | |
| | <u>2010</u> | <u>2009</u> |
| ADDITIONS: | | |
| Contributions: | | |
| Investment Income | <u>\$ 2,095</u> | <u>\$ 4,130</u> |
| TOTAL ADDITIONS | <u>2,095</u> | <u>4,130</u> |
| CHANGES IN NET ASSETS | 2,095 | 4,130 |
| NET ASSETS - BEGINNING OF YEAR | <u>86,694</u> | <u>82,564</u> |
| NET ASSETS - END OF YEAR | <u>\$ 88,789</u> | <u>\$ 86,694</u> |

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

NOTE 1 - ORGANIZATION:

The California Affiliated Risk Management Authorities (CARMA) was established by a Joint Powers Agreement in July, 1993, in accordance with Title I, Division 7, Chapter 5, Article I, Section 6500 of the California Government Code for the purpose of providing excess liability coverage through risk sharing among its members.

As of June 30, 2010, member entities included the Bay Cities Joint Powers Insurance Authority, the Vector Control Joint Powers Agency, the Municipal Pooling Authority, the Central San Joaquin Valley Risk Management Authority, and the Monterey Bay Area Self Insurance Authority.

CARMA is governed by a Board of Directors, which is comprised of appointed representatives from its member agencies. The Board approves the member deposit premiums necessary to cover each member's share of expected pooled program losses, insurance and administrative expenses.

Additional member premiums may be assessed if actuarially, the assets of the program as a whole are not sufficient to meet the expected losses of the program including claims incurred but not reported (IBNR) and unallocated loss adjustment expenses (ULAE). Likewise, the Board can declare a dividend after a program year is five years old and has reached a 70% confidence level, provided that the combined assets of the program as a whole after the dividend equal or exceed a confidence level of 70%.

Admission/Withdrawal of Members

Entities applying for membership must be approved by a majority vote of the Board members present and voting, and, if admitted, must pay an appropriate deposit contribution as established by the Board of Directors.

Upon three years of membership, members may withdraw from CARMA on July 1 of the following year by providing written notice to the Board of Directors by December 31 immediately preceding the withdrawal date. The effect of withdrawal (or termination) from the pooling program does not terminate the responsibility of the member to continue paying its share of assessments or other financial obligations incurred by reason of its previous participation. The Board may terminate a members' future membership with a two-thirds vote of the members' representatives.

Program Coverage

The Liability Program provides coverage for Bodily Injury and Property Damage, Personal Injury, and Public Officials Errors and Omissions under limited terms and conditions. The type of liability coverage, and/or limits of coverage, may be modified and changed upon Board approval. Coverage may be pooled or purchased at the discretion of the Board.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

Excess liability coverage provided to its members from inception through June 30, 2010 is as follows:

July 1, 2008 to June 30, 2010

| | |
|--------------------|--|
| Member deductible: | \$1 million |
| JPA's SIR: | \$3 million in excess of \$1 million |
| Reinsurance: | \$10 million in excess of \$4 million |
| Excess insurance: | Excess of \$14 million to \$29 million |

July 1, 2007 to June 30, 2008

| | |
|--------------------|--|
| Member deductible: | \$1 million |
| JPA's SIR: | \$4 million in excess of \$1 million |
| Reinsurance: | \$10 million in excess of \$5 million |
| Excess insurance: | Excess of \$15 million to \$25 million |

July 1, 2005 to June 30, 2007

| | |
|--------------------|--|
| Member deductible: | \$1 million |
| JPA's SIR: | \$4 million in excess of \$1 million |
| Reinsurance: | \$5 million in excess of \$5 million |
| Excess insurance: | Excess of \$10 million to \$20 million |

July 1, 2003 to June 30, 2005

| | |
|--------------------|---------------------------------------|
| Member deductible: | \$1 million |
| JPA's SIR: | \$3 million in excess of \$1 million |
| | \$5 million in excess of \$10 million |
| Reinsurance: | Excess of \$4 million to \$10 million |

July 1, 2000 to June 30, 2003

| | |
|--------------------|---|
| Member deductible: | \$1 million |
| JPA's SIR: | \$2 million in excess of \$1 million |
| Reinsurance: | 25% of claims from \$1 million to \$3 million |
| | Excess of \$3 million to \$15 million |

July 1, 1998 to June 30, 2000

| | |
|--------------------|---|
| Member deductible: | \$1 million |
| JPA's SIR: | \$2 million in excess of \$1 million |
| Reinsurance: | 25% of claims from \$1 million to \$3 million |
| | Excess of \$3 million to \$10 million |

July 1, 1994 to June 30, 1998

| | |
|--------------------|---------------------------------------|
| Member deductible: | \$1 million |
| JPA's SIR: | \$2 million in excess of \$1 million |
| Reinsurance: | Excess of \$3 million to \$10 million |

July 1, 1993 (inception) to June 30, 1994

| | |
|--------------------|---------------------------------------|
| Member deductible: | \$1 million |
| JPA's SIR: | \$4 million in excess of \$1 million |
| Excess insurance: | Excess of \$5 million to \$10 million |

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Accounting Method

The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded in the accounting period in which the liability is incurred. Since CARMA discounts claims liabilities, anticipated investment income is considered in determining if a premium deficiency exists. CARMA applies all applicable FASB pronouncements issued before November 30, 1989 in accounting and reporting for its operations, except where superseded by GASB pronouncements. CARMA has elected not to apply FASB pronouncements issued after November 30, 1989.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

As a governmental agency, CARMA is exempt from both federal income taxes and California state franchise taxes.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include all highly liquid short-term investments with an original maturity of three months or less.

Investments

Investments are stated at fair value on quoted market prices and consist primarily of Federal agency securities, U.S. treasury notes, U.S. Government supported corporate debt and corporate notes.

Excess Insurance/Reinsurance

CARMA has purchased specific occurrence excess insurance (reinsurance effective July 1, 1997) from commercial carriers for the Liability Program. For the 2009/10 year, CARMA purchased reinsurance of \$10 million in excess of \$4 million and excess insurance coverage of \$15 million in excess of \$14 million. The policies provide coverage for losses related to individual occurrences above the corresponding policy year's specific self-insured retention (SIR), and are limited to each policy year's specific coverage limit.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

The JPA does not report any liabilities that are the responsibility of the excess insurance carrier.

Classification of Revenues

CARMA has classified its revenue as either operating or non-operating revenues. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement 34. Revenues and expenses are classified according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as insurance premiums, assessments for insured events and administration fees.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non exchange transactions and other revenue sources described in GASB Statement 34 such as investment earnings.

Financial Statement Presentation

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the prior year financial statements, from which this data was derived.

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments held by CARMA are reflected in the accompanying balance sheet at June 30, 2010 as follows:

| | |
|---------------------------|---|
| Cash and cash equivalents | <u>\$ 4,337,524</u> <u>4,337,524</u> |
| Investments: | |
| Current | 3,738,855 |
| Non-current | <u>19,671,064</u> |
| Total Investments | <u>23,409,919</u> |
| Total | <u>\$27,747,443</u> |

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

(Continued)

DRAFT

SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

Cash and investments held by CARMA at June 30, 2010 consisted of the following:

| | |
|---|---------------------|
| Deposits | \$ 542,451 |
| Investments | 27,293,781 |
| Less: Assets held in trust for investment pool participants | ____(88,789) |
| Total | <u>\$27,747,443</u> |

Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the investment types that are authorized for CARMA by the California Government Code and CARMA's investment policy. The table also identifies certain provisions of the California Government Code (or CARMA's investment policy, if more restrictive) that addresses interest rate risk and concentration of credit risk.

| <u>Investment Types Authorized by State Law</u> | <u>Authorized By Investment Policy</u> | <u>*Maximum Maturity</u> | <u>*Maximum Percentage of Portfolio</u> | <u>*Maximum Investment in One Issuer</u> |
|---|--|------------------------------|---|--|
| Local Agency Bonds | Yes | 5 years | None | None |
| U.S. Treasury Obligations | Yes | 5 years | None | None |
| U.S. Agency Securities | Yes | 5 years | None | None |
| Banker's Acceptances | Yes | 180 days | 40% | 10% |
| Commercial Paper | Yes | 270 days | 25% | 10% |
| Negotiable Certificates of Deposit | Yes | 5 years | 30% | None |
| Repurchase Agreements | Yes | 15 days | None | None |
| Reverse Repurchase Agreements | No | N/A | N/A | N/A |
| Medium-Term Notes | Yes | 5 years | 30% | 15% |
| Mutual Funds | No | N/A | 20% | 10% |
| Money Market Mutual Funds | Yes | N/A | 15% | 10% |
| Mortgage Pass-Through Securities | No | 5 years | 20% | None |
| County Pooled Investment Funds | No | N/A | None | None |
| Local Agency Investment Fund (LAIF) | Yes | N/A | \$40 million | None |
| JPA Pools (other investment pools) | No | N/A | None | None |

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that CARMA manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of CARMA's investments to market interest rate fluctuations is provided by the following table that shows the distribution of CARMA's investments by maturity:

| Investment Type | Total | Remaining Maturity (in Months) | | |
|---|---------------------|--------------------------------|--------------------|---------------------|
| | | 12 Months Or Less | 13 to 24 Months | 25-60 Months |
| U.S. Treasury Notes | \$ 4,221,202 | \$1,940,362 | \$ | \$ 2,280,840 |
| Federal Agency Securities | 15,041,794 | 1,291,833 | 7,878,292 | 5,871,669 |
| U.S. Government Supported Corporate Debt | 1,374,739 | | 1,374,739 | |
| Corporate Notes | 2,860,973 | 506,661 | | 2,354,312 |
| State Investment Pool | 3,742,175 | 3,742,175 | | |
| Money Market Funds | 52,898 | 52,898 | | |
| Total | <u>\$27,293,781</u> | <u>\$7,533,929</u> | <u>\$9,253,031</u> | <u>\$10,506,821</u> |

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

CARMA's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

| Highly Sensitive Investments | Fair Value at Year End |
|---|---------------------------|
| Callable Notes and Bonds of federal agencies. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates. | \$3,810,927 |

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

(Continued)

DRAFT
 SUBJECT TO FINAL
 REVIEW AND APPROVAL
 DRAFT DATE _____

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, CARMA's investment policy, or debt agreements, and the actual Standard and Poors rating as of year end for each investment type.

| Investment Type | Amount | Minimum Legal Rating | Exempt From Disclosure | Rating as of Year End | | | |
|--|---------------------|----------------------|------------------------|-----------------------|--------------------|---------------------|--------------------|
| | | | | A | AA | AAA | Not Rated |
| U.S. Treasury Notes | \$ 4,221,202 | N/A | \$4,221,202 | \$ | \$ | \$ | \$ |
| Federal Agency Securities | 15,041,794 | N/A | | | | 15,041,794 | |
| U.S. Government Supported Corporate Debt | 1,374,739 | | | | | 1,374,739 | |
| Corporate Notes | 2,860,973 | A | | 506,661 | 2,354,312 | | |
| State Investment Pool | 3,742,175 | N/A | | | | | 3,742,175 |
| Money Market Fund | 52,898 | N/A | | | | 52,898 | |
| Total | <u>\$27,293,781</u> | | <u>\$4,221,202</u> | <u>\$506,661</u> | <u>\$2,354,312</u> | <u>\$16,469,431</u> | <u>\$3,742,175</u> |

Concentration of Credit Risk

The investment policy of CARMA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total CARMA investments are as follows:

| Issuer | Investment Type | Reported Amount |
|--------|---------------------------|-----------------|
| FNMA | Federal agency securities | \$4,820,641 |
| FHLMC | Federal agency securities | \$5,719,075 |
| FHLB | Federal agency securities | \$2,970,719 |
| FFCB | Federal agency securities | \$1,531,359 |

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and CARMA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public entity deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2010, none of CARMA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, CARMA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of CARMA's investments were subject to custodial credit risk.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Managed Investment Pools

CARMA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of CARMA's investment in this pool is reported in the accompanying financial statements at amounts based upon CARMA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on the amortized cost basis.

As of June 30, 2010, CARMA's investments in the California Asset Management Program (CAMP) pool was \$52,898. A board of five trustees who are officials or employees of public agencies has oversight responsibility for CAMP. The value of the pool shares in CAMP, which may be withdrawn, is determined on an amortized cost basis.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

NOTE 4 - UNPAID CLAIMS:

CARMA has established a reserve for unpaid claims, based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred, but not reported. The incurred but not reported claims have been estimated by management based upon an actuarial study performed by CARMA's consulting actuary at the expected confidence level and are discounted at 4.0% for both years. The claims reserves have been estimated by the litigation manager based upon prior experience with similar claims. Because actual costs depend on such factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Accordingly, the reserve for claims is recomputed annually to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to the reserves are charged to income or expense in the period in which they are made. The face value (undiscounted) amount of the liabilities for unpaid claims at June 30, 2010 and 2009 is \$21,738,358 and \$17,509,110, respectively.

The following represents changes in the total reserves for unpaid claims of CARMA during the past two years:

| | <u>2009/2010</u> | <u>2008/2009</u> |
|---|---------------------|---------------------|
| Unpaid claims and claim adjustment expenses at beginning of the fiscal year | <u>\$15,622,584</u> | <u>\$14,806,575</u> |
| Incurred claims and claim adjustment expenses: | | |
| Provision for insured events of the current fiscal year | 2,538,500 | 3,236,455 |
| Increase in provision for insured events for prior fiscal years | <u>3,374,818</u> | <u>1,268,366</u> |
| Total incurred claims and claim adjustment expenses | <u>5,913,318</u> | <u>4,504,821</u> |
| Payments/Recoveries: | | |
| Claims and claim adjustment expenses attributable to insured events of the prior fiscal years | <u>1,835,214</u> | <u>3,688,812</u> |
| Total payments | <u>1,835,214</u> | <u>3,688,812</u> |
| Total unpaid claims and claim adjustment expenses at the end of the fiscal year | <u>\$19,700,688</u> | <u>\$15,622,584</u> |

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

NOTE 5 - EQUITY PAYABLE TO FORMER MEMBER:

During 2008/2009, one of CARMA's members (PARSAC) provided a written notice of intent to withdraw their membership effective July 1, 2009. The terms of the settlement agreement requires PARSAC to compensate CARMA \$72,615 for future administrative costs relating to claims that existed at June 30, 2009.

Under the agreement, the liability was satisfied by reducing PARSAC's existing equity in CARMA by \$72,615 on June 30, 2009. \$29,046 was allocated to the 2009/2010 year and the remaining liability of \$43,569 will be allocated to future program years as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-----------------|
| 2011 | \$21,785 |
| 2012 | 14,523 |
| 2013 | <u>7,261</u> |
| | <u>\$43,569</u> |

NOTE 6 - RATE STABILIZATION FUND:

The Rate Stabilization Fund was established to give members' the option of either taking a distribution of board declared dividends or having CARMA retain the funds to invest on the members' behalf. These monies can then be used by members in future years to help stabilize rates. Investment income is allocated to the Rate Stabilization Fund based on its balance relative to the total balance of all cash and investments of CARMA. At June 30, 2010, the balance of the Rate Stabilization Fund was \$88,789. The activities of the Rate Stabilization Fund are reported in a fiduciary fund and therefore, have been excluded from the balance sheet.

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

ADDITIONAL INFORMATION

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2010

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

The following table illustrates how CARMA's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Program for its most current ten year period. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums and reported investment revenue amounts of premiums ceded and reported premiums (net of reinsurance) and reported investment revenue.
- (2) This line shows each fiscal year's other operating costs of the Program including overhead and loss adjustment expenses not allocable to individual claims.
- (3) This line shows the Program's gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called accident year).
- (4) This section of rows shows the cumulative net amounts paid as of the end of successive years for each accident year.
- (5) This line shows the latest reestimated amount of losses assumed by reinsurers for each accident year.
- (6) This section of rows shows how each accident year's net amount of losses increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.)
- (7) This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought. As data for individual accident years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years.

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2010

| | 2000/2001 | 2001/2002 | 2002/2003 | 2003/2004 | 2004/2005 | 2005/2006 | 2006/2007 | 2007/2008 | 2008/09 | 2009/2010 |
|---|--------------|-------------|-------------|---------------|-------------|-------------|--------------|---------------|-------------|-------------|
| 1. Required contribution and investment revenue: | | | | | | | | | | |
| Earned | \$ 3,656,798 | \$2,883,994 | \$3,731,901 | \$ 4,747,603 | \$5,887,580 | \$6,254,632 | \$6,505,800 | \$ 7,459,934 | \$8,209,998 | \$6,455,754 |
| Ceded | 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 |
| Net earned before allocated interest | 2,727,903 | 1,957,917 | 2,360,483 | 3,092,172 | 3,995,038 | 3,963,395 | 4,074,084 | 5,608,300 | 5,869,435 | 4,478,339 |
| Allocated interest earned | 154,296 | 116,303 | 401,866 | 737,689 | 468,883 | 787,872 | 658,728 | 514,426 | 236,402 | 55,293 |
| Total net earned | 2,882,199 | 2,074,220 | 2,762,349 | 3,829,861 | 4,463,921 | 4,751,267 | 4,732,812 | 6,122,726 | 6,105,837 | 4,533,632 |
| 2. Unallocated expenses | 286,338 | 286,843 | 259,386 | 265,085 | 303,628 | 290,728 | 331,143 | 358,877 | 384,858 | 419,586 |
| 3. Estimated claims and expenses, end of program year: | | | | | | | | | | |
| Incurred | 1,504,408 | 902,374 | 769,168 | 2,253,204 | 1,948,983 | 2,808,665 | 2,672,246 | 3,437,232 | 3,236,455 | 2,538,500 |
| Ceded | | | | | | | | | | |
| Net incurred | 1,504,408 | 902,374 | 769,168 | 2,253,204 | 1,948,983 | 2,808,665 | 2,672,246 | 3,437,232 | 3,236,455 | 2,538,500 |
| 4. Net paid (cumulative) as of: | | | | | | | | | | |
| End of program year | | | | | | | | | | |
| One year later | | 2,204,675 | 600,000 | | | 250,000 | | | | |
| Two years later | | 1,491,000 | 466,843 | | | 225,887 | | 945,375 | | |
| Three years later | 1,506,000 | 1,491,000 | 466,843 | | 199,869 | | 434,901 | | | |
| Four years later | 2,461,039 | 1,491,000 | 492,788 | | 4,854,796 | | | | | |
| Five years later | 2,461,039 | 1,491,000 | 1,112,442 | 102,284 | 6,845,307 | | | | | |
| Six years later | 2,461,039 | 1,491,000 | 1,102,103 | 466,183 | 6,845,307 | | | | | |
| Seven years later | 2,481,600 | 1,491,000 | 1,102,103 | | | | | | | |
| Eight years later | 2,481,600 | 1,491,000 | | | | | | | | |
| Nine years later | 2,481,600 | | | | | | | | | |
| 5. Reestimated ceded claims and expenses | 10,827,200 | 722,941 | 381,152 | | 6,213,233 | 25,909 | | | | |
| 6. Reestimated net incurred claims and expenses: | | | | | | | | | | |
| End of program year | 1,504,408 | 902,374 | 769,168 | 2,253,204 | 1,948,983 | 2,808,665 | 2,672,246 | 3,437,232 | 3,236,455 | 2,538,500 |
| One year later | 664,911 | 2,335,527 | 1,447,276 | 2,149,571 | 2,044,823 | 2,484,890 | 3,015,138 | 3,519,853 | 5,783,645 | |
| Two years later | 2,956,559 | 2,288,080 | 1,795,751 | 1,631,741 | 2,034,908 | 2,176,689 | 2,291,421 | 2,290,248 | | |
| Three years later | 2,352,904 | 2,274,602 | 1,531,260 | 1,410,971 | 8,184,870 | 4,068,383 | 2,123,243 | | | |
| Four years later | 2,618,356 | 1,990,539 | 2,282,961 | 1,021,530 | 7,936,805 | 7,321,096 | | | | |
| Five years later | 2,738,347 | 1,840,940 | 1,814,011 | 1,202,684 | 7,426,558 | | | | | |
| Six years later | 2,719,862 | 1,750,666 | 1,660,177 | 1,199,943 | | | | | | |
| Seven years later | 2,582,371 | 1,595,861 | 1,390,485 | | | | | | | |
| Eight years later | 2,553,462 | 1,529,879 | | | | | | | | |
| Nine years later | 2,499,759 | | | | | | | | | |
| 7. Increase (decrease) in estimated net incurred claims and expenses from end of program year | \$ 995,351 | \$ 627,505 | \$ 621,317 | \$(1,053,261) | \$5,477,575 | \$4,512,431 | \$ (549,003) | \$(1,146,984) | \$2,547,190 | |

August 28, 2010

Board of Directors
California Affiliated Risk Management Authorities
Sacramento, California

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of California Affiliated Risk Management Authorities (CARMA), as of and for the year ended June 30, 2010, and have issued our report thereon dated August 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CARMA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CARMA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CARMA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects CARMA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of CARMA's financial statements that is more than inconsequential will not be prevented or detected by CARMA's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by CARMA's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

Compliance and other Matters

As part of obtaining reasonable assurance about whether CARMA's financial statement are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of CARMA's management. However, this report is a matter of public record and its distribution is not limited.

COVERAGE MATTERS

SUBJECT: Review of 2010/2011 Excess and Reinsurance Coverage Policies

BACKGROUND AND STATUS:

During the 2010 Annual Workshop, the Board reviewed the then current levels of excess and reinsurance coverage and discussed pursuing alternatives for the 2009/2010 program year. At that time, the Board directed Ms. Susan Adams, and Mr. Mike Simmons, Alliant Insurance Services, to seek quotes for \$3 x \$1 million and \$2 x \$1 million coverage, as well as quotes for quota sharing for reinsurance coverage for the 2010/2011 program year.

At the June 23, 2010, Board of Directors' meeting, the Board reviewed coverage options for the 2010/2011 program year as presented by Ms. Adams and Mr. Simmons. While the incumbent carrier, Everest Reinsurance Company did provide a flat-rate quote, it was noted that very few carriers were interested in quoting CARMA this year, mainly due to the increased loss trending of the group. Additionally, quotes for quota sharing were not forthcoming from carriers.

Ms. Susan Adams will be in attendance to provide a comprehensive review of the 2010/2011 program year coverage.

RECOMMENDATION:

None.

REFERENCE MATERIALS ATTACHED:

None

COVERAGE MATTERS

SUBJECT: Feedback from Underlying Members Regarding Memorandum of Coverage Changes

BACKGROUND AND STATUS:

During the 2009/2010 program year the Board of Directors reviewed four areas of coverage to ensure the level of coverage provided was appropriate, that the language was clear and unambiguous, and that any gaps in coverage were appropriate for the nature of the exposure. The four areas of review included the administration of medicine in custodial care/medical malpractice; airport vehicle coverage; uninsured/underinsured motorist law; and inverse condemnation sublimits.

Discussions regarding each of these areas resulted in changes to the Memorandum of Coverage language for airport vehicle coverage and inverse condemnation sublimits. Language for airport vehicles was modified to clarify coverage of injury and damage with the use of airport vehicles used off the premises of airport property. With regards to inverse condemnation limits, the language was amended to increase defense costs to \$2 million per occurrence and \$4 million aggregate.

This time has been set aside on the agenda to discuss any feedback the Board members and JPA Administrators may have received from their underlying members regarding these changes.

RECOMMENDATION:

None.

REFERENCE MATERIALS ATTACHED:

- 2010/2011 CARMA Memorandum of Coverage Memo Dated July 1, 2010
- Summary of the 2010/2011 Program Year Memorandum of Coverage
- 2010/2011 Program Year CARMA Memorandum of Coverage

Date: July 1, 2010

To: CARMA Board of Directors, Alternate Board Members, Pool Administrators,
Ms. Susan Adams, Mr. Michael Simmons, and Mr. Craig Farmer

From: Sandra Spiess, CARMA Board Secretary

RE: **2010/2011 CARMA Memorandum of Coverage**

At the 2010 Board of Directors' Workshop, the Board performed an in-depth review of the CARMA Memorandum of Coverage and noted four areas where further review and discussion was appropriate: administration of medication in custodial care/medical malpractice, airport vehicle coverage when used off of airport property, uninsured/underinsured motorist law, and inverse condemnation sub-limits.

Upon further review and discussion by the Board, the California Affiliated Risk Management Authority's 2010/2011 Memorandum of Coverage (MOC) has been revised, where appropriate, in the following areas:

Administration of Medicine in Custodial Care / Medical Malpractice

The Board reviewed and discussed this matter of coverage at the 2010 Workshop. The Board determined that no change to the MOC was necessary to provide coverage for the dispensing of medicine under custodial care.

Airport Vehicle Coverage

Language was modified in Section VI, Exclusion 6 to confirm coverage of bodily injury, personal injury, or property damage with regards to airport vehicles when used off the premises of airports.

6. *Claims because of Bodily Injury, Personal Injury, or Property Damage arising out of ownership, maintenance, management, supervision, or the condition of any airport, including but not limited to liability arising out of ownership, operation, maintenance, or entrustment of Automobiles while used in airport operations*

Uninsured / Underinsured Motorist Law

Upon further review, it was determined the language regarding uninsured/underinsured motorist law was appropriate as stated in the MOC.

Inverse Condemnation Sublimits

As directed by the Board at the June 23, 2010, meeting, Craig Farmer, Board Legal Counsel, reviewed and revised Section VI, Exclusion 9 in regards to inverse condemnation. The following revised language has been reviewed and approved by Chairperson Geoff Grote.

9. *Claims arising out of:*

- (a) *Land use regulations or planning policies, annexation, eminent domain by whatever name called, no matter how or under what theory such claims are alleged.*

Notwithstanding this exclusion, coverage under this Memorandum is provided, in excess of the \$1,000,000 Covered Parties Retained Limit first paid, for Damages and Defense Costs of up to \$2,000,000 per Occurrence and subject to an aggregate limit of \$4,000,000 per Member for inverse condemnation claims due to Property Damage resulting from any of the following: weather acting upon or with the Covered Party's property or equipment, accidental failure of the Covered Party's property or equipment, negligent design or maintenance of or inadequate design of a public work or public improvement.

Notwithstanding the above, this Memorandum shall not afford inverse condemnation coverage for any claim arising out of the design, construction, ownership, maintenance, operation, or use of any water treatment plant or waste water treatment plant, no matter how or under what theory such claim is alleged, except a claim based upon the accidental failure of the equipment utilized or contained within the water treatment plant or waste water treatment plant.

- (b) *The initiative process, whether or not liability accrues directly against any Covered Party by reason of any agreement which a Covered Party has entered.*

One additional change to the MOC is reflected on the Declarations Page. A footnote has been added to this page to illustrate the fact that the reinsurance coverage is subject to some conditions that may be different from the CARMA MOC.

Should you have any questions, please do not hesitate to contact me directly at (800) 541.4591, extension 1182.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES SUMMARY OF COVERAGE

Section I - Coverage

The *Authority* will pay up to the *Limit of Coverage* those sums for **Ultimate Net Loss** in excess of \$1,000,000 that the **Covered Parties** pay out of their own funds, unless otherwise provided herein, as **Damages** because of **Bodily Injury, Property Damage, Personal Injury, or Public Officials Errors and Omissions** as those terms are herein defined and to which this agreement applies, caused by an **Occurrence** during the *Coverage Period*, except as otherwise excluded.

This Memorandum of Coverage does not provide insurance, but instead provides for pooled risk sharing. This Memorandum is a negotiated agreement amongst the **Members** of the Authority and none of the parties to the Memorandum is entitled to rely on any contract interpretation principles that require interpretation of ambiguous language against the drafter of such Memorandum. This Memorandum shall be applied according to the principles of contract law, giving full effect to the intent of the **Members** of the Authority, acting through the Board of Directors in adopting this Memorandum of Coverage. As the Authority is not an insurer, it has no obligation to provide “Cumis” counsel to a *Covered Party* in disputed coverage situations under Civil Code §2860.

Section II – Definitions

7. The definition of “Covered Party” includes
 - All entities in the Declarations page, including any and all commissions, agencies, districts, authorities, boards, except hospitals.
 - A member of a joint powers authority (JPA) which is a **Member** of CARMA. This includes all entities named in its Declarations page, including any and all commissions, agencies, districts, authorities, boards (including the governing board, except hospitals).
 - Any person or **Member** identified as a **Covered Party** in a certificate of coverage to third parties duly issued by CARMA.
 - Any person who is an official, employee, or volunteer of a person or **Member** covered by the first three items whether or not compensated, while acting in an official capacity for or on behalf of such person or **Member**, including while acting on any outside board at the direction of such person or **Member**, except a hospital.
 - CARMA itself, or any member of its duly organized Board of Directors. (**potential addition for CAJPA accreditation purposes**).
 - The **Authority** itself and its Board of Directors individually.
 - any person while using an **Automobile** owned or leased by a **Member**, or loaned to or hired for use by or on behalf of a **Member**.
 - No person or **Member** is a **Covered Party** with respect to the conduct of any current or past partnership, joint venture, or joint powers authority that is not shown as a named **Covered Party** in the Declarations except for participation of a member’s official, employee, or volunteer who participates in one of the above arrangements and who is acting for or on behalf of a **Member**.

9. The definition of **Damages** includes
- (1) attorney fees not based on contract awarded against the **Covered Party**;
 - (2) interest on judgments, or;
 - (3) costs, for which the **Covered Party** is liable either by adjudication or by compromise with the written consent of **CARMA**.
10. The definition of **Defense Costs** includes all fees and expenses incurred by any **Covered Party**, caused by and relating to the adjustment, investigation, defense, or litigation of a claim to which this coverage applies, including attorney's fees, court costs, and interest on judgments accruing after entry of judgment. **Defense Costs** include adjusting expenses of a third party claims administrator which are specifically identifiable with a claim subject to this coverage *and* reasonable attorney fees and necessary litigation. **Defense Costs** also include fees and expenses relating to coverage issues or disputes that arise after a written denial of coverage, between any **Covered Party** named in the Declarations and the Authority, if the **Covered Party** named in the Declarations prevails in such dispute.
- Defense Costs** do not include the office expenses, salaries of employees and officials, or expenses of the **Covered Party** or **CARMA**, or attorney fees or costs awarded to a prevailing plaintiff against the **Covered Party**.
11. **Limit of Coverage** is defined as the amount of coverage stated in the declaration page or certificate of coverage, or sublimits as stated therein for each **Covered Party** per **Occurrence**, subject to any lower sublimit stated in the Memorandum. For each **Occurrence**, there is only one **Limit of Coverage** regardless of the number of claimants or **Covered Parties**.
15. The definition of **Occurrence** has three parts:
- (a) With respect to **Bodily Injury** or **Property Damage**: it is an accident, including continuous or repeated exposure to substantially the same generally harmful conditions, which results in **Bodily Injury** or **Property Damage** neither expected nor intended from the standpoint of the **Covered Party**.
 - (b) With respect to **Personal Injury**: an offense described in the definitions of that term.
 - (c) With respect to **Public Officials Errors and Omissions**: any actual or alleged misstatement or misleading statement or act or omission as described in the definitions of that term.
16. **Personal Injury** means injury arising out of one or more of the following offenses:
- (a) False arrest, detention or imprisonment, or malicious prosecution;
 - (b) Abuse of legal process;
 - (c) Wrongful entry into, or eviction of a person from, a room, dwelling, or premises that a person occupies;

- (d) Publication or utterance of material, including continuous or repeated, that slanders or libels a person or organization or disparages a person's or organization's goods, products or services, or oral or written publication of material that violates a person's right of privacy;
 - (e) Discrimination or violation of civil rights; and
 - (f) Injury resulting from the use of reasonable force for the purpose of protecting persons or property.
17. **Pollutants** is defined as any solid, liquid, gaseous, or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals, airborne particles, or fibers and waste. Waste includes materials to be recycled, reconditioned, or reclaimed. **Pollutants** does not mean potable water, agricultural water, water furnished to commercial users, or water used for fire suppression.
18. **Property Damage** means:
- (a) Physical injury or destruction of tangible property, including all resulting loss of use of that property; or
 - (b) Loss of use of tangible property that is not physically injured or destroyed.
19. **Public Officials Errors and Omissions** is defined to include any (including continuous or repeated) actual or alleged misstatement or misleading statement or act or omission by any **Covered Party** (individually or collectively) arising in the course and scope of their duties with the **Covered Party** or claimed against them solely by reason of their being or having been public officials or employees, and which results in damage neither expected nor intended from the standpoint of the **Covered Party**.
20. **Retained Limit** means the amount, identified in the applicable Declaration or certificate, of **Ultimate Net Loss** for which the **Covered Party** becomes liable before CARMA is obligated to make payment. For each **Occurrence**, there is only one **Retained Limit** regardless of the number of claimants or **Covered Parties** against whom a claim is made. Payment of the **Retained Limit** is to be apportioned among the **Covered Parties** in accordance with their proportionate shares of liability.
21. **Ultimate Net Loss** means the total of all **Defense Costs** incurred by the **Covered Parties** and all **Damages** for which the **Covered Parties** are liable either by adjudication or by compromise with the written consent of CARMA, arising from an **Occurrence** to which the coverage applies.

Other definitions include:

- | | |
|-------------------------------|------------------------|
| 1. Aircraft | 6. Dam |
| 2. Authority | 7. Medical Malpractice |
| 3. Bodily Injury | 8. Member |
| 4. Covered Period | 9. Nuclear Material |
| 5. Covered Indemnity Contract | |

Section III – Defense and Settlement

States that CARMA has no duty to assume charge of investigation or defense of any claim. However, at its own expense, does have the right to assume the control of the negotiation, investigation, defense, appeal, or settlement of any claim CARMA determines, in its sole discretion, to have reasonable probability resulting hitting the CARMA layer. It also says that the members must cooperate with CARMA in the handling of all cases, and if CARMA assumes the control of the handling of a claim, the **Members** are obligated to pay all sums up to their retained limit. No claim can be settled for an amount in excess of the **Retained Limit** without the prior written consent of CARMA.

Section IV – CARMA’s Limit of Coverage

States that Regardless of the number of **Covered Parties**, persons or organizations who sustain injury or damage, or suits brought, CARMA’s liability is limited to the amount in excess of \$1,000,000 up to the amount stated in the declarations page (\$29,000,000) per **Occurrence**. In addition, CARMA will not pay any amount above what is stated in a duly issued additional **Covered Party** certificate.

Section V – Coverage Period and Territory

States that the agreement applies to *Bodily Injury, Property Damage, Personal Injury, or Public Officials Errors and Omissions* which occurs anywhere in the world during the *Coverage Period* identified declarations page or certificate of coverage.

Section VI - Exclusions

1. Any claim arising out of the contamination of the environment by "**pollutants**". Sudden and accidental pollution is covered. Costs arising out of the **cleanup, removal, etc., of “pollutants”** are also excluded. However, this exclusion shall not apply to *Bodily Injury* or *Property Damage* caused by a *Covered Party’s* response to contamination caused by a third party unrelated to a *Covered Party*.
2. **Employment related claims**, including, but not limited to, violation of civil rights or employment-related practices, policies, acts or omissions, including termination, coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, or discrimination. (NOTE: We have always had this exclusion; however, for two years we covered employment related claims via an endorsement to the MOC.)
3. **Bodily injury to employees, or family members** of an employee, arising out of and in the course of employment.
4. Claims arising from **workers' compensation, unemployment compensation, or disability benefits** law or any similar law.
5. Claims arising out of any **hospital**.
6. Claims because of Bodily Injury, Personal Injury, or Property Damage arising out of ownership, maintenance, management, supervision, or the condition **of any airport**.
7. Claims because Claims arising out of any **professional medical malpractice**.
8. Claims arising out of the hazardous properties of **Nuclear Material**.
9. Claims arising out of:

- (a) Land use regulations or planning policies, annexation, eminent domain by whatever name called, no matter how or under what theory such claims are alleged.

Notwithstanding this exclusion, coverage under this Memorandum is provided, in excess of the \$1,000,000 Covered Parties Retained Limit first paid, for Damages and Defense Costs of up to \$2,000,000 per Occurrence and subject to an aggregate limit of \$4,000,000 per Member for inverse condemnation claims due to Property Damage resulting from any of the following: weather acting upon or with the Covered Party's property or equipment, accidental failure of the Covered Party's property or equipment, negligent design or maintenance of or inadequate design of a public work or public improvement.

Notwithstanding the above, this Memorandum shall not afford inverse condemnation coverage for any claim arising out of the design, construction, ownership, maintenance, operation, or use of any water treatment plant or waste water treatment plant, no matter how or under what theory such claim is alleged, except a claim based upon the accidental failure of the equipment utilized or contained within the water treatment plant or waste water treatment plant.

- (b) The initiative process, whether or not liability accrues directly against any Covered Party by reason of any agreement which a Covered Party has entered.
10. **Property damage** to property owned, rented or leased by a "covered party". This includes "Aircraft" or watercraft in the "covered party's" care, custody, or control.
 11. Claims arising out of any **aircraft or watercraft being used for commercial purposes.**
 12. Claims arising out of the **failure to supply** or provide an adequate supply of **gas, water, electricity, or sewage capacity.**
 13. Claims arising out of ownership, operation, maintenance, or **use of any trampoline** or other rebound tumbling device.
 14. Claims arising out of a "covered party's" sponsored or controlled **skateboard activities or facilities unless** those activities or facilities are covered by the Member JPA.
 15. Claims arising out of **bungee jumping or propelling activities.**
 16. Claims arising out of a failure to perform or **breach of a contractual obligation.**
 17. **Liability assumed under any contract or agreement** or unless subject of a duly issued certificate of additional covered party, except as defined in the definition of **Covered Indemnity Contract.**
 18. **Fines, assessments, penalties, restitution, disgorgement, exemplary, or punitive damages.**
 19. **Ultimate net loss** arising out of relief or redress, in any form **other than Damages.**
 20. Claims arising out of **radon, asbestos**, asbestos fibers, asbestos products or by-products, or any asbestos-containing material.
 21. Claims for injury or damages caused by **intentional conduct.**
 22. Claims arising out of partial or complete structural failure of a **Dam.**
 23. Claims by any "covered party" against its own past or present elected or appointed officials, employees, volunteers.

24. Claims arising out of **oral or written publication of material**, if done by, or at the direction of, the covered party with knowledge of its falsity.
25. Claims arising out of liability imposed on any **Covered Party** under any **uninsured/underinsured motorist law or Automobile no-fault law**.
26. The cost of providing reasonable accommodation pursuant to the **Americans with Disabilities Act, Fair Employment and Housing Act, or similar law**.
27. Refund of, or restitution for, **taxes, fees, service charges, or assessments**.
28. **Remuneration or financial gain to which the "covered party" was not legally entitled.**
29. **Violation of a statute, ordinance, order or decree.**
30. Claims arising out of estimates of probable cost or cost estimates being exceeded or faulty preparation of **bid specifications or plans**.
31. Under **Public Officials Errors and Omissions**, excludes coverage for **Bodily Injury; Personal Injury**; physical injury to tangible property, including all resulting loss of use of that property; and benefits payable under any employee benefit plan.

Section VII - Conditions

1. **Covered Party's Duties in the Event of Occurrence, Claim, or Suit**
2. Bankruptcy or Insolvency
3. Other Coverage
4. Severability of Interests
5. Accumulation of Limits
6. Termination
7. Changes
8. Subrogation
9. Arbitration

Covered Party's Duties in the Event of Occurrence, Claim, or Suit

If the *Covered Party* fails to comply with any of these notice conditions and the *Authority's* Board of Directors find by a majority vote that the delay was unreasonable, the *Authority* shall limit the coverage provided herein, as follows:

- i. If notice is given to the *Authority* within 180 days after the date on which it should have been given, any *Ultimate Net Loss* that would have been owing to the *Covered Party*, if notice had been timely given to the *Authority*, shall be reduced by twenty-five percent (25%).
- ii. If notice is given to the *Authority* between 181 days and 365 days after the date on which it should have been given, any *Ultimate Net Loss* that would have been owing to the *Covered Party*, if notice had been timely given to the *Authority*, shall be reduced by fifty percent (50%).
- iii. If notice is given to the *Authority* between 366 days and 730 days after the date on which it should have been given, any *Ultimate Net Loss* that would have been owing to the *Covered Party*, if notice had been timely given to the *Authority*, shall be reduced by

seventy-five percent (75%).

- iv. If notice is given to the *Authority* over 730 days after the date on which it should have been given, the *Authority* shall deny any coverage and shall pay no *Ultimate Net Loss*.

In determining whether or not the delay was unreasonable, the *Authority's* Board of Directors shall consider all facts and circumstances that caused the delay. Prejudice to the *Authority* is a factor but is neither conclusive nor required.

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

MEMORANDUM OF COVERAGE

FOR THE 2010/2011 PROGRAM YEAR

EFFECTIVE JULY 1, 2010

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MEMORANDUM OF COVERAGE

LIABILITY COVERAGE

DECLARATIONS

POLICY NO. CARMA 2010-17GL

NAMED COVERED PARTY: California Affiliated Risk Management Authorities, et al., as
per Endorsement No. 1

1750 Creekside Drive, Suite 200
Sacramento, CA 95833

POLICY PERIOD: From 7-1-2010 to 7-1-2011
12:01 A.M. Pacific Standard Time

LIMITS OF COVERAGE: CARMA Self Insured Layer: \$3,000,000 Excess of
\$1,000,000 Each Occurrence except as otherwise delineated in
the 20010/2011 Memorandum of Coverage

Everest Reinsurance Company (purchased): \$10,000,000
Excess of \$4,000,000; Policy No. TBD *

*Reinsurance coverage is subject to some Conditions
that may differ from this MOC

FORM AND ENDORSEMENTS: Form No. CARMA 2009-17GL, Endorsement No. 1

Forming Part of the Policy at Inception

ON BEHALF OF CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES



AUTHORIZED REPRESENTATIVE

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MEMORANDUM OF COVERAGE

LIABILITY COVERAGE

ENDORSEMENT #1

It is understood that the Named Covered Party of the Declarations is completed as follows:

California Affiliated Risk Management Authorities
Bay Cities Joint Powers Insurance Authority
Central San Joaquin Valley Risk Management Authority
Monterey Bay Area Self Insurance Authority
Municipal Pooling Authority of Northern California
Vector Control Joint Powers Agency
and their members participating in their Liability Program

Attached to and forming part of Policy No. CARMA 2010-17GL

Effective Date: July 1, 2010

Endorsement No.: 1



AUTHORIZED REPRESENTATIVE

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

MEMORANDUM OF COVERAGE

FOR THE 2010/2011 PROGRAM YEAR

EFFECTIVE JULY 1, 2010

**MEMORANDUM OF COVERAGE
FOR THE
CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
(CARMA)**

TABLE OF CONTENTS

| | |
|---|----|
| SECTION I - COVERAGE..... | 3 |
| SECTION II - DEFINITIONS | 3 |
| SECTION III - DEFENSE AND SETTLEMENT | 9 |
| SECTION IV - CARMA'S LIMIT OF COVERAGE..... | 9 |
| SECTION V - COVERAGE PERIOD AND TERRITORY | 10 |
| SECTION VI - EXCLUSIONS..... | 10 |
| SECTION VII - CONDITIONS..... | 15 |

**MEMORANDUM OF COVERAGE
FOR THE
CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
(CARMA)**

In consideration of the payment of the deposit premium, the *Authority* agrees with the *Covered Parties* as follows:

SECTION I – COVERAGE

The *Authority* will pay up to the *Limit of Coverage* those sums for *Ultimate Net Loss* in excess of \$1,000,000 that the *Covered Parties* pay out of their own funds, unless otherwise provided herein, as *Damages* because of *Bodily Injury*, *Property Damage*, *Personal Injury*, or *Public Officials Errors and Omissions* as those terms are herein defined and to which this agreement applies, caused by an *Occurrence* during the *Coverage Period*, except as otherwise excluded.

This Memorandum of Coverage does not provide insurance, but instead provides for pooled risk sharing. This Memorandum is a negotiated agreement amongst the *Members* of the Authority and none of the parties to the Memorandum is entitled to rely on any contract interpretation principles that require interpretation of ambiguous language against the drafter of such Memorandum. This Memorandum shall be applied according to the principles of contract law, giving full effect to the intent of the *Members* of the Authority, acting through the Board of Directors in adopting this Memorandum of Coverage. As the Authority is not an insurer, it has no obligation to provide “Cumis” counsel to a *Covered Party* in disputed coverage situations under Civil Code §2860.

SECTION II - DEFINITIONS

1. "Aircraft" means a vehicle designed for the transport of persons or property principally in the air.
2. "Authority" means the California Affiliated Risk Management Authorities.
3. "Automobile" means a land motor vehicle, trailer, or semi-trailer.
4. "Bodily Injury" means bodily injury, sickness, disease, or emotional distress sustained by a person, including death resulting from any of these at any time. *Bodily Injury* includes *Damages* claimed by any person or organization for care, loss of services, or death resulting at any time from the *Bodily Injury*.
5. "Coverage Period" means that term prescribed for coverage by the *Authority* as set forth in the Declarations page.
6. "Covered Indemnity Contract" means that part of any contract or agreement pertaining to the *Covered Party's* routine governmental operations under which the *Covered Party* assumes the tort liability of another party to pay for *Bodily Injury* or *Property Damage* to a third

person or organization. This definition applies only to tort liability arising out of an *Occurrence* to which this agreement applies. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

7. "Covered Party" means:

- (a) A *Member* of the *Authority*. This includes all entities named in its Declarations page, including any and all commissions, agencies, districts, authorities, boards (including the governing board), or similar entities coming under the *Member's* direction or control, or for which the *Member's* board members sit as the governing body, except a hospital board or commission, regardless of how such body is denominated.
- (b) A member of a joint powers authority (JPA) which is a *Member* of the *Authority* herein, which participates in said JPA's liability program. This includes all entities named in its Declarations page, including any and all commissions, agencies, districts, authorities, boards (including the governing board), or similar entities coming under the *Member's* direction or control, or for which the *Member's* board member sits as the governing body, except a hospital board or commission, regardless of how such body is denominated.
- (c) Any person or *Member* identified as a *Covered Party* in a certificate of coverage to third parties duly issued by the *Authority* for *Occurrences* during the *Coverage Period* identified in the certificate of coverage, the person or *Member* is a *Covered Party* only for *Occurrences* arising out of the described activity.
- (d) Any person who is an official, employee, or volunteer of a person or *Member* covered by (a), (b), or (c) herein, whether or not compensated, while acting in an official capacity for or on behalf of such person or *Member*, including while acting on any outside board at the direction of such person or *Member*, except a hospital board or commission, regardless of how such a body is denominated.
- (e) The *Authority* itself and its Board of Directors individually.
- (f) With respect to any *Automobile* owned or leased by a *Member*, or loaned to or hired for use by or on behalf of the *Member*, any person while using such *Automobile* and any person or organization legally responsible for the use thereof, provided the actual use is with the permission of the *Member*, but this protection does not apply to:
 - i. Any person or organization, or any agent or employee thereof, operating an *Automobile* sales agency, repair shop, service station, storage garage, or public parking place, with respect to an *Occurrence* arising out of the operation thereof;
 - ii. The owner or any lessee, other than the *Member*, of any *Automobile* hired by or loaned to the *Member* or to any agent or employee of such owner or lessee.

- (g) No person or *Member* is a *Covered Party* with respect to the conduct of any current or past partnership, joint venture, or joint powers authority that is not shown as a named *Covered Party* in the Declarations; however, for any person (1) who is an official, employee, or volunteer of a *Member* covered by (a) or (b) herein, (2) who participates in the activities of the partnership, joint venture, or joint powers authority (or any separate agency or *Member* created under any joint powers agreement by the named *Member*), and (3) who is acting for or on behalf of a *Member* covered by (a) or (b) herein at the time of the *Occurrence*, then coverage is afforded by this agreement. Such coverage will be in excess of and shall not contribute with any collectible insurance or other coverage provided to the other joint powers authority, agency, or *Member*.
- (h) Notwithstanding sections (d) and (e) above, the defense and indemnity coverage afforded by this agreement to a past or present official, employee, or volunteer of a *Member* (including a member entity of a *Member* joint powers authority) is not broader than the *Member's* duty to defend and indemnify its official, employee, or volunteer pursuant to California Government Code Section 815, 815.3, 825 to 825.6, 995 to 996.6, inclusive, and any amendments thereof. If the *Member* which employs the official, employee, or volunteer is not obligated under the California Government Code to provide a defense, or to provide indemnity for a claim, or if said *Member* refuses to provide such defense and/or indemnity to said official, employee, or volunteer, then this agreement shall not provide any such defense or indemnity coverage to said official, employee, or volunteer. All immunities, defenses, rights, and privileges afforded to a *Member* under California Government Code Section 815, 815.3, 825 to 825.6, 995 to 996.6, inclusive, and any amendments thereof, shall be afforded to the Authority to bar any defense or indemnity coverage under this agreement to that *Member's* official, employee, or volunteer.
8. "Dam" means any artificial barrier, together with appurtenant works, which does or may impound or divert water, and which either (a) is 25 feet or more in height from the natural bed of the stream or watercourse at the downstream toe of the barrier, or from the lowest elevation of the outside limit of the barrier, if it is not across a stream, channel, or watercourse, to the maximum possible water storage elevation; or (b) has an impounding capacity of 50 acre-feet or more.

Any such barrier which is not in excess of 6 feet in height, regardless of storage capacity, or which has a storage capacity not in excess of 15 acre-feet, regardless of height, shall not be considered a *Dam*.

No obstruction in a canal used to raise or lower water therein or divert water there from, no levee, including but not limited to, a levee on the bed of a natural lake the primary purpose of which levee is to control floodwaters, no railroad fill or structure, no road or highway fill or structure, no tank constructed of steel or concrete or of a combination thereof, no tank elevated above the ground, no water or waste water treatment facility, and no barrier which is not across a stream channel, watercourse, or natural drainage area and which has the principal purpose of impounding water for agricultural use or storm water detention or

water recharging or use as a sewage sludge drying facility shall be considered a *Dam*. In addition, no obstruction in the channel of a stream or watercourse which is 15 feet or less in height from the lowest elevation of the obstruction and which has the single purpose of spreading water within the bed of the stream or watercourse upstream from the construction for percolation underground shall be considered a *Dam*. Nor shall any impoundment constructed and utilized to hold treated water from a sewage treatment plant be considered a *Dam*. Nor shall any wastewater treatment or storage pond exempted from State regulations and supervision by Water Code Section 6025.5 be considered a *Dam*.

9. "Damages" means compensation in money recovered by a third party for loss or detriment it has suffered through the acts of a *Covered Party* or for liability assumed by the *Covered Party* under a *Covered Indemnity Contract*. *Damages* include (1) attorney fees not based on contract awarded against the *Covered Party*, (2) interest on judgments, or (3) costs, for which the *Covered Party* is liable either by adjudication or by compromise with the written consent of the *Authority*, if the fees, interest, or costs arise from an *Occurrence* to which this coverage applies.
10. "Defense Costs" means all fees and expenses incurred by any *Covered Party*, caused by and relating to the adjustment, investigation, defense, or litigation of a claim to which this coverage applies, including attorney's fees, court costs, premiums for appeal bonds, and interest on judgments accruing after entry of judgment. *Defense Costs* shall include adjusting expenses of a third party claims administrator that are specifically identifiable with a claim subject to this coverage. *Defense Costs* shall include reasonable attorney fees and necessary litigation expenses incurred by or for a party other than the *Covered Party*, that are assumed by the *Covered Party* in a *Covered Indemnity Contract* where such attorney fees or costs are attributable to a claim for *Damages* covered by this Memorandum. *Defense Costs* shall include fees and expenses relating to coverage issues or disputes that arise after a written denial of coverage, between any *Covered Party* named in the Declarations and the *Authority*, if the *Covered Party* named in the Declarations prevails in such dispute. *Defense Costs* shall not include the office expenses, salaries of employees and officials, or expenses of the *Covered Party* or the *Authority*, or attorney fees or costs awarded to a prevailing plaintiff against the *Covered Party*.
11. "Limit of Coverage" shall be the amount of coverage stated in the declaration page or certificate of coverage, or sublimits as stated therein for each *Covered Party* per *Occurrence*, subject to any lower sublimit stated in this Memorandum. For each *Occurrence*, there shall be only one *Limit of Coverage* regardless of the number of claimants or *Covered Parties* against whom a claim is made. In the event that a structured settlement, whether purchased from or through a third-party, or paid directly by the *Covered Party* in installments, is utilized in the resolution of a claim or suit, the *Authority* will pay only up to the amount stated in the Declarations or certificate of coverage in present value of the claim, as determined on the date of settlement, regardless of whether the full value of the settlement exceeds the amount stated in the Declarations or certificate of coverage.
12. "Medical Malpractice" means the rendering of or failure to render any of the following services:

- (a) Medical, surgical, dental, psychiatric, psychological counseling, x-ray, or nursing service or treatment or the furnishing of food or beverages in connection therewith; or any services provided by a health care provider as defined in Section 6146 (c), (2), (3), of the California Business and Professions Code.
- (b) Furnishing or dispensing of drugs or medical, dental, or surgical supplies or appliances.

Medical Malpractice does not include emergency medical services or first aid administered by employees, nor does it include advice or services rendered by a 911 emergency dispatcher.

- 13. "Member" shall mean any organization that is a party to the Agreement creating the California Affiliated Risk Management Authorities.
- 14. "Nuclear Material" means *Source Material*, *Special Nuclear Material*, or *Byproduct Material*. "Source Material", "Special Nuclear Material", and "Byproduct Material" have the meanings given to them by the Atomic Energy Act of 1954 or in any law amendatory thereof.
- 15. "Occurrence" means:
 - (a) With respect to *Bodily Injury or Property Damage*: an accident, including continuous or repeated exposure to substantially the same generally harmful conditions, which results in *Bodily Injury or Property Damage* neither expected nor intended from the standpoint of the *Covered Party*. Loss of use of tangible property that is not physically injured shall be deemed to occur at the time of the *Occurrence* that caused it.
 - (b) With respect to *Personal Injury*: an offense described in the definitions of those terms in this coverage agreement.
 - (c) With respect to *Public Officials Errors and Omissions*: any actual or alleged misstatement or misleading statement or act or omission as described in the definitions of the term in this coverage agreement.
- 16. "Personal Injury" means injury arising out of one or more of the following offenses:
 - (a) False arrest, detention or imprisonment, or malicious prosecution;
 - (b) Abuse of legal process;
 - (c) Wrongful entry into, or eviction of a person from, a room, dwelling, or premises that a person occupies;
 - (d) Publication or utterance of material, including continuous or repeated, that slanders or libels a person or organization or disparages a person's or organization's goods,

products or services, or oral or written publication of material that violates a person's right of privacy;

- (e) Discrimination or violation of civil rights; and
 - (f) Injury resulting from the use of force for the purpose of protecting persons or property.
17. "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals, airborne particles or fibers, mold, fungal pathogens, electromagnetic fields, and waste. Waste includes materials to be recycled, reconditioned, or reclaimed. The term *Pollutants* as used herein does not mean potable water, agricultural water, water furnished to commercial users, or water used for fire suppression.
18. "Property Damage" means:
- (a) Physical injury or destruction of tangible property, including all resulting loss of use of that property; or
 - (b) Loss of use of tangible property that is not physically injured or destroyed.
19. "Public Officials Errors and Omissions" means any (including continuous or repeated) actual or alleged misstatement or misleading statement or act or omission by any *Covered Party* (individually or collectively) arising in the course and scope of their duties with the *Covered Party* or claimed against them solely by reason of their being or having been public officials or employees, and which results in damage neither expected nor intended from the standpoint of the *Covered Party*. All claims involving the same misstatement or misleading statement or act or omission or a series of contiguous or interrelated misstatements or misleading statements or acts or omissions will be considered as arising out of one *Occurrence*.
20. "Retained Limit" means the amount, identified in the applicable Declaration or certificate, of *Ultimate Net Loss* for which the *Covered Party* pays out of its own funds, unless otherwise provided herein, before the *Authority* is obligated to make payment, subject to the following:
- (a) For each *Occurrence*, there shall be only one *Retained Limit* regardless of the number of claimants or *Covered Parties* against whom a claim is made.
 - (b) Payment of the *Retained Limit* shall be apportioned among the *Covered Parties* in accordance with their proportionate shares of liability. If the payment is for a settlement, the *Retained Limit* shall be apportioned among the *Covered Parties*, in accordance with the respective parties' agreed upon or court-determined share of liability. In the event that the apportionment requires court determination, the *Covered Parties* will pay all costs of the *Authority* in seeking such determination, including its attorney's fees in proportion to the court's determination of liability.

21. “Ultimate Net Loss” means the sums actually paid by the *Covered Parties* comprising the total of all *Defense Costs* and all *Damages*.

SECTION III - DEFENSE AND SETTLEMENT

The *Authority* shall have no duty to assume charge of investigation or defense of any claim. However, the *Authority*, at its own expense, shall have the right to assume the control of the negotiation, investigation, defense, appeal, or settlement of any claim the *Authority* determines, in its sole discretion, to have reasonable probability of resulting in an *Ultimate Net Loss* in excess of the applicable *Retained Limit*. The *Covered Party* shall fully cooperate in all matters pertaining to such claim or proceeding.

If the *Authority* assumes the control of the handling of a claim, the *Covered Parties* shall be obligated to pay at the discretion of the *Authority* any sum necessary for the defense and settlement of a claim, or to satisfy liability imposed by law, up to the applicable *Retained Limit*.

No claim shall be settled for an amount in excess of the *Retained Limit* without the prior written consent of the *Authority*, and the *Authority* shall not be required to contribute to any settlement to which it has not consented.

SECTION IV - CARMA'S LIMIT OF COVERAGE

Regardless of the number of (1) *Covered Parties* under this Memorandum, (2) persons or organizations who sustain injury or damage, or (3) claims made or suits brought, the *Authority's* liability is limited as follows:

- (a) With respect to coverage provided, the *Authority's* liability for any one *Occurrence* shall be limited to the *Ultimate Net Loss* that is in excess of \$1,000,000, which shall be the *Covered Party's Retained Limit*, but then only up to the sum set forth in the Declarations as the *Authority's* limit of liability for any one *Occurrence*. In the event that a structured settlement, whether purchased from or through a third-party, or paid directly by the *Covered Party* in installments, is utilized in the resolution of a claim or suit, the *Authority* will pay only up to the amount stated in the Declarations or certificate of coverage in present value of the claim, as determined on the date of settlement, regardless of whether the full value of the settlement exceeds the amount stated in the Declarations or certificate of coverage.
- (b) The *Limit of Coverage* for any additional *Covered Party* as defined in Section 2, Paragraph 7, Subparagraph (c), subject to the per *Occurrence* limitation above, shall not exceed the limit stated in its additional *Covered Party* certificate regardless of the limit which applies to the *Member*.

Nothing contained herein shall operate to increase the *Authority's* limit of liability under this Memorandum.

SECTION V - COVERAGE PERIOD AND TERRITORY

This agreement applies to *Bodily Injury, Property Damage, Personal Injury, or Public Officials Errors and Omissions* that occurs anywhere in the world during the *Coverage Period* identified in the applicable declaration or certificate of coverage.

SECTION VI - EXCLUSIONS

This agreement does not apply to:

1. With respect to Pollution:

- (a) Any liability arising out of the actual, alleged, or threatened discharge, dispersal, seepage, migration, release, or escape of *Pollutants* anywhere in the world.
- (b) Any loss, cost or expense arising out of any governmental direction or request that the *Authority, the Covered Party* or any other person or organization test for, monitor, clean-up, remove, contain, treat, detoxify, neutralize, or assess the effects of *Pollutants*; or
- (c) Any loss, cost, or expense, including but not limited to costs of investigation or attorneys' fees, incurred by a governmental unit or any other person or organization to test for, monitor, clean-up, remove, contain, treat, detoxify, or neutralize *Pollutants*.

However, this exclusion shall not apply to *Bodily Injury* or *Property Damage* caused by a *Covered Party's* response to contamination caused by a third party unrelated to a *Covered Party*. Response includes clean up, removal, containment, treatment, detoxification, and neutralization of *Pollutants*. In addition this exclusion does not apply to direct and immediate *Bodily Injury* or *Property Damage* arising out of operations involving the use, application, or spraying of any pesticide at or from any site or location not owned or controlled by the *Covered Party* on which the *Covered Party* or any contractors or subcontractors working directly or indirectly on behalf of the *Covered Party*, are performing operations if the operation(s) performed meet all standards of any statute, ordinance, regulation, or license requirement of any federal, state, or local government which apply to those operations.

- (d) The exclusions set forth in (a), (b), or (c) above do not apply if said discharge, dispersal, release, or escape of *Pollutants* meets all of the following conditions:
 - i. It was accidental and neither expected nor intended by the *Covered Party*; and
 - ii. It was demonstrable as having commenced on a specific date during the term of this memorandum; and
 - iii. Its commencement became known to the *Member* within seven (7) calendar days; and

- iv. Its commencement was reported in writing to the *Authority* within forty (40) calendar days of becoming known to the *Member*; and
 - v. Reasonable effort was expended by the *Member* to terminate the discharge, dispersal, release, or escape of *Pollutants* as soon as conditions permitted.
- (e) The exclusions set forth in (a), (b), or (c) above do not apply if said discharge, dispersal, release, or escape arises from materials being collected as part of any drop off or curbside recycling program implemented and operated by the *Covered Party*, unless the materials have been stored by the *Covered Party* or parties for a continuous period exceeding ninety (90) days.
- (f) Nothing contained in this agreement shall operate to provide any coverage with respect to:
- i. Any site or location principally used by the *Covered Party*, or by others in the *Covered Party's* behalf, for the handling, storage, disposal, dumping, processing, or treatment of waste material; except as provided in Section VI, paragraph 1, subparagraph (e)
 - ii. Any fines or penalties;
 - iii. Any clean-up costs ordered by the Superfund Program, or any federal, state, or local governmental authority. However, this specific exclusion (c) shall not serve to deny coverage for third party clean-up costs otherwise covered by this endorsement simply because of the involvement of a governmental authority;
 - iv. Acid rain; or
 - v. Clean-up, removal, containment, treatment, detoxification, or neutralization of *Pollutants* situated on premises the *Covered Party* owns, rents, or occupies at the time of the actual discharge, dispersal, seepage, migration, release, or escape of said *Pollutants*.
2. Claims, including attorney's fees or salary or wage loss claims, by any potential, present, or former employee or official of the *Covered Party*, arising out of, but not limited to, a violation of civil rights or employment-related practices, policies, acts, or omissions, including termination, coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, or discrimination directed at that person. This exclusion extends to claims of the spouse, child, unborn child or fetus, parent, brother, or sister of that person as a consequence of injury to the person at whom any of the employment-related practices, policies, acts, or omissions described above are directed.

3. *Bodily Injury* to:

- (a) An employee of the *Covered Party* arising out of and in the course of:
 - i. Employment by the *Covered Party*; or
 - ii. Performing duties related to the conduct of the *Covered Party's* business; or
- (b) The spouse, child, unborn child or fetus, parent, brother, or sister of the employee as a consequence of paragraph (1) above.

This exclusion applies to any obligation to share *Damages* with or repay someone else who must pay *Damages* because of the injury. However, this exclusion does not apply to liability assumed under contract.

4. Any obligation under any workers' compensation, unemployment compensation, or disability benefits law or any similar law.

These exclusions 2, 3, and 4 apply whether the *Covered Party* may be liable as an employer or in any other capacity.

5. Claims arising out of ownership, maintenance, management, supervision, or the condition of any hospital.

6. Claims because of *Bodily Injury, Personal Injury, or Property Damage* arising out of ownership, maintenance, management, supervision, or the condition of any airport, including but not limited to liability arising out of ownership, operation, maintenance, or entrustment of *Automobiles* while used in airport operations.

7. Claims arising out of any professional *Medical Malpractice*:

- (a) Committed by a doctor, osteopath, chiropractor, dentist, or veterinarian; or
- (b) Committed by any health care provider, as defined in Business & Professions Code Section 6146(c)(2), working for any hospital or hospital operated out-patient, in-patient, or other clinic at the time of the occurrence giving rise to the loss.

8. Claims arising out of the hazardous properties of *Nuclear Material*.

9. Claims arising out of:

- (a) Land use regulations or planning policies, annexation, eminent domain by whatever name called, no matter how or under what theory such claims are alleged.

Notwithstanding this exclusion, coverage under this Memorandum is provided, in excess of the \$1,000,000 Covered Parties Retained Limit first paid, for *Damages* and

Defense Costs of up to \$2,000,000 per Occurrence and subject to an aggregate limit of \$4,000,000 per Member for inverse condemnation claims due to Property Damage resulting from any of the following: weather acting upon or with the Covered Party's property or equipment, accidental failure of the Covered Party's property or equipment, negligent design or maintenance of or inadequate design of a public work or public improvement.

Notwithstanding the above, this Memorandum shall not afford inverse condemnation coverage for any claim arising out of the design, construction, ownership, maintenance, operation, or use of any water treatment plant or waste water treatment plant, no matter how or under what theory such claim is alleged, except a claim based upon the accidental failure of the equipment utilized or contained within the water treatment plant or waste water treatment plant.

- (b) The initiative process, whether or not liability accrues directly against any Covered Party by reason of any agreement which a Covered Party has entered.

10. *Property Damage to:*

- (a) Property owned by the *Covered Party*;
- (b) Property rented to or leased by the *Covered Party* where it has assumed liability for damage to or destruction of such property, unless the *Covered Party* would have been liable in the absence of such assumption of liability; and
- (c) *Aircraft* or watercraft in the *Covered Party's* care, custody, or control.

11. Claims arising out of the ownership, operation, use, maintenance, or entrustment to others of: (a) any *Aircraft* or (b) any watercraft being used for commercial purposes. Ownership, operation, use, or maintenance as used herein does not include static displays of aircraft in a park or museum setting.

12. Claims arising out of the failure to supply or provide an adequate supply of gas, water, electricity, or sewage capacity when such failure is a result of the inadequacy of the *Covered Party's* facilities to supply or produce sufficient gas, water, electricity, or sewage capacity to meet the demand.

This exclusion does not apply if the failure to supply results from direct and immediate accidental injury to tangible property owned or used by any *Covered Party* to procure, produce, process, or transmit the gas, water, electricity, or sewage.

13. Claims arising out of the ownership, maintenance, or use of any trampoline or any other rebound tumbling device.

14. Claims arising out of a *Covered Party's* sponsored or controlled skateboard activities or facilities unless those activities or facilities are covered by the *Member* joint powers authority.

15. Claims arising out of bungee jumping or propelling activities sponsored or controlled by the *Covered Party*.
16. Claims arising out of a failure to perform or breach of a contractual obligation.
17. Claims arising out of liability assumed under any contract or agreement, except liability that would be imposed by law in the absence of the contract or agreement, or when such assumption is the subject of a duly issued Certificate of Additional *Covered Party*; but such assumption is covered only up to the *Limit of Coverage* stated in the certificate. This exclusion does not apply to liability assumed in a contract or agreement that is a *Covered Indemnity Contract*, provided the *Bodily Injury* or *Property Damage* occurs subsequent to the execution of the contract or agreement.
18. Fines, assessments, penalties, restitution, disgorgement, exemplary or punitive *Damages*. This exclusion applies whether the fine, assessment, penalty, restitution, disgorgement, exemplary or punitive damage is awarded by a court or by an administrative or regulatory agency. Restitution and disgorgement as used herein refer to the order of a court or administrative agency for the return of a specific item of property or a specific sum of money, because such item of property or sum of money was not lawfully or rightfully acquired by the *Covered Party*.
19. *Ultimate Net Loss* arising out of relief, or redress, in any form other than money *Damages*.
20. Claims arising out of the manufacture of, mining of, use of, sale of, installation of, removal of, distribution of or exposure to radon, asbestos, asbestos products, asbestos fibers, asbestos dust, or other asbestos containing materials, or:
 - (a) Any obligation of the *Covered Party* to indemnify any party because of such claims, or
 - (b) Any obligation to defend any suit or claims against the *Covered Party* because of such claims.
21. Claims for injury or *Damages* caused by intentional conduct done by the *Covered Party* with willful and conscious disregard of the rights or safety of others, or with malice. However, as to any other *Covered Party* that did not authorize, ratify, participate in, consent to, or have knowledge of such conduct by its past or present employee, elected or appointed official, or volunteer, and where the claim against that *Covered Party* is based solely on its vicarious liability arising from its relationship with such employee, official, or volunteer, this exclusion does not apply to said *Covered Party*.
22. Claims arising out of partial or complete structural failure of a *Dam*.
23. Claims by any *Covered Party* against its own past or present elected or appointed officials, employees, volunteers, or additional covered parties where such claim seeks *Damages*

payable to the *Covered Party*.

24. Claims arising out of oral or written publication of material, if done by or at the direction of the *Covered Party* with knowledge of its falsity.
25. Claims arising out of liability imposed on any *Covered Party* under any uninsured/underinsured motorist law or *Automobile* no-fault law.
26. The cost of providing reasonable accommodation pursuant to the Americans with Disabilities Act, Fair Employment and Housing Act, or similar law.
27. Refund or restitution of taxes, fees, or assessments.
28. Claims for refund, reimbursement, or repayment of any monies to which a *Covered Party* was not legally entitled.
29. Claims arising in whole or in part out of the violation of a statute, ordinance, order, or decree of any court or other judicial or administrative body, or rule of law, committed by or with the knowledge or consent of the *Covered Party*.
30. Claims arising out of estimates of probable cost or cost estimates being exceeded or faulty preparation of bid specifications or plans including architectural plans unless prepared by a qualified, licensed and/or registered engineer or architect who is the appointed City Engineer or an employee of the *Covered Party*.
31. Under *Public Officials Errors and Omissions Coverage*:
 - (a) *Bodily Injury, Personal Injury*, or physical injury to tangible property, including all resulting loss of use of that property.
 - (b) Benefits payable under any employee benefit plan.

SECTION VII - CONDITIONS

1. *Covered Party's Duties in the Event of Occurrence, Claim, or Suit*

The following provisions are conditions precedent to being afforded coverage under this Memorandum. The *Covered Party's* failure to comply with any of these provisions shall void the coverage provided herein, unless otherwise specifically stated.

(a) Notice Conditions

From the time when any of the following occurs the *Covered Party* shall notify the *Authority* within 30 days:

1. Establishment of a reserve on any claim or suit (including multiple claims or suits arising out of one *Occurrence*), amounting to at least fifty percent of the *Retained Limit*;
2. For a Title 42 USC 1983 case in which a complaint has been served to a *Covered Party*; establishment of a reserve amounting to at least twenty-five percent of the *Retained Limit*; or
3. Regardless of service or reserve, any claim involving any:
 - i. Fatality,
 - ii. Amputation,
 - iii. Loss of use of any sensory organ,
 - iv. Spinal cord injuries (quadriplegia or paraplegia),
 - v. Third degree burns involving ten percent or more of the body,
 - vi. Facial disfigurement,
 - vii. Paralysis,
 - viii. Closed head injuries,
 - x. Loss of use of any body function, or
 - xi. Hospitalization for at least 30 consecutive days when known by the Member entity.

If the *Covered Party* fails to comply with any of these notice conditions and the *Authority's* Board of Directors find by a majority vote that the delay was unreasonable, the *Authority* shall limit the coverage provided herein, as follows:

- i. If notice is given to the *Authority* within 180 days after the date on which it should have been given, any *Ultimate Net Loss* that would have been owing to the *Covered Party*, if notice had been timely given to the *Authority*, shall be reduced by twenty-five percent (25%).
- ii. If notice is given to the *Authority* between 181 days and 365 days after the date on which it should have been given, any *Ultimate Net Loss* that would have been owing to the *Covered Party*, if notice had been timely given to the *Authority*, shall be reduced by fifty percent (50%).
- iii. If notice is given to the *Authority* between 366 days and 730 days after the date on which it should have been given, any *Ultimate Net Loss* that would have been owing to the *Covered Party*, if notice had been timely given to the *Authority*, shall be reduced by seventy-five percent (75%).
- iv. If notice is given to the *Authority* over 730 days after the date on which it should have been given, the *Authority* shall deny any coverage and shall pay no *Ultimate Net Loss*.

In determining whether or not the delay was unreasonable, the *Authority's* Board of

Directors shall consider all facts and circumstances that caused the delay. Prejudice to the *Authority* is a factor but is neither conclusive nor required.

Written notice containing particulars sufficient to identify the *Covered Party* and also reasonably obtainable information with respect to the time, place, and circumstances thereof, and the names and addresses of the *Covered Party* and of available witnesses, shall be given to the *Authority* or any of its authorized agents as soon as possible.

- (b) If a claim is made or suit is brought against the *Covered Party* and such claim or suit falls within the descriptions in paragraph (a) above, the *Covered Party* shall be obligated to forward to the *Authority* every demand, notice, summons, or other process received by it or its representative.
- (c) The *Covered Party* shall cooperate with the *Authority* and upon its request assist in making settlements, in the conduct of suits and in enforcing any right of contribution or indemnity against any person or organization who may be liable to the *Covered Party* because of *Bodily Injury, Personal Injury, Property Damage, or Public Officials Errors and Omissions* with respect to which coverage is afforded under this agreement; and the *Covered Party* shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses. The *Covered Party* shall not, except at its own cost, voluntarily make any payment, assume any obligation, or incur any expense toward the settlement of any claim for which the *Authority* has accepted responsibility and has so notified the *Covered Party*.
- (d) As to any claim for which the *Authority* has accepted responsibility and has so notified the *Covered Party*, if the *Covered Party* prevents settlement of the claim for a reasonable amount, defined as the amount the *Authority* is willing to pay and the claimant is willing to accept, and increases the *Covered Party's* potential liability for *Damages* and continued *Defense Costs*, the *Covered Party* shall pay or shall reimburse the *Authority* for those *Defense Costs* incurred after the claim could have been settled, and for any *Damages* awarded or settlement agreed upon in excess of the amount for which the claim could have been settled.
- (e) The *Authority* shall be entitled to complete access of the *Covered Party's* claim file, the defense attorney's complete file, and all investigation material and reports, including all evaluations and information on negotiations. The *Covered Party* shall be responsible to report on the progress of the litigation and any significant developments at least quarterly to the *Authority*, and to provide the *Authority* with simultaneous copies of all correspondence provided to the *Covered Party* by its defense attorneys and/or agents.

2. Bankruptcy or Insolvency

Bankruptcy or insolvency of the *Covered Party* shall not relieve the *Authority* of any of its obligations hereunder.

3. Other Coverage

- (a) Except as provided in 3(b), in order for coverage herein to apply, the *Covered Party* must pay the full amount of its *Retained Limit*. Payment of the *Retained Limit* by the *Covered Party* is required in addition to, and regardless of, any payment or payments from any other source for or on behalf of that *Covered Party*. If insurance or any other coverage with any insurer, joint powers authority or other source is available to the *Covered Party* covering a loss also covered hereunder (whether on a primary, excess or contingent basis), the coverage hereunder shall be in excess of, and shall not contribute with, such other insurance or coverage. This coverage shall be in excess of, and shall not contribute with, any insurance or coverage which names a *Covered Party* herein as an additional *Covered Party* or additional insured party, where coverage is extended to a loss also covered hereunder.
- (b) Commercial coverage purchased directly by a *Covered Party* for the sole purpose of insuring all or a portion of its *Retained Limit* may be utilized to pay all, or a portion of, a *Covered Party's Retained Limit*.

4. Severability of Interests

The term *Covered Party* is used severally and not collectively, but the inclusion herein of more than one *Covered Party* shall not operate to increase the limits of the *Authority's* liability or the *Retained Limit* applicable per *Occurrence*.

5. Accumulation of Limits

A claim which contains allegations extending to a duration of more than one *Coverage Period* shall be treated as a single *Occurrence* arising during the first *Coverage Period* when the *Occurrence* begins.

6. Termination

This agreement may be terminated at any time in accordance with the Bylaws of the *Authority*.

7. Changes

Notice to any agent or knowledge possessed by any agent of the *Authority* or by any other person shall not effect a waiver or a change in any part of this Memorandum of Coverage, nor shall the terms of this Memorandum of Coverage be waived or changed, except by endorsement issued to form a part of this Memorandum of Coverage.

8. Subrogation

The *Authority* shall be subrogated to the extent of any payment hereunder to all the *Covered Parties'* rights of recovery thereof and the *Covered Parties* shall do nothing after loss to

prejudice such right and shall do everything necessary to secure such right. Any amounts so recovered shall be apportioned as follows:

- (a) The highest layer of coverage shall be reimbursed first and if there are sufficient recoveries then the next highest layer shall be reimbursed until all recoveries are used up.
- (b) The expenses of all such recovery proceedings shall be paid before any reimbursements are made. If there is no recovery in the proceedings conducted by the *Authority*, it shall bear the expenses thereof.

9. Arbitration

Decisions by the *Authority* whether to assume control of the negotiation, investigation, defense, appeal, or settlement of a claim, or whether or not coverage exists for a particular claim or part of a claim shall be made by the Board of Directors of the *Authority*.

Any dispute concerning a decision of the *Authority* to deny coverage for all or part of a claim shall not be subject to any court action, but shall instead be submitted to binding arbitration. The *Covered Party* must exhaust the right to appeal to the Board of Directors before requesting arbitration of a dispute.

Arbitration shall be conducted pursuant to the California Code of Civil Procedure. Arbitration shall be conducted by a single neutral arbitrator. The *Covered Party* or parties and the *Authority* shall select the arbitrator by mutual agreement. No arbitrator shall be employed or affiliated with the *Authority* or the *Covered Party* or parties.

The selection of the arbitrator shall take place within twenty (20) calendar days from the receipt of the request for arbitration; if not agreed to within twenty (20) days, an immediate petition to a court of law for appointment of a neutral arbitrator shall be filed by the *Authority*. The arbitration hearing shall commence within forty-five (45) calendar days from the date of the selection or court appointment of the arbitrator.

Each party shall bear equally the cost of the selected or appointed arbitrator. In addition, each party shall be responsible for its own costs and expenses of arbitration.

Except for notification of appointment and as provided in the California Code of Civil Procedure, there shall be no communication between the "parties" and the arbitrator relating to the subject of the arbitration other than at oral hearings.

The procedures set forth in California Code of Civil Procedure Section 1283.05 relating to depositions and discovery shall apply to any arbitration pursuant to this paragraph 9.

Except as provided otherwise above, arbitration shall be conducted as provided in Title 9 of the Code of Civil Procedure (commencing with Section 1280).

The decision of the neutral arbitrator shall be final and binding, and shall not be subject to appeal except as provided for in California Code of Civil Procedure sections 1286.2 and 1286.6.

MARKETING MATTERS

SUBJECT: Update on Marketing Efforts

BACKGROUND AND STATUS:

At the Board's direction, marketing materials were updated for the 2010/2011 program year and sent to target JPA members on August 2, 2010. The marketing letter invited JPA Administrators to attend the September 10, 2010, CARMA Board meeting held in conjunction with the CAJPA conference in Lake Tahoe.

At the time of the agenda mailing there are no confirmed attendees; however, staff will continue marketing efforts at the CAJPA conference.

RECOMMENDATION:

None.

REFERENCE MATERIALS ATTACHED:

- Marketing Letter
- CARMA Marketing Brochure

CARMA

A California Public Agency

California Affiliated Risk Management Authorities
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833
(800) 541-4591 ~ FAX (916) 244-1199
email KThesing@brsrisk.com

August 2, 2010

Mr. Jeff Davis
Redwood Empire Municipal Insurance Fund
P.O. Box 885
Sonoma, CA 95475

RE: California Affiliated Risk Management Authorities Excess Liability Pool (CARMA)

Dear JPA Manager:

CARMA is a California excess liability JPA that is interested in increasing its spread of risk by adding other like-minded California JPAs currently offering general liability coverage to their underlying members.

We believe you will find CARMA offers a flexible, comprehensive, competitive alternative for excess liability coverage and we invite you to investigate the advantages of membership in CARMA. We will have representatives of CARMA at the annual California Association of Joint Powers Authorities (CAJPA) conference in Lake Tahoe in September and we will be available to provide information on the program. We also welcome your attendance at the CARMA Board of Directors' Meeting on September 10, 2010, at the Embassy Suites Hotel in Lake Tahoe to give you an opportunity to meet the Board of Directors and Staff of CARMA.

CARMA is a governmental Joint Powers Authority (JPA) formed in 1993, pursuant to the Government Code of the State of California, commencing with Section 6500. CARMA was established for the purpose of funding an excess general liability pool and providing JPAs with an alternative to the high costs of the commercial market. CARMA is currently comprised of five member Joint Powers Authorities (JPA), with over 135 underlying members and over \$1.1 billion in annual payroll.

Members of CARMA retain first dollar coverage, up to \$1 million or \$2 million, with CARMA self-insuring up to \$4 million. CARMA purchases reinsurance coverage through Everest Reinsurance Company in the amount of \$10 million. Excess coverage from \$15 million in excess of \$14 million is purchased from Colony Excess Insurance Company. Catastrophic coverage above \$29 million is available and reviewed by the Board on an annual basis.

Experienced litigation oversight is a key factor in the success of the pool, with CARMA's litigation management department significantly reducing the JPA's liability exposure over the years. The excellent litigation oversight, along with low administrative costs, has provided the group with rates that have remained stable and extremely competitive on an annual basis.

Please refer to the enclosed brochure for more information on CARMA.

I welcome the chance to provide you with more information regarding CARMA and answer any questions. Please feel free to contact me at (800) 541-4591, extension 1181. If you would like to attend the Board meeting on September 10, 2010, in Lake Tahoe we would appreciate confirmation of your attendance by Friday, August 13, 2010.

Sincerely,



Karen Thesing, ARM
CARMA Executive Director

Enclosure

Accreditation with Excellence

California Affiliated Risk Management Authorities (CARMA) has met all of the stringent professional standards established by the California Association of Joint Powers Authorities (CAJPA) in the areas of governance, finance, claims control, safety and loss prevention, excess coverage, and risk management. CAJPA's accreditation process requires reviews by independent consultants in all of these areas, including accounting, claims adjusting, and actuarial analysis.

CARMA is proud to have received the highest designation possible from the California Association of Joint Powers Authorities

“Accreditation with Excellence”



CARMA Membership

- Bay Cities Joint Powers Insurance Authority
- Central San Joaquin Valley Risk Management Authority
- Monterey Bay Area Self Insurance Authority
- Municipal Pooling Authority
- Vector Control Joint Powers Agency

COLONY EXCESS INSURANCE COMPANY
\$15,000,000 excess of \$14,000,000

EVEREST REINSURANCE COMPANY
\$10,000,000 excess of \$4,000,000

CARMA RETAINED LIMIT
\$3,000,000 excess of \$1,000,000

MEMBER RETAINED LIMIT
\$1,000,000

California Affiliated Risk Management
Authorities is administered by:

Karen Thesing, ARM
Bickmore Risk Services & Consulting
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833
Phone: 800.541.4591
Fax: 916.244.1199

CARMA

California Affiliated Risk
Management Authorities

A California Public Agency

Providing Group Catastrophic
Insurance Coverage Since 1993



Mission Statement

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

Background

CARMA was created in 1993 to be a viable and highly successful alternative to the commercial catastrophic loss insurance market. CARMA currently consists of five Joint Powers Authorities that reflect over 140 underlying members. Most of the members have participated and shared catastrophic insurance risks since CARMA's inception. All members share the risk of self-insured losses, and the cost of administrative and other services.

Statewide Excess Liability Joint Powers Authority

Members of CARMA participate in a Pooled Excess Liability Program. The Program was created to provide coverage for damages for general liability exposures. The first \$1 million is retained by the individual member. The next \$3 million of coverage is shared by all members, with the next \$10 million covered by the reinsurance carrier, and the final \$15 million covered by the excess carrier.

Coverage is on an occurrence basis and includes:

- Bodily Injury;
- Personal Injury;
- Property Damage;
- Public Officials Errors & Omissions; and
- Automobile Liability.

Board of Directors

The CARMA Board of Directors is a cohesive group that enjoys working together and is made up of JPA and other high-level managers. The Board meets on a quarterly basis. Each member agency is represented on the Board by an individual chosen by the member agency. Each member agency may also select an Alternate Board Member to represent the member agency in the absence of the primary Board Member. Each member agency may cast one vote on each issue that comes before the Board. The Board of Directors elect a President, Vice President, and Treasurer each year.

2010/2011 Program Year Officers

Chair: Geoff Grote

Bay Cities Joint Powers Insurance Agency

Vice Chair: John Stroh

Vector Control Joint Powers Agency

Treasurer: Jake O'Malley

Municipal Pooling Authority



Benefits of Membership

Low Administrative Costs – CARMA is an excess joint powers authority currently consisting of primary JPA members only. Administrative costs are kept to a minimum by focusing on claims management and litigation management rather than safety and loss prevention. All JPA members currently have exemplary safety programs in place at their primary layer.

Broad Coverage – The Board's philosophy has been to make coverage as broad as the coverage for each underlying JPA. CARMA's current reinsurance relationship provides following form coverage up to \$29 million per occurrence.

Strong Litigation Management – At the excess level, experienced litigation oversight is the key to a successful program. CARMA's litigation management department has substantially reduced the JPA's liability exposure over the years.

Stable, Reasonable Costs – Rates have remained fairly stable on an annual basis. The Board annually selects the level of risk-sharing to retain based on market conditions.

Flexible Attachment Points – All members currently attach to CARMA at the \$1 million retention. However, with our reinsurance relationship, CARMA has the ability to offer other retention options as needed.

Fiscal Soundness – The CARMA program as a whole is currently funded at the 80% confidence level.

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 August 8, 2010, was mailed under separate cover with the agenda packet and will be collected at the meeting.