



A California Public Agency

California Affiliated Risk Management Authorities  
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**CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES  
BOARD OF DIRECTORS' MEETING**

**AGENDA**

**Lake Tahoe Resort Hotel  
4130 Lake Tahoe Boulevard  
South Lake Tahoe, California  
(530) 544-5400  
www.tahoeresorthotel.com**

**And**

**Via Teleconference  
Call in # 1-866-715-6499  
Participant Passcode # 448479**

**Friday, September 19, 2014  
9:00 a.m.**

*All or portions of this meeting will be conducted by teleconferencing in accordance with Government Code Section 54953(b). Teleconference locations for members of the public to participate are as follows:*

*City of Larkspur, 400 Magnolia Avenue, Larkspur, CA; City of Gonzales, 147 Fourth Street, Gonzales, CA; and Sacramento-Yolo MVCD, 8631 Bond Road, Elk Grove, CA.*

*In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact Ms. Jaesa McCulligan at (916) 244-1140 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](http://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** **4**
- \*A. Minutes of the June 18, 2014, Board of Directors' Meeting and the August 8, 2014, Special Board of Directors' Meeting **5**
  - \*B. Warrant Listings from June 1, 2014, through August 31, 2014 **13**
  - \*C. Internal Financial Statements for the Year Ended June 30, 2014 **14**
  - \*D. Treasurer's Report as of June 30, 2014 **22**
  - \*E. CARMA 2014/2015 Liability Renewal – Alliant Underwriting Fees Annual Disclosure **42**
- Recommendation: Approval of the Consent Calendar.*
- 6. ADMINISTRATIVE MATTERS**
- \*A. Recap of Excess Coverage Renewal and AmTrust Proposed Coverage Renewal **44**  
*Recommendation: None.*
  - \*B. Review of the CARMA Goals and Objectives for 2014 **53**  
*Recommendation: None.*
  - \*C. Discussion Regarding the 22<sup>nd</sup> Board of Directors' Annual Workshop on January 8-9, 2015, at Bodega Bay Lodge & Resort **55**  
*Recommendation: The Board of Directors to provide direction as to the content and format the Board desires for the January 2015 Workshop.*
  - \*D. Review of Liability Claims Audit Proposals **58**  
*Recommendation: Review proposals and provide direction to staff.*
- 7. FINANCIAL MATTERS**
- \*A. Consideration of the June 30, 2014, Independent Financial Audit Prepared by Sampson, Sampson, and Patterson, LLP **75**  
*Recommendation: Staff recommends the Board of Directors accept and file the June 30, 2014, audit report as presented.*
  - \*B. Proposed Methodology for a Mid-Layer Pool **110**  
*Recommendation: Staff seeks direction from the Board.*
- 8. CLAIMS MATTERS** **117**
- \*\*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:

Padgett v. Wright (main case and CARMA arbitration)

\* = Material on agenda item enclosed

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

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.

**9. 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

**10. ADJOURNMENT**

**NOTICES**

- The CARMA Board of Directors' Annual Workshop is currently scheduled for Thursday-Friday, January 8-9, 2015, at the Bodega Bay Lodge & Resort in Bodega Bay.

**CONSENT CALENDAR**

**SUBJECT: Consent Calendar**

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**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 18, 2014, Board of Directors' Meeting and the August 8, 2014, Special Board of Directors' Meeting
- B. Warrant Listings from June 1, 2014, through August 31, 2014
- C. Internal Financial Statements for the Year Ended June 30, 2014
- D. Treasurer's Report as of June 30, 2014
- E. CARMA 2014/2015 Liability Renewal – Alliant Underwriting Fees Annual Disclosure

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

**DRAFT MINUTES OF THE BOARD OF DIRECTORS'  
MEETING OF JUNE 18, 2014**

A regular meeting of the Board of Directors of CARMA was held on June 18, 2014, via teleconference.

**BOARD MEMBERS PRESENT:** Tim Przybyla, CSJVRMA, President  
Dan Schwarz, BCJPIA, Vice President  
Jake O'Malley, MPA, Treasurer  
Rene Mendez, MBASIA  
Bob Gay, VCJPA

**ALTERNATE MEMBERS PRESENT:** Patrice Hildreth, CSJVRMA

**OTHERS PRESENT:** Rob Kramer, Executive Director  
Jaesa McCulligan, Board Secretary  
Nancy Broadhurst, Finance Manager  
Craig Farmer, Board Counsel  
Seth Cole, Alliant Insurance Services  
Mike Simmons, Alliant Insurance Services  
Conor Boughey, MBASIA/Alliant Insurance Services  
Jeanette Workman, CSJVRMA Administrator  
Brian Kelley, VCJPA Administrator  
Breanne Hughey, Bickmore

**1. CALL TO ORDER**

The June 18, 2014, Board of Directors' meeting was called to order at 10:01 a.m. by President Tim Przybyla.

**2. INTRODUCTIONS**

Those in attendance introduced themselves, and a quorum of the Board was present.

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

**Bob Gay moved to approve the agenda as posted. Seconded by Dan Schwarz. A roll call was taken and the 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 16, 2014, Board of Directors' Meeting; B) Warrant Listing from April 1, 2014, through May 31, 2014; C) Treasurer's Report as of March 31, 2013; and D) Public Financial Management (PFM) – Notice of Change in Ownership. Seconded by Bob Gay. A roll call was taken and the motion passed unanimously.**

6. **ADMINISTRATIVE MATTERS**

A. Resolution of the Board of Directors of CARMA Establishing Meeting Dates for the 2014/2015 Fiscal Year

Ms. Jaesa McCulligan, Board Secretary, advised that the proposed meeting dates are scheduled similarly to the current year's meeting dates. It was noted that the September meeting is held in conjunction with CAJPA and the Annual Workshop is held in early January in Bodega Bay.

The Board advised there are no conflicts with the proposed meeting dates.

**Bob Gay moved to adopt Resolution No. 2-2013/2014 as presented. Seconded by Rene Mendez. A roll call was taken and the motion passed unanimously.**

B. CARMA 2014/2015 Strategic Goals & Action Items Update

Mr. Rob Kramer, Executive Director, reviewed the strategic goals and action items that the Board approved at their January 10, 2014, meeting, for the 2014/2015 program year.

With regard to the first goal, to continue to develop the uses of equity, Mr. Kramer advised that staff will be presenting options for a mid-layer pool and other options for the use of equity at the September Board meeting.

In regards to the second goal, to continue to market internally and externally, Mr. Kramer advised that he has had recent conversations with the Association of Bay Area Governments (ABAG) who has expressed interest in the CARMA program. Mr. Seth Cole, Alliant Insurance Services (Alliant), noted that he works with ABAG on their excess liability and he would assist in the process.

Mr. Kramer advised that the third goal, to consider the length of the maturity benchmark for the investment portfolio, has been completed as the Board moved to change to the 0-5 Year Treasury Index at the April meeting.

C. Claims Audit Services Draft Request for Proposal

Mr. Kramer reminded the Board that at the January 9, 2014, Annual Workshop, the Board reviewed its current service providers and requested that staff present a draft request for proposal (RFP) for Claims Auditing Services. Mr. Kramer noted that the current claims auditor, Mr. Tim Farley of Farley Consulting Services, has conducted the claims audit since CARMA's inception.

Prior to the meeting, the Board received the draft RFP for Claims Auditing Services. Mr. Kramer advised that staff had identified six firms to distribute the RFP to, including Farley Consulting Services. Mr. Kramer inquired if there were any other firms the Board would like the RFP distributed to and the Board advised that the six firms were sufficient.

Mr. Kramer reviewed the selection timeline, advising that if approved, staff would distribute the RFP soon after the Board meeting to receive proposals by August 15<sup>th</sup>. The Board can then review the proposals at the September meeting and determine at that time if interviews should be conducted.

The Board advised they had no amendments to the proposed RFP.

**Jake O'Malley moved to approve dissemination of the request for proposal as presented. Seconded by Bob Gay. A roll call was taken and the motion passed unanimously.**

7. COVERAGE MATTERS

A. Renewal Rates for Specific Reinsurance and Excess Coverage for the 2014/2015 Program Year

Prior to the meeting, the Board received a renewal proposal from Mr. Cole for CARMA's reinsurance and excess layers effective July 1, 2014. Mr. Cole advised that AmTrust has honored the 2-year premium guarantee (2% premium increase) for the 2014/2015 fiscal year. Mr. Cole noted that the total renewal premium is \$1,149,200 compared to \$1,126,666 last year.

Mr. Cole advised that at the time of the posting of the agenda, he had not received the quote from Colony so the proposal included a 2% increase as a placeholder. Since then, Colony provided the quote to Alliant at a 1.75% increase, which brings the overall increase to just under 2% from the prior year.

**Rene Mendez moved to approve placement of reinsurance in the Alliant ANML program with \$10 million limits, and excess of \$15 million from Colony for a total of \$25 million excess of the CARMA pooled layer. Seconded by Bob Gay. A roll call was taken and the motion passed unanimously.**

## 8. FINANCIAL MATTERS

### A. Presentation of the Internal Financial Statements as of March 31, 2014

Ms. Nancy Broadhurst, Finance Manager, advised that the internal financial statements are typically in the Consent Calendar; however, due to the good news regarding the increase in equity as a result of the recent actuarial ultimate loss revisions and the inclusion of the recent dividend release, staff thought it would be advantageous to provide a brief overview during the meeting.

Ms. Broadhurst directed the Board's attention to the Balance Sheet included in the agenda and noted the following effects from the dividend release earlier in the year:

- Three CARMA members received dividends from the dividend release approved earlier in the year. The Monterey Bay Area Self Insurance Authority (MBASIA) had a negative adjustment, which has been accrued as a receivable to be netted out against future dividends under Current Assets;
- The Public Agency Risk Sharing Authority of California (PARSAC) received a net dividend of \$1.8 million; however, two of the program years that were released, 2006/2007 and 2007/2008, are not a full seven years old. Therefore, the equity payable has been accrued under Current Liabilities as Equity Payable to Withdrawn Members in the amount of \$589,501. Ms. Broadhurst noted this amount would be paid to PARSAC once the 2006/207 and 2007/2008 program years are officially closed;
- The Net Position – Current Year is a \$4,239,117 deficit, due to the dividend release; and
- The Total Net Position is \$13,079,274.

Ms. Broadhurst then directed the Board's attention to the Income Statement for the year ended March 31, 2014, and discussed the following:

- At this point in the year, 75% of the budgeted amount should be used in each category, but currently CARMA has only used 55% of the budgeted Claims Paid;
- General & Administrative Expenses have utilized 77% of the budgeted amount, which is on target; and
- Member Equity Distribution is at \$5,432,714, which is not budgeted; therefore, the Change in Net Position is a deficit of \$4,239,117. Without the dividend release, the Change in Net Position would be a \$1.2 million surplus.

Ms. Broadhurst noted on the Rate Stabilization Fund sheet that the Vector Control Joint Powers Agency (VCJPA) opted to place their dividend monies in the Rate Stabilization Fund and they now have \$398,594 in the fund.

**Bob Gay moved to approve the CARMA Internal Financial Statements as of March 31, 2014. Seconded by Dan Schwarz. A roll call was taken and the motion passed unanimously.**



B. CARMA Annual Operating Budget for the 2014/2015 Program Year

Ms. Broadhurst reminded the Board that a budget was presented to the Board at the April Board meeting and advised that the only change from that presented budget is that CARMA received actual payroll from two Bay Cities Joint Powers Insurance Authority (BCJPIA) members, where the April budget used their estimated payroll. The reinsurance rate has been finalized in the presented budget from the April budget at 2%. The budget also reflects a 2% increase for the excess insurance but as was noted by Mr. Cole earlier in the meeting, this is actually a 1.75% increase. Therefore, there is a built-in \$2,000 surplus in the excess premium line item.

**Jake O'Malley moved to adopt the CARMA 2014/2015 Annual Operating Budget at the 75% confidence level, and using a 2% discount factor. Seconded by Bob Gay. A roll call was taken and the motion passed unanimously.**

9. ELECTION AND APPOINTMENT OF OFFICERS

A. Nomination and Election of President and Vice President and Appointment of Treasurer for the 2014/2015 Program Year

President Przybyla opened the floor for nominations for the position of CARMA President.

**Dan Schwarz moved to nominate Tim Przybyla for the position of CARMA President. Seconded by Jake O'Malley. A roll call was taken and the motion passed unanimously.**

President Przybyla opened the floor for nominations for the position of Vice President.

**Jake O'Malley moved to nominate Dan Schwarz for the position of Vice President. Seconded by Rene Mendez. A roll call was taken and the motion passed unanimously.**

**President Przybyla appointed Jake O'Malley as CARMA Treasurer.**

**Bob Gay moved to elect Tim Przybyla as CARMA President, Dan Schwarz as CARMA Vice President, and to accept the appointment of Jake O'Malley as CARMA Treasurer. Seconded by Rene Mendez. A roll call was taken and the motion passed unanimously.**

10. CLOSING COMMENTS

A. Board

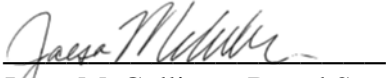
None.

B. Staff

None.

11. **ADJOURNMENT**

The June 18, 2014, Board of Directors' meeting adjourned at 10:27 a.m. by general consensus of the Board.

  
\_\_\_\_\_  
Jaesa McCulligan, Board Secretary

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

**DRAFT MINUTES OF THE SPECIAL BOARD OF DIRECTORS’  
MEETING OF AUGUST 8, 2014**

A special meeting of the Board of Directors of CARMA was held on August 8, 2014, via teleconference.

**BOARD MEMBERS PRESENT:** Tim Przybyla, CSJVRMA, President  
Dan Schwarz, BCJPIA, Vice President  
Jake O’Malley, MPA, Treasurer  
Rene Mendez, MBASIA  
Bob Gay, VCJPA

**ALTERNATE MEMBERS PRESENT:** None

**OTHERS PRESENT:** Rob Kramer, Bickmore, Executive Director  
Jaesa McCulligan, Bickmore, Board Secretary  
Michael Groff, Bickmore, Litigation Manager

**1. CALL TO ORDER**

The August 8, 2014, Special Board of Directors’ meeting was called to order at 10:02 a.m. by President Tim Przybyla.

**2. INTRODUCTIONS**

Those in attendance introduced themselves, and a quorum of the Board was present.

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

**Dan Schwarz moved to approve the agenda as posted. Seconded by Bob Gay. A roll call was taken and the motion passed unanimously.**

**4. PUBLIC COMMENTS**

None.

**5. CLAIMS MATTERS**

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

Pursuant to Government Code Section 54956.95(a), the Board recessed to closed session at 10:04 a.m. to discuss the following claims for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers authority:

- Clipper Yacht Harbor v. City of Sausalito (BCJPIA)

B. Report from Closed Session

The Board of Directors reconvened to open session at 10:17 a.m., and it was reported that the Board authorized settlement authority for the case listed above.

**6. CLOSING COMMENTS**

A. Board

None.

B. Staff

None.

**7. ADJOURNMENT**

The August 8, 2014, Special Board of Directors' meeting adjourned at 10:17 a.m. by general consensus of the Board.



Jaesa McCulligan, Board Secretary

Ranges: From: To: From: To:  
 Check Number First Last Check Date 6/1/2014 8/31/2014  
 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
1977	BI100	Bickmore	6/12/2014	CBT GENERAL	PMCHK00000133	\$26,753.42
1978	FA115	Farmer Smith and Lane, LLP	6/12/2014	CBT GENERAL	PMCHK00000133	\$87.50
1979	JA105	JAMS, Inc.	6/12/2014	CBT GENERAL	PMCHK00000133	\$331.21
1980	MC105	McCormick, Barstow LLP	6/12/2014	CBT GENERAL	PMCHK00000133	\$948.00
1981	ME100	Law Office of Meisel & Krentsa	6/17/2014	CBT GENERAL	PMCHK00000134	\$350,000.00
1982	SH105	Lian Ying Shen Special Needs T	6/17/2014	CBT GENERAL	PMCHK00000134	\$450,000.00
1983	DR100	Alliant Insurance Services, In	7/8/2014	CBT GENERAL	PMCHK00000135	\$1,035.00
1984	DR100	Alliant Insurance Services, In	7/8/2014	CBT GENERAL	PMCHK00000135	\$71,400.00
1985	DR100	Alliant Insurance Services, In	7/8/2014	CBT GENERAL	PMCHK00000135	\$536,640.00
1986	DR100	Alliant Insurance Services, In	7/8/2014	CBT GENERAL	PMCHK00000135	\$1,149,200.00
1987	BI100	Bickmore	7/8/2014	CBT GENERAL	PMCHK00000135	\$27,928.58
1988	FA115	Farmer Smith and Lane, LLP	7/8/2014	CBT GENERAL	PMCHK00000135	\$490.00
1989	MC105	McCormick, Barstow LLP	7/8/2014	CBT GENERAL	PMCHK00000135	\$70.00
1990	BI100	Bickmore	8/11/2014	CBT GENERAL	PMCHK00000136	\$29,119.10
1991	FA115	Farmer Smith and Lane, LLP	8/11/2014	CBT GENERAL	PMCHK00000136	\$227.50
* 1992	CA105	CAJPA	8/11/2014	CBT GENERAL	PMCHK00000136	\$450.00
* 1993	ED105	Edrington, Schirmer & Murphy L	8/11/2014	CBT GENERAL	PMCHK00000136	\$1,890.00
* 1994	ED105	Edrington, Schirmer & Murphy L	8/11/2014	CBT GENERAL	PMCHK00000136	\$658.03
* 1995	GI105	Gibbons and Conley	8/11/2014	CBT GENERAL	PMCHK00000136	\$175.00
1996	CA105	CAJPA	8/12/2014	CBT GENERAL	PMCHK00000137	\$450.00
1997	ED105	Edrington, Schirmer & Murphy L	8/12/2014	CBT GENERAL	PMCHK00000137	\$1,890.00
1998	ED105	Edrington, Schirmer & Murphy L	8/12/2014	CBT GENERAL	PMCHK00000137	\$658.03
1999	GI105	Gibbons and Conley	8/12/2014	CBT GENERAL	PMCHK00000137	\$175.00

Total Checks: 23 Total Amount of Checks: \$2,647,403.34  
 =====

# California Affiliated Risk Management Authorities

## ~ BALANCE SHEET ~

As of June 30, 2014

(Audited)

### ASSETS

#### CURRENT ASSETS

Cash in Bank	\$	6,214	
Local Agency Investment Fund		1,342,901	
Market Valuation - LAIF		401	
Investments - Managed Portfolio		2,013,550	
Market Valuation - Investment		(10,590)	
Accounts Receivable		424,597	
Accounts Receivable - Member Dividend		37,346	
Interest Receivable		45,456	
Prepaid Expenses		31,949	
Prepaid Insurance		0	
		<u>          </u>	
<b>TOTAL CURRENT ASSETS</b>			<b>3,891,823</b>

#### NONCURRENT ASSETS

Investments - Managed Portfolio (Net of Rate Stabilization Fund)		24,277,124	
Market Valuation - Investment		(87,698)	
		<u>          </u>	
<b>TOTAL OTHER ASSETS</b>			<b>24,189,426</b>
<b>TOTAL ASSETS</b>			<b><u><u>\$ 28,081,249</u></u></b>

### LIABILITIES AND NET POSITION

#### CURRENT LIABILITIES

Accounts Payable	\$	4,201	
Deferred Revenue		0	
Equity Payable to Withdrawn Member		221,459	
Reserve for Claims		1,996,391	
Reserve for IBNR		803,609	
		<u>          </u>	
<b>TOTAL CURRENT LIABILITIES</b>			<b>3,025,660</b>

#### NONCURRENT LIABILITIES

Equity Payable to Withdrawn Member		368,042	
Reserve for IBNR		11,306,873	
		<u>          </u>	
<b>TOTAL NONCURRENT LIABILITIES</b>			<b>11,674,915</b>
<b>TOTAL LIABILITIES</b>			<b>14,700,575</b>

#### NET POSITION

Unrestricted Net Assets - Prior Years		17,318,391	
Net Position - Current Year		(3,937,717)	
		<u>          </u>	
<b>TOTAL NET POSITION</b>			<b>13,380,674</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>			<b><u><u>\$ 28,081,249</u></u></b>

**California Affiliated Risk Management Authorities**  
**~ INCOME STATEMENT ~**  
**For the Year Ended June 30, 2014**  
**(Audited)**

	<u>Actual</u>	<u>Budget</u>	<u>% Used</u>	<u>\$ Variance</u>
<b>OPERATING REVENUES</b>				
Deposit Premium	\$ 7,019,369	\$ 7,019,369	100%	\$ -
Investment Income	316,923	0		(316,923)
Misc Income	30	0		(30)
<b>TOTAL OPERATING REVENUES</b>	<u>7,336,322</u>	<u>7,019,369</u>	<u>105%</u>	<u>(316,953)</u>
<b>OPERATING EXPENSES</b>				
<b>Direct Expenses</b>				
Claims Paid	\$ 2,643,673	4,863,704 *	76%	1,167,746
Incr/(Decr) in Reserves	<u>1,052,286</u>			
<b>Subtotal Claims Expense</b>	3,695,958	4,863,704	76%	1,167,746
Reinsurance	1,196,666	1,196,666	100%	0
Excess Insurance	<u>528,384</u>	<u>528,384</u>	<u>100%</u>	<u>-</u>
<b>Subtotal All Direct Expenses</b>	5,421,008	6,588,754	82%	1,167,746
<b>General &amp; Administrative Expenses</b>				
Program Management	\$ 312,625	312,625	100%	0
Membership Dues	1,615	1,600	101%	(15)
Financial Audit	8,750	8,750	100%	0
Claims Audit	18,900	18,900	100%	0
Actuarial Services	7,135	7,140	100%	5
Legal Services	30,255	30,000	101%	(255)
Marketing, Consultants and Website	600	1,000	60%	400
Board Meetings	1,743	2,000	87%	257
Annual Retreat	6,667	10,000	67%	3,333
Fidelity Bond	1,035	1,100	94%	65
Accreditation	1,425	1,500	95%	75
Investment Management Fees	28,547	26,000	110%	(2,547)
Bank Fees	1,019	0		(1,019)
Contingency	<u>0</u>	<u>10,000</u>	<u>0%</u>	<u>10,000</u>
<b>Subtotal General &amp; Admin Expenses</b>	420,316	430,615	98%	10,299
Member Equity Distribution	5,432,714	0		(5,432,714)
<b>TOTAL OPERATING EXPENSES</b>	<u>11,274,039</u>	<u>7,019,369</u>	<u>161%</u>	<u>(4,254,670)</u>
<b>CHANGE IN NET POSITION</b>	<u><u>\$ (3,937,717)</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, 2014

(Audited)

<b>Assets:</b>	<u>2001/2002</u>	<u>2002/2003</u>	<u>2003/2004</u>	<u>2004/2005 *</u>	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>	<u>Total</u>
Cash, L.A.I.F. & Investments	1,848	400,509	542,740	226,424	306,281	823,054	1,360,846	3,610,395	4,273,683	2,267,206	4,184,045	4,564,266	5,078,494	27,639,787
Market Valuation-LAIF & Investments													(97,887)	(97,887)
Prepaid Expenses													31,949	31,949
Interest Receivable													45,456	45,456
Accounts Receivable													461,943	461,943
<b>Total Assets</b>	<b><u>1,848</u></b>	<b><u>400,509</u></b>	<b><u>542,740</u></b>	<b><u>226,424</u></b>	<b><u>306,281</u></b>	<b><u>823,054</u></b>	<b><u>1,360,846</u></b>	<b><u>3,610,395</u></b>	<b><u>4,273,683</u></b>	<b><u>2,267,206</u></b>	<b><u>4,184,045</u></b>	<b><u>4,564,266</u></b>	<b><u>5,519,955</u></b>	<b><u>28,081,249</u></b>

\* Total Assets do not include Rate Stabilization Funds of \$399,615 June 30, 2014

<b>Liabilities:</b>														
Accounts Payable													4,201	4,201
Deferred Revenue													0	0
Return of Equity													0	0
Equity Payable													589,501	589,501
Reserve for Claims (1)	0	100,368	71,425	0	0	0	195,848	192,400	0	827,750	517,000	0	91,600	1,996,391
Reserve for IBNR (2)	(0)	129,949	99,219	0	(0)	(0)	1,505,306	477,987	1,277,837	1,387,692	1,174,013	2,559,825	3,498,662	12,110,483
<b>Total Liabilities</b>	<b>(0)</b>	<b>230,317</b>	<b>170,643</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>1,701,154</b>	<b>670,387</b>	<b>1,277,837</b>	<b>2,215,442</b>	<b>1,691,013</b>	<b>2,559,825</b>	<b>4,183,964</b>	<b>14,700,575</b>

<b>Retained Earnings:</b>														
Reserve for Adverse Development (3)	0	0	0	0	0	0	0	0	911,578	1,212,426	989,156	1,571,869	2,046,449	6,731,478
Contingency Funds (4)	1,848	170,192	372,097	226,424	306,281	823,054	(340,308)	2,940,009	2,084,267	(1,160,662)	1,503,877	432,571	(710,458)	6,649,191
<b>Total Retained Earnings</b>	<b>1,848</b>	<b>170,192</b>	<b>372,097</b>	<b>226,424</b>	<b>306,281</b>	<b>823,054</b>	<b>(340,308)</b>	<b>2,940,009</b>	<b>2,995,846</b>	<b>51,764</b>	<b>2,493,032</b>	<b>2,004,441</b>	<b>1,335,992</b>	<b>13,380,674</b>
<b>Total Liabilities and Retained Earnings</b>	<b><u>1,848</u></b>	<b><u>400,509</u></b>	<b><u>542,740</u></b>	<b><u>226,424</u></b>	<b><u>306,281</u></b>	<b><u>823,054</u></b>	<b><u>1,360,846</u></b>	<b><u>3,610,395</u></b>	<b><u>4,273,683</u></b>	<b><u>2,267,206</u></b>	<b><u>4,184,045</u></b>	<b><u>4,564,266</u></b>	<b><u>5,519,955</u></b>	<b><u>28,081,249</u></b>

**NOTE: CARMA's first eight program years 1993/1994 - 2000/2001 are now closed and no longer appear on the financial statements.**

**\* 2004/05 Program Year includes equity from closed years 1996/1997 - 2000/2001**

- 1) Reserve for claims has been discounted from the loss run balance of \$2,228,058 by \$106,667 as calculated utilizing the discount factors prepared by Bay Actuarial Consultants, and \$125,000 limited by excess reduction.
- 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, 2014

(Audited)

Revenue:	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	Total
Deposit Premiums													7,019,369	7,019,369
Interest Income	1,845	9,821	19,443	5,160	(8,377)	15,489	29,641	34,045	40,300	37,438	38,377	41,520	23,674 *	288,376 *
Misc Income													30	30
<b>Total Revenue</b>	1,845	9,821	19,443	5,160	(8,377)	15,489	29,641	34,045	40,300	37,438	38,377	41,520	7,043,073	7,307,775
													<i>* Net of Investment Management Fees and Rate Stabilization Funds interest</i>	
Direct Expenses:														
Claims Paid	0	0	10,512	0	0	0	663,415	0	0	1,969,746	0	0	0	2,643,673
Incr./(Decr.) in Reserves	0	(160,372)	(363,170)	(221,263)	(314,655)	(621,921)	369,375	273,200	327,107	798,392	(1,778,347)	(846,321)	3,590,262	1,052,286
Incr./(Decr.) in Rate Stab Due Member														0
Dividend/Assessment/Equity Distribution	306,941	1,015,354	2,395,975	508,122	(1,892,427)	1,298,143	1,974,465				(173,859)			5,432,714
Reinsurance / Excess													1,725,050	1,725,050
<b>Total Direct Expenses</b>	306,941	854,982	2,043,317	286,859	(2,207,082)	676,222	3,007,255	273,200	327,107	2,768,138	(1,952,206)	(846,321)	5,315,312	10,853,723
Indirect Expenses:														
General Management													312,625	312,625
Membership Dues													1,615	1,615
Financial Audit													8,750	8,750
Claims Audit													18,900	18,900
Actuarial Services													7,135	7,135
Legal Services**													30,255	30,255
Marketing/Consultants/Website													600	600
Board Meetings													1,743	1,743
Annual Retreat													6,667	6,667
Fidelity Bond													1,035	1,035
Accreditation Fees													1,425	1,425
Bank Fees													1,019	1,019
Contingency													0	0
<b>Total Indirect Expenses</b>	0	0	0	0	0	0	0	0	0	0	0	0	391,769	391,769
Net Income/(Loss)	<u>(305,096)</u>	<u>(845,161)</u>	<u>(2,023,874)</u>	<u>(281,699)</u>	<u>2,198,705</u>	<u>(660,733)</u>	<u>(2,977,614)</u>	<u>(239,155)</u>	<u>(286,807)</u>	<u>(2,730,701)</u>	<u>1,990,583</u>	<u>887,841</u>	<u>1,335,992</u>	<u>(3,937,717)</u>

\*\* Includes services for general counsel and coverage matters.

**NOTE:** CARMA's first eight program years 1993/1994 - 2000/2001 are now closed and no longer appear on the financial statements.

# California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of June 30, 2014

Program Year	Member	"Expected" Fund Balance	Additional IBNR at 75% Conf. Level	"70% Conf." Fund Balance	Additional IBNR at 80% Conf. Level	"80% Conf." Fund Balance
<b>2001/2002:</b>	BCJPIA	587	0	587	0	587
	CSJVRMA	402	0	402	0	402
	MPA	416	0	416	0	416
	PARSAC	367	0	367	0	367
	VCJPA	75	0	75	0	75
	PERMA	0	0	0	0	0
	Total	<u>1,848</u>	<u>0</u>	<u>1,848</u>	<u>0</u>	<u>1,848</u>
<b>2002/2003:</b>	BCJPIA	44,055	0	44,055	0	44,055
	CSJVRMA	38,550	0	38,550	0	38,550
	MPA	50,242	0	50,242	0	50,242
	PARSAC	31,038	0	31,038	0	31,038
	VCJPA	6,307	0	6,307	0	6,307
	PERMA	0	0	0	0	0
	Total	<u>170,192</u>	<u>0</u>	<u>170,192</u>	<u>0</u>	<u>170,192</u>
<b>2003/2004</b>	BCJPIA	100,146	0	100,146	0	100,146
	CSJVRMA	96,255	0	96,255	0	96,255
	MBASIA	11,134	0	11,134	0	11,134
	MPA	88,113	0	88,113	0	88,113
	PARSAC	63,538	0	63,538	0	63,538
	VCJPA	12,910	0	12,910	0	12,910
	Total	<u>372,097</u>	<u>0</u>	<u>372,097</u>	<u>0</u>	<u>372,097</u>
<b>2004/2005*</b>	BCJPIA	60,017	0	60,017	0	60,017
	CSJVRMA	55,669	0	55,669	0	55,669
	MBASIA	11,201	0	11,201	0	11,201
	MPA	57,370	0	57,370	0	57,370
	PARSAC	35,758	0	35,758	0	35,758
	VCJPA	6,408	0	6,408	0	6,408
	PERMA*	0	0	0	0	0
Total	<u>226,424</u>	<u>0</u>	<u>226,424</u>	<u>0</u>	<u>226,424</u>	
<b>2005/2006</b>	BCJPIA	76,008	0	76,008	0	76,008
	CSJVRMA	73,967	0	73,967	0	73,967
	MBASIA	11,674	0	11,674	0	11,674
	MPA	79,901	0	79,901	0	79,901
	PARSAC	53,052	0	53,052	0	53,052
	VCJPA	11,678	0	11,678	0	11,678
	Total	<u>306,281</u>	<u>0</u> *	<u>306,281</u>	<u>0</u> *	<u>306,281</u>

# California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of June 30, 2014

Program Year	Member	"Expected" Fund Balance	Additional IBNR at 75% Conf. Level	"70% Conf." Fund Balance	Additional IBNR at 80% Conf. Level	"80% Conf." Fund Balance
<b>2006/2007</b>	BCJPIA	189,578	0	189,578	0	189,578
	CSJVRMA	238,064	0	238,064	0	238,064
	MBASIA	29,231	0	29,231	0	29,231
	MPA	190,006	0	190,006	0	190,006
	PARSAC	140,411	0	140,411	0	140,411
	VCJPA	35,765	0	35,765	0	35,765
	Total		<u>823,054</u>	<u>0</u>	<u>823,054</u>	<u>0</u>
<b>2007/2008</b>	BCJPIA	(73,802)	0	(73,802)	0	(73,802)
	CSJVRMA	(97,310)	0	(97,310)	0	(97,310)
	MBASIA	(11,266)	0	(11,266)	0	(11,266)
	MPA	(80,525)	0	(80,525)	0	(80,525)
	PARSAC	(63,434)	0	(63,434)	0	(63,434)
	VCJPA	(13,971)	0	(13,971)	0	(13,971)
	Total		<u>(340,308)</u>	<u>0</u>	<u>(340,308)</u>	<u>0</u>
<b>2008/2009</b>	BCJPIA	636,528	0	636,528	0	636,528
	CSJVRMA	794,307	0	794,307	0	794,307
	MBASIA	98,636	0	98,636	0	98,636
	MPA	700,890	0	700,890	0	700,890
	PARSAC	597,734	0	597,734	0	597,734
	VCJPA	111,914	0	111,914	0	111,914
	Total		<u>2,940,009</u>	<u>0</u>	<u>2,940,009</u>	<u>0</u>
<b>2009/2010</b>	BCJPIA	1,054,813	(74,067)	980,746	(320,959)	733,855
	CSJVRMA	986,232	(69,252)	916,980	(300,092)	686,140
	MBASIA	129,457	(9,090)	120,367	(39,391)	90,066
	MPA	720,314	(50,579)	669,735	(219,178)	501,136
	VCJPA	105,029	(7,375)	97,654	(31,958)	73,071
	PARSAC	0	0	0	0	0
	Total		<u>2,995,846</u>	<u>(210,364)</u>	<u>2,785,482</u>	<u>(911,578)</u>
<b>2010/2011</b>	BCJPIA	19,383	(156,050)	(136,668)	(453,965)	(434,582)
	CSJVRMA	14,462	(116,439)	(101,977)	(338,732)	(324,270)
	MBASIA	2,091	(16,833)	(14,742)	(48,968)	(46,877)
	MPA	13,924	(112,112)	(98,188)	(326,145)	(312,221)
	VCJPA	1,905	(15,337)	(13,432)	(44,616)	(42,711)
	PARSAC	0	0	0	0	0
	Total		<u>51,764</u>	<u>(416,772)</u>	<u>(365,007)</u>	<u>(1,212,426)</u>
<b>2011/2012</b>	BCJPIA	951,777	(122,176)	829,601	(377,635)	574,143
	CSJVRMA	654,188	(83,975)	570,212	(259,561)	394,627

# California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of June 30, 2014

Program Year	Member	"Expected" Fund Balance	Additional IBNR at 75% Conf. Level	"70% Conf." Fund Balance	Additional IBNR at 80% Conf. Level	"80% Conf." Fund Balance
	MBASIA	110,776	(14,220)	96,556	(43,952)	66,823
	MPA	676,242	(86,807)	589,436	(268,311)	407,931
	VCJPA	100,049	(12,843)	87,206	(39,696)	60,353
	PARSAC	0	0	0	0	0
	Total	<u>2,493,032</u>	<u>(320,021)</u>	<u>2,173,011</u>	<u>(989,156)</u>	<u>1,503,877</u>
<b>2012/2013</b>	BCJPIA	769,783	(210,801)	558,982	(603,659)	166,123
	CSJVRMA	526,227	(144,105)	382,122	(412,663)	113,564
	MBASIA	85,550	(23,427)	62,122	(67,088)	18,462
	MPA	546,485	(149,652)	396,833	(428,550)	117,935
	VCJPA	76,395	(20,920)	55,475	(59,909)	16,487
	PARSAC	0	0	0	0	0
	Total	<u>2,004,441</u>	<u>(548,906)</u>	<u>1,455,534</u>	<u>(1,571,869)</u>	<u>432,571</u>
<b>2013/2014</b>	BCJPIA	450,836	(254,425)	196,411	(690,583)	(239,747)
	CSJVRMA	402,943	(227,397)	175,546	(617,221)	(214,278)
	MBASIA	59,341	(33,489)	25,853	(90,898)	(31,557)
	MPA	370,005	(208,809)	161,196	(566,767)	(196,762)
	VCJPA	52,867	(29,835)	23,032	(80,980)	(28,114)
	PARSAC	0	0	0	0	0
	Total	<u>1,335,992</u>	<u>(753,955)</u>	<u>582,037</u>	<u>(2,046,449)</u>	<u>(710,458)</u>
<b>Total:</b>	<b>BCJPIA</b>	4,279,708	(817,521)	3,462,186	(2,446,801)	1,832,908
	<b>CSJVRMA</b>	3,783,956	(641,168)	3,142,787	(1,928,269)	1,855,686
	<b>MBASIA</b>	537,825	(97,059)	440,766	(290,297)	247,528
	<b>MPA</b>	3,413,385	(607,959)	2,805,425	(1,808,951)	1,604,434
	<b>PARSAC</b>	858,465	0	858,465	0	858,465
	<b>VCJPA</b>	507,331	(86,310)	421,021	(257,160)	250,171
	<b>PERMA</b>	0	0	(0)	0	(0)
<b>Total Equity</b>		<u><b>13,380,674</b></u>	<u><b>(2,250,017)</b></u>	<u><b>11,130,651</b></u>	<u><b>(6,731,478)</b></u>	<u><b>6,649,191</b></u>

**Program Year Closures:**

9/30/2006      *Dividends returned to BCJPIA, VCJPA and PARSAC for program years 1993/94; 1994/95; and 1995/96.*

7/1/2011      *\* 1996/97 through 2000/01 equity closed into program year 2004/05*

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

# California Affiliated Risk Management Authorities

## ~ Rate Stabilization Fund ~

As of June 30, 2014

Member	Original Balance @ 7/1/2002	Cumulative Interest 2002/2003 - 2005/2006	2006/2007			2007/2008			Cumulative Interest 2008/2009 - 2012/2013	2013/2014		Balance @ 6/30/14
			Interest as of 9/30/06	Member Contribution / Withdrawal 9/30/06 & 3/31/07 *	Interest from 10/1/06 - 06/30/07	YE Interest as of 6/30/08	Member Withdrawal June 2008	Member Billing 6/30/08**		1/10/14 Member Contribution	YE Interest as of 6/30/14	
BCJPIA	380,979	33,811	7,692	445,979 *	31,721	63,690	(970,226)	6,354	0	0	(0)	
PARSAC	201,011	17,839	4,058	(222,909)	0	0	0	0	0	0	(0)	
VCJPA	28,165	2,500	569	63,251	3,481	6,989	(22,390)	0	8,773	306,333	1,945	399,615
CSJVRMA	0	0	0	0	0	0	0	0	0	0	0	
MBASIA	0	0	0	0	0	0	0	0	0	0	0	
MPA	0	0	0	0	0	0	0	0	0	0	0	
<b>Total</b>	<b>610,155</b>	<b>54,150</b>	<b>12,319</b>	<b>286,321</b>	<b>35,201</b>	<b>70,679</b>	<b>(992,616)</b>	<b>6,354</b>	<b>8,773</b>	<b>306,333</b>	<b>1,945</b>	<b>399,615</b>

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
<b>Totals</b>	<b>240,417</b>	<b>1,234,321</b>	<b>(254,477)</b>	<b>(610,106)</b>	<b>610,155</b>

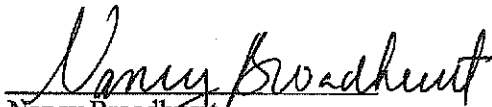
**California Affiliated Risk Management Authorities**  
**Treasurer's Report**  
As of June 30, 2014

	Book Value	Market Value	% of Total	Effective Yield
California Bank & Trust -- General Operating	6,214	6,214	0.02%	0.00%
State of California Local Agency Investment Fund	1,342,901	1,343,302	4.81%	0.23%
CAMP - Money Market	131,026	131,026	0.47%	0.06%
CAMP - Investments managed by PFM	26,559,263	26,460,975	94.70%	0.63%
<b>Total Cash and Investments</b>	<b>\$ 28,039,404</b>	<b>\$ 27,941,517</b>	<b>100.00%</b>	<b>0.61%</b>

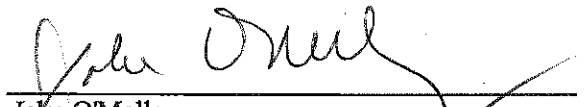
Attached are the Public Financial Management, Inc. (PFM) and Local Agency Investment Fund (LAIF) statements detailing all investment transactions. Market prices are derived from closing bid prices as of the last business day of the month from either Bloomberg or Telerate.

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, 2014**

### CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00

<b>CAMP Pool</b>	
Opening Market Value	47,457.62
Purchases	4,826,975.84
Redemptions	(4,743,407.95)
Unsettled Trades	0.00
Change in Value	0.00

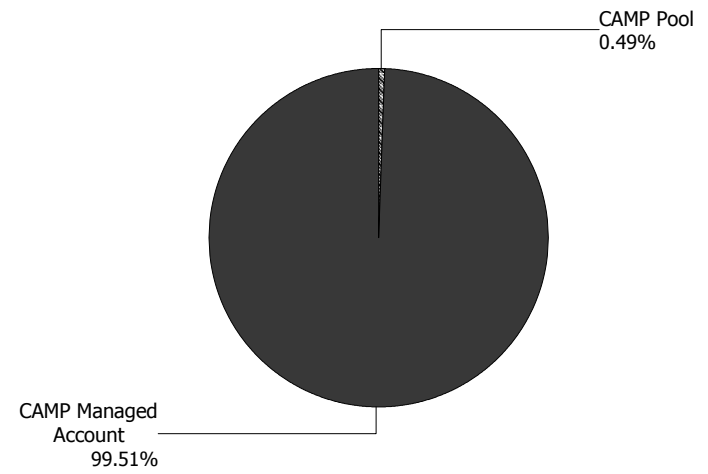
<b>Closing Market Value</b>	<b>\$131,025.51</b>
Cash Dividends and Income	5.29

<b>CAMP Managed Account</b>	
Opening Market Value	26,485,883.49
Purchases	4,689,145.58
Redemptions	(4,685,779.81)
Unsettled Trades	0.00
Change in Value	(28,274.42)

<b>Closing Market Value</b>	<b>\$26,460,974.84</b>
Cash Dividends and Income	24,202.75

<b>Asset Summary</b>		
	<b>June 30, 2014</b>	<b>May 31, 2014</b>
<b>CAMP Pool</b>	131,025.51	47,457.62
<b>CAMP Managed Account</b>	26,460,974.84	26,485,883.49
<b>Total</b>	<b>\$26,592,000.35</b>	<b>\$26,533,341.11</b>

### Asset Allocation





**Managed Account Detail of Securities Held**

For the Month Ending **June 30, 2014**

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

<b>Security Type/Description</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 08/02/2010 1.750% 07/31/2015	912828NP1	65,000.00	AA+	Aaa	10/23/12	10/26/12	67,419.72	0.39	474.48	65,951.27	66,122.29
US TREASURY NOTES DTD 08/02/2010 1.750% 07/31/2015	912828NP1	275,000.00	AA+	Aaa	06/19/13	06/20/13	283,421.88	0.30	2,007.42	279,322.04	279,748.15
US TREASURY NOTES DTD 11/01/2010 1.250% 10/31/2015	912828PE4	2,100,000.00	AA+	Aaa	09/25/13	09/26/13	2,138,718.75	0.37	4,422.55	2,124,640.85	2,129,530.20
US TREASURY NOTES DTD 11/30/2010 1.375% 11/30/2015	912828PJ3	295,000.00	AA+	Aaa	11/01/12	11/05/12	303,734.77	0.40	343.56	299,042.36	299,770.70
US TREASURY NOTES DTD 11/30/2010 1.375% 11/30/2015	912828PJ3	600,000.00	AA+	Aaa	11/29/12	12/05/12	618,257.81	0.35	698.77	608,676.47	609,703.13
US TREASURY NOTES DTD 01/31/2011 2.000% 01/31/2016	912828PS3	535,000.00	AA+	Aaa	03/04/14	03/05/14	552,303.91	0.30	4,463.26	549,355.98	549,482.45
US TREASURY NOTES DTD 06/02/2014 0.375% 05/31/2016	912828WM8	1,750,000.00	AA+	Aaa	06/02/14	06/03/14	1,749,726.56	0.38	555.84	1,749,737.05	1,748,428.50
US TREASURY NOTES DTD 06/17/2013 0.500% 06/15/2016	912828VG2	205,000.00	AA+	Aaa	04/08/14	04/11/14	205,000.00	0.50	44.81	205,000.00	205,256.25
US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	475,000.00	AA+	Aaa	05/10/13	05/15/13	516,933.59	0.41	41.95	501,845.51	501,384.77
US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	950,000.00	AA+	Aaa	05/22/13	05/24/13	1,032,048.83	0.44	83.90	1,002,956.09	1,002,769.53
US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	950,000.00	AA+	Aaa	05/24/13	05/31/13	1,029,042.97	0.53	83.90	1,001,356.60	1,002,769.53
US TREASURY NOTES DTD 08/31/2011 1.000% 08/31/2016	912828RF9	200,000.00	AA+	Aaa	08/29/13	08/30/13	201,093.75	0.82	668.48	200,791.49	202,062.40
US TREASURY NOTES DTD 11/30/2011 0.875% 11/30/2016	912828RU6	1,500,000.00	AA+	Aaa	10/31/13	11/01/13	1,511,601.56	0.62	1,111.68	1,509,119.43	1,509,257.81
US TREASURY NOTES DTD 11/30/2011 0.875% 11/30/2016	912828RU6	1,800,000.00	AA+	Aaa	11/27/13	12/03/13	1,815,468.75	0.58	1,334.02	1,812,508.81	1,811,109.38





**Managed Account Detail of Securities Held**

For the Month Ending **June 30, 2014**

**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
<b>U.S. Treasury Bond / Note</b>											
US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	200,000.00	AA+	Aaa	03/19/14	03/21/14	200,460.94	0.92	502.73	200,419.08	201,187.60
US TREASURY NOTES DTD 05/31/2012 0.625% 05/31/2017	912828SY7	1,750,000.00	AA+	Aaa	06/02/14	06/03/14	1,740,292.97	0.81	926.40	1,740,538.70	1,738,378.25

**Security Type Sub-Total** **13,650,000.00** **13,965,526.76** **0.51** **17,763.75** **13,851,261.73** **13,856,960.94**

<b>Municipal Bond / Note</b>											
METRO WTR DIST AUTH, CA TXBL REV BONDS DTD 06/28/2012 0.616% 07/01/2014	59266THP9	275,000.00	AAA	Aa1	06/21/12	06/28/12	275,000.00	0.62	847.00	275,000.00	275,000.00
UNIV OF CAL TXBL REV BONDS DTD 10/02/2013 0.528% 05/15/2015	91412GSW6	85,000.00	AA	Aa2	09/26/13	10/02/13	85,000.00	0.53	57.35	85,000.00	85,116.45
CA ST DEPT OF WATER TXBL REV BONDS DTD 09/27/2012 0.650% 12/01/2015	13066KX87	165,000.00	AAA	Aa1	09/19/12	09/27/12	165,000.00	0.65	89.38	165,000.00	165,325.05
UNIV OF CAL TXBL REV BONDS DTD 10/02/2013 0.907% 05/15/2016	91412GSX4	45,000.00	AA	Aa2	09/26/13	10/02/13	45,000.00	0.91	52.15	45,000.00	45,143.10
UNIV OF CAL TXBL REV BONDS DTD 03/14/2013 0.659% 05/15/2016	91412GPX7	100,000.00	AA	Aa2	02/28/13	03/14/13	100,000.00	0.66	84.21	100,000.00	99,859.00

**Security Type Sub-Total** **670,000.00** **670,000.00** **0.64** **1,130.09** **670,000.00** **670,443.60**

<b>Federal Agency Bond / Note</b>											
FREDDIE MAC GLOBAL NOTES DTD 07/11/2012 0.500% 08/28/2015	3134G3ZA1	1,175,000.00	AA+	Aaa	07/30/12	07/31/12	1,176,371.23	0.46	1,974.65	1,175,519.43	1,179,033.78
FHLB (CALLABLE) GLOBAL NOTES DTD 12/30/2013 0.375% 12/30/2015	3130A0GK0	625,000.00	AA+	Aaa	12/12/13	12/30/13	624,812.50	0.39	6.51	624,859.50	625,078.75
FANNIE MAE GLOBAL NOTES DTD 02/15/2013 0.500% 03/30/2016	3135G0VA8	340,000.00	AA+	Aaa	02/14/13	02/15/13	339,612.40	0.54	429.72	339,782.39	340,579.36
FEDERAL HOME LOAN BANKS (CALLABLE) DTD 03/27/2014 1.625% 03/27/2017	3130A1CR7	520,000.00	AA+	Aaa	04/02/14	04/04/14	525,714.80	1.25	2,206.39	524,308.15	525,451.68



**Managed Account Detail of Securities Held**

For the Month Ending **June 30, 2014**

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

<b>Security Type/Description</b> <b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Security Type Sub-Total</b>		<b>2,660,000.00</b>					<b>2,666,510.93</b>	<b>0.61</b>	<b>4,617.27</b>	<b>2,664,469.47</b>	<b>2,670,143.57</b>
<b>Corporate Note</b>											
TOYOTA MOTOR CREDIT CORP DTD 06/17/2010 3.200% 06/17/2015	89233P4B9	400,000.00	AA-	Aa3	03/27/13	04/01/13	422,524.00	0.63	497.78	409,829.66	410,987.20
WELLS FARGO & COMPANY DTD 06/27/2012 1.500% 07/01/2015	94974BFE5	250,000.00	A+	A2	03/26/13	03/28/13	254,326.03	0.73	1,875.00	251,924.70	252,819.50
WELLS FARGO & COMPANY DTD 06/27/2012 1.500% 07/01/2015	94974BFE5	250,000.00	A+	A2	03/27/13	03/28/13	254,252.50	0.74	1,875.00	251,892.15	252,819.50
JPMORGAN CHASE & CO GLOBAL NOTES DTD 10/18/2012 1.100% 10/15/2015	46623EJR1	150,000.00	A	A3	10/15/12	10/18/12	149,938.50	1.11	348.33	149,973.24	150,623.40
BANK OF NEW YORK MELLON (CALLABLE) DTD 10/25/2012 0.700% 10/23/2015	06406HCD9	125,000.00	A+	A1	10/18/12	10/25/12	124,871.25	0.73	165.28	124,943.28	125,397.50
PEPSICO INC GLOBAL NOTES DTD 02/28/2013 0.700% 02/26/2016	713448CE6	170,000.00	A-	A1	02/25/13	02/28/13	169,940.50	0.71	413.19	169,966.93	170,405.79
BANK OF NEW YORK MELLON (CALLABLE) DTD 03/06/2013 0.700% 03/04/2016	06406HCG2	150,000.00	A+	A1	03/05/13	03/06/13	149,911.50	0.72	341.25	149,950.26	150,297.00
BANK OF NEW YORK MELLON (CALLABLE) DTD 03/06/2013 0.700% 03/04/2016	06406HCG2	200,000.00	A+	A1	03/04/13	03/06/13	199,882.00	0.72	455.00	199,933.68	200,396.00
GLAXOSMITHKLINE CAP INC GLOBAL NOTES DTD 03/18/2013 0.700% 03/18/2016	377372AG2	345,000.00	A+	A1	09/27/13	10/02/13	344,755.05	0.73	690.96	344,829.09	345,853.88
GENERAL ELEC CAP CORP (FLOATING) DTD 07/12/2013 0.877% 07/12/2016	36962G7A6	430,000.00	AA+	A1	07/09/13	07/12/13	430,000.00	0.93	817.12	430,000.00	433,903.11
WELLS FARGO & COMPANY DTD 07/29/2013 1.250% 07/20/2016	94974BFL9	330,000.00	A+	A2	07/22/13	07/29/13	329,683.20	1.28	1,844.79	329,779.92	332,848.89
BERKSHIRE HATHAWAY FIN GLOBAL NOTES DTD 08/15/2013 0.950% 08/15/2016	084664BX8	300,000.00	AA	Aa2	08/06/13	08/15/13	299,841.00	0.97	1,076.67	299,887.06	301,610.10
AMERICAN HONDA FINANCE GLOBAL NOTES DTD 10/10/2013 1.125% 10/07/2016	02665WAB7	195,000.00	A+	A1	10/03/13	10/10/13	194,321.40	1.24	511.88	194,483.59	196,146.60



**Managed Account Detail of Securities Held**

For the Month Ending **June 30, 2014**

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

<b>Security Type/Description Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Corporate Note</b>											
JPMORGAN CHASE & CO DTD 02/18/2014 1.350% 02/15/2017	46623EJY6	400,000.00	A	A3	02/12/14	02/18/14	399,800.00	1.37	1,995.00	399,824.18	401,420.80
PEPSICO CORP NOTES DTD 02/28/2014 0.950% 02/22/2017	713448CL0	500,000.00	A-	A1	02/25/14	02/28/14	499,430.00	0.99	1,596.53	499,493.40	499,330.00
CISCO SYSTEMS INC GLOBAL NOTES DTD 03/03/2014 1.100% 03/03/2017	17275RAT9	335,000.00	AA-	A1	02/24/14	03/03/14	334,979.90	1.10	1,207.86	334,982.07	336,040.85
APPLE INC CORP NOTE DTD 05/06/2014 1.050% 05/05/2017	037833AM2	675,000.00	AA+	Aa1	04/29/14	05/06/14	674,642.25	1.07	1,082.81	674,660.25	675,911.25
JOHN DEERE CAPITAL CORP NOTES DTD 06/12/2014 1.125% 06/12/2017	24422ESN0	425,000.00	A	A2	06/09/14	06/12/14	424,800.25	1.14	252.34	424,803.71	425,901.00
HSBC USA INC DTD 06/23/2014 1.300% 06/23/2017	40434CAA3	225,000.00	A+	A2	06/16/14	06/23/14	224,658.00	1.35	65.00	224,660.49	225,513.45
<b>Security Type Sub-Total</b>		<b>5,855,000.00</b>					<b>5,882,557.33</b>	<b>0.99</b>	<b>17,111.79</b>	<b>5,865,817.66</b>	<b>5,888,225.82</b>
<b>Certificate of Deposit</b>											
BNP PARIBAS NY BRANCH CERT DEPOS DTD 02/07/2014 0.450% 11/03/2014	05574RAF2	550,000.00	A-1	P-1	02/04/14	02/07/14	550,000.00	0.45	990.00	550,000.00	550,240.63
CREDIT SUISSE NEW YORK CERT DEPOS (FLOAT DTD 07/15/2013 0.626% 01/15/2015	22549TDK1	550,000.00	A-1	P-1	07/11/13	07/15/13	550,000.00	0.68	736.95	550,000.00	550,590.15
SKANDINAVISKA ENSKILDA BY NY FLOAT CD DTD 01/10/2014 0.550% 01/04/2016	83051HUD6	625,000.00	A-1	P-1	01/07/14	01/10/14	625,000.00	0.56	811.78	625,000.00	625,654.38
WESTPAC BANKING CORP NY LT FLOAT CD DTD 04/17/2014 0.406% 04/15/2016	96121TWF1	550,000.00	A-1+	P-1	04/16/14	04/17/14	550,000.00	0.41	465.61	550,000.00	550,781.00
RABOBANK NEDERLAND NV NY CD DTD 05/13/2014 0.716% 05/06/2016	21684BPV0	550,000.00	A-1+	P-1	05/09/14	05/13/14	550,000.00	0.71	525.25	550,000.00	547,753.25
BANK OF NOVA SCOTIA HOUS CD FLOAT DTD 06/13/2014 0.410% 06/10/2016	06417HMU7	550,000.00	A+	Aa2	06/11/14	06/13/14	549,667.80	0.28	112.70	549,676.01	550,181.50



**Managed Account Detail of Securities Held**

For the Month Ending **June 30, 2014**

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

<b>Security Type/Description</b>	<b>Dated Date/Coupon/Maturity</b>	<b>CUSIP</b>	<b>Par</b>	<b>S&amp;P Rating</b>	<b>Moody's Rating</b>	<b>Trade Date</b>	<b>Settle Date</b>	<b>Original Cost</b>	<b>YTM at Cost</b>	<b>Accrued Interest</b>	<b>Amortized Cost</b>	<b>Market Value</b>
<b>Security Type Sub-Total</b>			<b>3,375,000.00</b>					<b>3,374,667.80</b>	<b>0.52</b>	<b>3,642.29</b>	<b>3,374,676.01</b>	<b>3,375,200.91</b>
<b>Managed Account Sub-Total</b>			<b>26,210,000.00</b>					<b>26,559,262.82</b>	<b>0.63</b>	<b>44,265.19</b>	<b>26,426,224.87</b>	<b>26,460,974.84</b>
<b>Money Market Fund</b>												
CAMP Pool			131,025.51	AAAm	NR			131,025.51		0.00	131,025.51	131,025.51
<b>Money Market Sub-Total</b>			<b>131,025.51</b>					<b>131,025.51</b>		<b>0.00</b>	<b>131,025.51</b>	<b>131,025.51</b>
<b>Securities Sub-Total</b>			<b>\$26,341,025.51</b>					<b>\$26,690,288.33</b>	<b>0.63%</b>	<b>\$44,265.19</b>	<b>\$26,557,250.38</b>	<b>\$26,592,000.35</b>
<b>Accrued Interest</b>												<b>\$44,265.19</b>
<b>Total Investments</b>												<b>\$26,636,265.54</b>



**Managed Account Security Transactions & Interest**

For the Month Ending **June 30, 2014**

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

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
<b>BUY</b>										
06/02/14	06/03/14	US TREASURY NOTES DTD 06/02/2014 0.375% 05/31/2016	912828WM8	1,750,000.00	(1,749,726.56)	(53.79)	(1,749,780.35)			
06/02/14	06/03/14	US TREASURY NOTES DTD 05/31/2012 0.625% 05/31/2017	912828SY7	1,750,000.00	(1,740,292.97)	(89.65)	(1,740,382.62)			
06/09/14	06/12/14	JOHN DEERE CAPITAL CORP NOTES DTD 06/12/2014 1.125% 06/12/2017	24422ESN0	425,000.00	(424,800.25)	0.00	(424,800.25)			
06/11/14	06/13/14	BANK OF NOVA SCOTIA HOUS CD FLOAT DTD 06/13/2014 0.410% 06/10/2016	06417HMU7	550,000.00	(549,667.80)	0.00	(549,667.80)			
06/16/14	06/23/14	HSBC USA INC DTD 06/23/2014 1.300% 06/23/2017	40434CAA3	225,000.00	(224,658.00)	0.00	(224,658.00)			
<b>Transaction Type Sub-Total</b>				<b>4,700,000.00</b>	<b>(4,689,145.58)</b>	<b>(143.44)</b>	<b>(4,689,289.02)</b>			

<b>INTEREST</b>										
06/01/14	06/01/14	CA ST DEPT OF WATER TXBL REV BONDS DTD 09/27/2012 0.650% 12/01/2015	13066KX87	165,000.00	0.00	536.25	536.25			
06/15/14	06/15/14	US TREASURY NOTES DTD 06/17/2013 0.500% 06/15/2016	912828VG2	205,000.00	0.00	512.50	512.50			
06/17/14	06/17/14	TOYOTA MOTOR CREDIT CORP DTD 06/17/2010 3.200% 06/17/2015	89233P4B9	400,000.00	0.00	6,400.00	6,400.00			
06/30/14	06/30/14	FHLB (CALLABLE) GLOBAL NOTES DTD 12/30/2013 0.375% 12/30/2015	3130A0GK0	625,000.00	0.00	1,171.88	1,171.88			
06/30/14	06/30/14	US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	950,000.00	0.00	15,437.50	15,437.50			
06/30/14	06/30/14	US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	475,000.00	0.00	7,718.75	7,718.75			
06/30/14	06/30/14	US TREASURY NOTES DTD 06/30/2009 3.250% 06/30/2016	912828KZ2	950,000.00	0.00	15,437.50	15,437.50			
<b>Transaction Type Sub-Total</b>				<b>3,770,000.00</b>	<b>0.00</b>	<b>47,214.38</b>	<b>47,214.38</b>			

**SELL**



**Managed Account Security Transactions & Interest**

For the Month Ending **June 30, 2014**

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

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
<b>SELL</b>										
06/02/14	06/03/14	US TREASURY NOTES DTD 11/30/2012 0.625% 11/30/2017	912828UA6	1,200,000.00	1,182,890.63	61.48	1,182,952.11	5,953.13	5,516.29	SPEC LOT
06/02/14	06/03/14	US TREASURY NOTES DTD 08/02/2010 1.750% 07/31/2015	912828NP1	705,000.00	718,136.13	4,192.02	722,328.15	(14,816.02)	2,597.52	SPEC LOT
06/02/14	06/03/14	US TREASURY NOTES DTD 08/02/2010 1.750% 07/31/2015	912828NP1	590,000.00	600,993.36	3,508.22	604,501.58	(12,376.17)	1,731.58	SPEC LOT
06/02/14	06/03/14	US TREASURY NOTES DTD 08/02/2010 1.750% 07/31/2015	912828NP1	975,000.00	993,167.00	5,797.48	998,964.48	(21,594.72)	2,151.62	SPEC LOT
06/02/14	06/03/14	US TREASURY NOTES DTD 08/02/2010 1.750% 07/31/2015	912828NP1	30,000.00	30,558.98	178.38	30,737.36	(557.82)	88.66	SPEC LOT
06/09/14	06/12/14	US TREASURY NOTES DTD 08/31/2011 1.000% 08/31/2016	912828RF9	425,000.00	429,416.02	1,201.09	430,617.11	2,091.80	2,694.37	SPEC LOT
06/12/14	06/13/14	US TREASURY NOTES DTD 08/02/2010 1.750% 07/31/2015	912828NP1	125,000.00	127,255.86	803.69	128,059.55	(2,397.46)	342.72	SPEC LOT
06/12/14	06/13/14	CATERPILLAR INC GLOBAL NOTES DTD 06/26/2012 0.950% 06/26/2015	149123BY6	150,000.00	150,966.00	661.04	151,627.04	997.50	976.98	SPEC LOT
06/12/14	06/13/14	JOHN DEERE CAPITAL CORP GLOBAL NOTES DTD 06/29/2012 0.950% 06/29/2015	24422ERS0	225,000.00	226,534.50	973.75	227,508.25	1,595.25	1,555.85	SPEC LOT
06/16/14	06/23/14	US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	225,000.00	225,861.33	516.39	226,377.72	342.78	386.16	SPEC LOT
<b>Transaction Type Sub-Total</b>				<b>4,650,000.00</b>	<b>4,685,779.81</b>	<b>17,893.54</b>	<b>4,703,673.35</b>	<b>(40,761.73)</b>	<b>18,041.75</b>	
<b>Managed Account Sub-Total</b>						<b>(3,365.77)</b>	<b>64,964.48</b>	<b>61,598.71</b>	<b>(40,761.73)</b>	<b>18,041.75</b>
<b>Total Security Transactions</b>						<b>(\$3,365.77)</b>	<b>\$64,964.48</b>	<b>\$61,598.71</b>	<b>(\$40,761.73)</b>	<b>\$18,041.75</b>



**Managed Account Security Transactions & Interest**

For the Month Ending **May 31, 2014**

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

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
<b>BUY</b>										
04/29/14	05/06/14	APPLE INC CORP NOTE DTD 05/06/2014 1.050% 05/05/2017	037833AM2	675,000.00	(674,642.25)	0.00	(674,642.25)			
05/06/14	05/09/14	US TREASURY NOTES DTD 11/30/2012 0.625% 11/30/2017	912828UA6	1,200,000.00	(1,176,937.50)	(3,296.70)	(1,180,234.20)			
05/09/14	05/13/14	RABOBANK NEDERLAND NV NY CD DTD 05/13/2014 0.716% 05/06/2016	21684BPV0	550,000.00	(550,000.00)	0.00	(550,000.00)			

**Transaction Type Sub-Total** **2,425,000.00** **(2,401,579.75)** **(3,296.70)** **(2,404,876.45)**

<b>INTEREST</b>										
05/15/14	05/15/14	UNIV OF CAL TXBL REV BONDS DTD 10/02/2013 0.907% 05/15/2016	91412GSX4	45,000.00	0.00	252.83	252.83			
05/15/14	05/15/14	UNIV OF CAL TXBL REV BONDS DTD 03/14/2013 0.659% 05/15/2016	91412GPX7	100,000.00	0.00	329.50	329.50			
05/15/14	05/15/14	UNIV OF CAL TXBL REV BONDS DTD 10/02/2013 0.528% 05/15/2015	91412GSW6	85,000.00	0.00	278.01	278.01			
05/31/14	05/31/14	US TREASURY NOTES DTD 11/30/2010 1.375% 11/30/2015	912828PJ3	295,000.00	0.00	2,028.13	2,028.13			
05/31/14	05/31/14	US TREASURY NOTES DTD 11/30/2010 1.375% 11/30/2015	912828PJ3	600,000.00	0.00	4,125.00	4,125.00			
05/31/14	05/31/14	US TREASURY NOTES DTD 11/30/2011 0.875% 11/30/2016	912828RU6	1,500,000.00	0.00	6,562.50	6,562.50			
05/31/14	05/31/14	US TREASURY NOTES DTD 11/30/2011 0.875% 11/30/2016	912828RU6	1,800,000.00	0.00	7,875.00	7,875.00			
05/31/14	05/31/14	US TREASURY NOTES DTD 11/30/2012 0.625% 11/30/2017	912828UA6	1,200,000.00	0.00	3,750.00	3,750.00			

**Transaction Type Sub-Total** **5,625,000.00** **0.00** **25,200.97** **25,200.97**

<b>SELL</b>										
04/29/14	05/06/14	US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017	912828SM3	675,000.00	677,083.01	663.93	677,746.94	527.34	590.85	SPEC LOT
05/06/14	05/09/14	BANK OF NEW YORK MELLON (CALLABLE) NOTES DTD 02/21/2012 1.200% 02/20/2015	06406HCC1	150,000.00	151,017.00	395.00	151,412.00	1,153.50	1,053.02	SPEC LOT



**Managed Account Security Transactions & Interest**

For the Month Ending **May 31, 2014**

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

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
<b>SELL</b>										
05/06/14	05/09/14	US TREASURY NOTES DTD 06/30/2010 1.875% 06/30/2015	912828NL0	450,000.00	458,964.84	3,006.73	461,971.57	(3,533.21)	840.34	SPEC LOT
05/06/14	05/09/14	JOHN DEERE CAPITAL CORP GLOBAL NOTES DTD 04/17/2012 0.875% 04/17/2015	24422ERO4	155,000.00	155,899.00	82.88	155,981.88	995.10	929.35	SPEC LOT
05/06/14	05/09/14	MCDONALDS CORP NOTES DTD 05/29/2012 0.750% 05/29/2015	58013MEP5	175,000.00	175,854.00	583.33	176,437.33	1,335.25	1,024.70	SPEC LOT
05/06/14	05/09/14	CATERPILLAR FIN CORP NOTES DTD 05/30/2012 1.100% 05/29/2015	14912L5D9	200,000.00	201,708.00	977.78	202,685.78	1,772.00	1,730.79	SPEC LOT
05/09/14	05/13/14	RABOBANK NEDERLAND NV NY CD DTD 04/29/2013 0.600% 04/29/2015	21684BEP5	550,000.00	551,419.00	128.33	551,547.33	1,419.00	1,419.00	SPEC LOT
<b>Transaction Type Sub-Total</b>				<b>2,355,000.00</b>	<b>2,371,944.85</b>	<b>5,837.98</b>	<b>2,377,782.83</b>	<b>3,668.98</b>	<b>7,588.05</b>	
<b>Managed Account Sub-Total</b>					<b>(29,634.90)</b>	<b>27,742.25</b>	<b>(1,892.65)</b>	<b>3,668.98</b>	<b>7,588.05</b>	
<b>Total Security Transactions</b>					<b>(\$29,634.90)</b>	<b>\$27,742.25</b>	<b>(\$1,892.65)</b>	<b>\$3,668.98</b>	<b>\$7,588.05</b>	





**Managed Account Security Transactions & Interest**

For the Month Ending **April 30, 2014**

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

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
<b>BUY</b>										
04/02/14	04/04/14	FEDERAL HOME LOAN BANKS (CALLABLE) DTD 03/27/2014 1.625% 03/27/2017	3130A1CR7	520,000.00	(525,714.80)	(164.31)	(525,879.11)			
04/08/14	04/11/14	US TREASURY NOTES DTD 06/17/2013 0.500% 06/15/2016	912828VG2	205,000.00	(205,000.00)	(329.46)	(205,329.46)			
04/16/14	04/17/14	WESTPAC BANKING CORP NY LT FLOAT CD DTD 04/17/2014 0.406% 04/15/2016	96121TWF1	550,000.00	(550,000.00)	0.00	(550,000.00)			
<b>04/29/14</b>	<b>05/06/14</b>	<b>APPLE INC CORP NOTE DTD 05/06/2014 1.050% 05/05/2017</b>	<b>037833AM2</b>	<b>675,000.00</b>	<b>(674,642.25)</b>	<b>0.00</b>	<b>(674,642.25)</b>			

**Transaction Type Sub-Total** **1,950,000.00** **(1,955,357.05)** **(493.77)** **(1,955,850.82)**

<b>INTEREST</b>										
04/04/14	04/04/14	SKANDINAVISKA ENSKILDA BY NY FLOAT CD DTD 01/10/2014 0.550% 01/04/2016	83051HUD6	625,000.00	0.00	819.73	819.73			
04/07/14	04/07/14	AMERICAN HONDA FINANCE GLOBAL NOTES DTD 10/10/2013 1.125% 10/07/2016	02665WAB7	195,000.00	0.00	1,078.59	1,078.59			
04/14/14	04/14/14	GENERAL ELEC CAP CORP (FLOATING) DTD 07/12/2013 0.877% 07/12/2016	36962G7A6	430,000.00	0.00	969.17	969.17			
04/15/14	04/15/14	CREDIT SUISSE NEW YORK CERT DEPOS (FLOAT DTD 07/15/2013 0.626% 01/15/2015	22549TDK1	550,000.00	0.00	878.49	878.49			
04/15/14	04/15/14	JPMORGAN CHASE & CO GLOBAL NOTES DTD 10/18/2012 1.100% 10/15/2015	46623EJR1	150,000.00	0.00	825.00	825.00			
04/17/14	04/17/14	JOHN DEERE CAPITAL CORP GLOBAL NOTES DTD 04/17/2012 0.875% 04/17/2015	24422ERO4	155,000.00	0.00	678.13	678.13			
04/23/14	04/23/14	BANK OF NEW YORK MELLON (CALLABLE) DTD 10/25/2012 0.700% 10/23/2015	06406HCD9	125,000.00	0.00	437.50	437.50			



**Managed Account Security Transactions & Interest**

For the Month Ending **April 30, 2014**

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

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
<b>INTEREST</b>										
04/29/14	04/29/14	RABOBANK NEDERLAND NV NY CD DTD 04/29/2013 0.600% 04/29/2015	21684BEP5	550,000.00	0.00	1,668.33	1,668.33			
04/30/14	04/30/14	US TREASURY NOTES DTD 11/01/2010 1.250% 10/31/2015	912828PE4	2,100,000.00	0.00	13,125.00	13,125.00			
<b>Transaction Type Sub-Total</b>				<b>4,880,000.00</b>	<b>0.00</b>	<b>20,479.94</b>	<b>20,479.94</b>			
<b>SELL</b>										
04/02/14	04/04/14	US TREASURY NOTES DTD 11/01/2010 1.250% 10/31/2015	912828PE4	500,000.00	507,480.47	2,676.10	510,156.57	(1,738.28)	557.55	SPEC LOT
04/08/14	04/11/14	APPLE INC GLOBAL NOTES DTD 05/03/2013 0.450% 05/03/2016	037833AH3	205,000.00	204,874.95	404.88	205,279.83	246.00	130.48	SPEC LOT
04/16/14	04/17/14	US TREASURY NOTES DTD 06/30/2010 1.875% 06/30/2015	912828NL0	525,000.00	535,951.17	2,909.62	538,860.79	(3,629.88)	969.86	SPEC LOT
<b>04/29/14</b>	<b>05/06/14</b>	<b>US TREASURY NOTES DTD 03/31/2012 1.000% 03/31/2017</b>	<b>912828SM3</b>	<b>675,000.00</b>	<b>677,083.01</b>	<b>663.93</b>	<b>677,746.94</b>	<b>527.34</b>	<b>590.85</b>	<b>SPEC LOT</b>
<b>Transaction Type Sub-Total</b>				<b>1,905,000.00</b>	<b>1,925,389.60</b>	<b>6,654.53</b>	<b>1,932,044.13</b>	<b>(4,594.82)</b>	<b>2,248.74</b>	
<b>Managed Account Sub-Total</b>					<b>(29,967.45)</b>	<b>26,640.70</b>	<b>(3,326.75)</b>	<b>(4,594.82)</b>	<b>2,248.74</b>	
<b>Total Security Transactions</b>					<b>(\$29,967.45)</b>	<b>\$26,640.70</b>	<b>(\$3,326.75)</b>	<b>(\$4,594.82)</b>	<b>\$2,248.74</b>	

Bolded items are forward settling trades.

<p style="text-align: center;"><b>CARMA</b> <b>LAIF Fair Market Valuation</b> <b>6/30/14</b></p>
--

<b>LAIF Statement Balance</b>	<b>1,342,900.65</b>
-------------------------------	---------------------

<b>FAIR VALUE FACTOR:</b>	
Performance Rate as of 6/30/14	1.00029875

<b>Market Value</b>	<u><u><b>\$1,343,301.84</b></u></u>
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<b>Laif Mkt Value as of:</b>	<b>6/30/2014</b>	<b>\$401.19</b>
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Local Agency Investment Fund  
P.O. Box 942809  
Sacramento, CA 94209-0001  
(916) 653-3001

[www.treasurer.ca.gov/pmia-laif](http://www.treasurer.ca.gov/pmia-laif)  
July 03, 2014

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

Tran Type Definitions

June 2014 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
6/23/2014	6/20/2014	RD	1435423	NANCY BROADHURST	170,000.00

Account Summary

Total Deposit:	170,000.00	Beginning Balance:	1,172,900.65
Total Withdrawal:	0.00	Ending Balance:	1,342,900.65



JOHN CHIANG

California State Controller

LOCAL AGENCY INVESTMENT FUND  
REMITTANCE ADVICE

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

As of 07/15/2014, your Local Agency Investment Fund account has been directly credited with the interest earned on your deposits for the quarter ending 06/30/2014.

Earnings Ratio		.00000606145493377
Interest Rate		0.22%
Dollar Day Total	\$	196,521,850.93
Quarter End Principal Balance	\$	1,342,900.65
Quarterly Interest Earned	\$	1,191.21



**BILL LOCKYER  
TREASURER  
STATE OF CALIFORNIA**



**PMIA Performance Report**

**LAIF Performance Report**

**Quarter Ending 06/30/14**

Apportionment Rate: 0.22%  
 Earnings Ratio: .00000606145493377  
 Fair Value Factor: 1.00029875  
 Daily: 0.23%  
 Quarter To Date: 0.23%  
 Average Life: 232

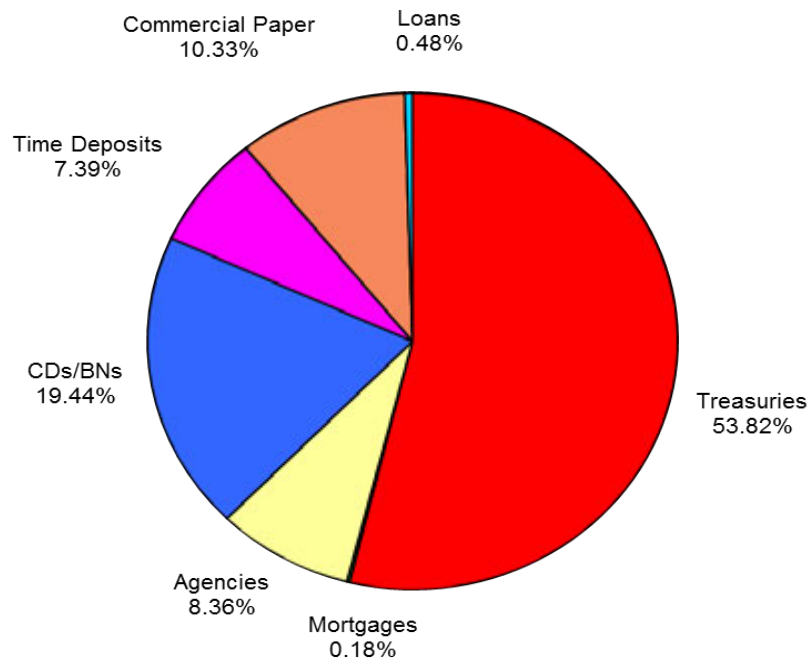
Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
07/01/14	0.24	0.24	246
07/02/14	0.24	0.24	246
07/03/14	0.24	0.24	244
07/04/14	0.24	0.24	244
07/05/14	0.24	0.24	244
07/06/14	0.24	0.24	244
07/07/14	0.24	0.24	241
07/08/14	0.24	0.24	240
07/09/14	0.24	0.24	239
07/10/14	0.24	0.24	238
07/11/14	0.24	0.24	238
07/12/14	0.24	0.24	238
07/13/14	0.24	0.24	238
07/14/14	0.25	0.24	249

**PMIA Average Monthly Effective Yields**

**JUN 2014 0.228%**  
 MAY 2014 0.228%  
 APR 2014 0.233%

\*Daily yield does not reflect capital gains or losses

Pooled Money Investment Account  
 Portfolio Composition  
 \$64.8 Billion  
 06/30/14



**State of California  
Pooled Money Investment Account  
Market Valuation  
6/30/2014**

Description	Carrying Cost Plus		Fair Value	Accrued Interest
	Accrued Interest	Purch.		
United States Treasury:				
Bills	\$ 13,136,457,349.85	\$ 13,142,311,640.16	\$ 13,144,944,000.00	NA
Notes	\$ 21,765,761,447.95	\$ 21,762,865,451.74	\$ 21,781,391,500.00	\$ 16,166,795.00
Federal Agency:				
SBA	\$ 584,701,224.29	\$ 584,694,318.57	\$ 581,690,333.88	\$ 535,156.27
MBS-REMICs	\$ 121,439,884.11	\$ 121,439,884.11	\$ 130,273,911.65	\$ 578,677.42
Debentures	\$ 1,941,833,846.14	\$ 1,941,765,068.37	\$ 1,940,997,500.00	\$ 3,716,195.55
Debentures FR	\$ -	\$ -	\$ -	\$ -
Discount Notes	\$ 2,744,171,045.14	\$ 2,744,520,168.01	\$ 2,744,572,450.00	NA
GNMA	\$ -	\$ -	\$ -	\$ -
Supranational Debentures	\$ 149,917,129.22	\$ 149,917,129.22	\$ 150,039,500.00	\$ 172,222.50
CDs and YCDs FR	\$ -	\$ -	\$ -	\$ -
Bank Notes	\$ 600,000,000.00	\$ 600,000,000.00	\$ 599,930,109.61	\$ 201,305.57
CDs and YCDs	\$ 12,000,093,467.09	\$ 12,000,021,217.09	\$ 11,993,880,805.70	\$ 4,750,965.30
Commercial Paper	\$ 6,697,400,013.90	\$ 6,698,911,680.51	\$ 6,698,100,611.10	NA
Corporate:				
Bonds FR	\$ -	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 4,790,140,000.00	\$ 4,790,140,000.00	\$ 4,790,140,000.00	NA
AB 55 & GF Loans	\$ 314,253,721.22	\$ 314,253,721.22	\$ 314,253,721.22	NA
<b>TOTAL</b>	<b>\$ 64,846,169,128.91</b>	<b>\$ 64,850,840,279.00</b>	<b>\$ 64,870,214,443.16</b>	<b>\$ 26,121,317.61</b>

Fair Value Including Accrued Interest

\$ 64,896,335,760.77

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 (**1.00029875**).  
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 \$20,005,974.99 or \$20,000,000.00 x **1.00029875**.

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

[www.treasurer.ca.gov/pmia-laif](http://www.treasurer.ca.gov/pmia-laif)

June 10, 2014

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

Tran Type Definitions

May 2014 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
5/20/2014	5/19/2014	RW	1432972	NANCY BROADHURST	-50,000.00
5/29/2014	5/28/2014	RW	1433585	NANCY BROADHURST	-940,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	2,162,900.65
Total Withdrawal:	-990,000.00	Ending Balance:	1,172,900.65



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

[www.treasurer.ca.gov/pmia-laif](http://www.treasurer.ca.gov/pmia-laif)  
May 05, 2014

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

Tran Type Definitions

April 2014 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
4/15/2014	4/14/2014	RW	1430533	NANCY BROADHURST	-2,250,000.00
4/15/2014	4/14/2014	QRD	1429611	SYSTEM	3,007.73

Account Summary

Total Deposit:	3,007.73	Beginning Balance:	4,409,892.92
Total Withdrawal:	-2,250,000.00	Ending Balance:	2,162,900.65

August 8, 2014

Rob Kramer, JD, MBA, ARM  
President, Program Administration  
Bickmore  
1750 Creekside Oaks Drive, Suite 200  
Sacramento, CA 95833

**CARMA 2014/2015 Liability Renewal – Alliant Underwriting Fees Annual Disclosure**

Dear Rob:

Alliant is pleased to provide CARMA with full disclosure of compensation that Alliant and its affiliates earned from providing insurance related services. As a result of our settlement involving the Santa Clara litigation we are required to provide this information to our California Public Entity clients annually. A *Disclosure Letter* is provided annually (attached to this letter) that states the percentage amount earned on the policies where we provide special services that have costs in addition to the Broker Fee we earn that is documented in our contract with CARMA. The Broker/Consultant Agreement also requires that we annually disclose all compensation. This letter assures our compliance in providing the specific amounts of compensation versus just the percentages. We will diary this task each year to include the information on a scheduled basis.

As you are aware, CARMA continues to purchase a portion of its liability coverage through the Alliant National Municipal Liability Program (ANML) currently placed with AmTrust. As your retail broker, Alliant earned a fee of \$71,400 from CARMA documented in our Broker/Consultant Agreement. *This fee is equal to a 4.06% commission rate on the placement of all policy limits.* The Underwriting Services Fee earned by Alliant Underwriting Services for CARMA's participation in ANML for the 14/15 program year was 5.83%, or \$66,998.

Please do not hesitate to contact me should you have any questions or require any additional information.

Sincerely,



Seth Cole, ARM  
First Vice President  
Alliant Insurance Services, Inc.  
(415) 403-1419  
[scole@alliant.com](mailto:scole@alliant.com)

Encl.

cc: Michael Simmons, Vice Chairman – Public Entities



June 30, 2014

Rob Kramer, JD, MBA, ARM  
Executive Vice President  
Bickmore Risk Services  
1750 Creekside Oaks Drive, Suite 200  
Sacramento, CA 95833

Line of Coverage: CARMA / Alliant Municipal Liability Program (ANML)  
Effective Date: July 1, 2014

Dear Rob,

Alliant embraces a policy of transparency with respect to its compensation from insurance transactions and a policy of disclosure as to the insurance carriers with which Alliant does business.

In addition to the agreed-to fees that Alliant will receive on this placement, Alliant Underwriting Services will also receive additional compensation from the carrier for providing Underwriting services equal to 5.83%. A fee of \$0 has been included on your invoice for Loss Control, Engineering, Appraisal and/or HR services provided by Alliant Business Services.

Alliant Underwriting Services and Alliant Business Services are internal operating groups of Alliant Insurance Services, Inc.

Alliant has no ownership interest in any of the carriers or any other intermediaries (if any) that were a part of this placement.

Upon written request, Alliant will further disclose all quotes and indications sought and received by Alliant in connection with your insurance placement, and the terms, including any Alliant interest in or contractual agreement with any of the prospective insurers, of all compensation to be received by Alliant.

For additional information please send a written request to:

Alliant Insurance Services, Inc.  
701 B. Street, 6th Floor  
San Diego, California 92101-8156  
Attention: General Counsel

**ADMINISTRATIVE MATTERS**

**SUBJECT: Recap of Excess Coverage Renewal and AmTrust Proposed Coverage Renewal**

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**BACKGROUND AND STATUS:**

Mr. Seth Cole, Alliant Insurance Services, Inc., will be present to discuss the excess coverage renewal with the Board.

**RECOMMENDATION:**

*None.*

**REFERENCE MATERIALS ATTACHED:**

- Letter Regarding CARMA 2014/2015 Liability Renewal Recap
- Reinsurance Binder Confirmation from AmTrust Reinsurance
- Excess Binder Confirmation from Colony National Insurance Company

August 29, 2014

Rob Kramer, JD, MBA, ARM  
President, Program Administration  
Bickmore  
1750 Creekside Oaks Drive, Suite 200  
Sacramento, CA 95833

**CARMA 2014/2015 Liability Rate Stabilization Plan**

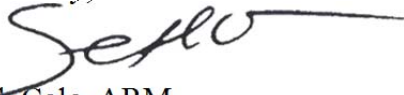
Dear Rob:

CARMA's liability reinsurance layer (\$10 million xs \$4 million) renewed with AmTrust effective July 1, 2014-15. The expired policy included a Rate Stabilization Plan (2-year premium guarantee); the premium for the renewal was 2% higher.

AmTrust has offered a new Rate Stabilization Plan (2-year premium guarantee) for the current policy term where the FY 15/16 renewal premium would be 2% higher, subject to the terms of the Rate Stabilization Plan, similar to the expired Rate Stabilization Plan.

Attached to this letter is the draft 2014-15 Rate Stabilization Plan offered by AmTrust for CARMA's consideration. I look forward to discussing with you and the Board at the September meeting. Please let me know if you have any questions in the meantime.

Sincerely,



Seth Cole, ARM  
First Vice President  
[scole@alliant.com](mailto:scole@alliant.com)

cc: Michael Simmons, Vice Chairman – Public Entities



AmTrust Underwriters  
An AmTrust Financial Company

## California Affiliated Risk Management Authorities (CARMA) 20132014/2014-2015 Rate Stabilization Plan

This agreement is made this \_\_\_ day of ~~June~~September, ~~2013-2014~~ by and between Wesco Insurance Company and The California Affiliated Risk Management Authorities (CARMA).

CARMA agrees to have Wesco Insurance Company provide Reinsurance of The California Affiliated Risk Management Authorities Liability Program and Wesco Insurance Company agrees to provide such reinsurance, according to the terms and subject to the conditions herein and in the Reinsurance Contract issued by Wesco Insurance Company. In no way shall this agreement alter or modify the Reinsurance Contract issued by Wesco for CARMA and to the extent that any provision of this agreement shall be inconsistent with any provision of the Reinsurance Contract, then the provision of the Reinsurance Contract shall control and such inconsistent provisions shall be deemed amended, so that, as amended, such provisions shall be consistent with the provisions of the Reinsurance Contract.

### Terms and Conditions

- A. Length of Agreement  
Wesco Insurance Company and CARMA agree to a Two-Year program, consisting of two, one-year contracts, beginning 07/01/~~2013-2014~~ and expiring no earlier than 07/01/~~20152016~~, unless otherwise terminated pursuant to the Reinsurance Contract or terms of this agreement.
- B. Agreement Terms  
The Excess Liability Premium -for the 07/01/~~2013-2014~~ to 07/01/~~2014-2015~~ term was ~~\$1,083,333-1,105,000~~ as defined in the Reinsurance Contract. The Excess Liability Premium -for the 07/01/201~~5~~4 to 07/01/201~~6~~5 terms will be 2% higher or ~~\$1,105,000~~1,127,100.
- C. Items Not Subject to the Agreement  
a. Taxes, Assessments and Surcharges imposed by state regulators for any purpose are not subject to this agreement.



AmTrust Underwriters  
An AmTrust Financial Company

D. Agreement Conditions

- a. The program structure including program limits, program attachments, and financial terms and conditions remains the same for the length of the agreement; and
- b. There is no material change in the underlying CARMA Liability Memorandum of Coverage without approval from AmTrust; and
- c. There is no material change in the operations or exposures of CARMA defined as entry into another operation other than cities and/or special district risks; and
- d. ~~None~~ of the lines of insurance/coverages covered by this agreement are cancelled or non-renewed by either party.

E. Termination of Agreement

This Rate Stabilization is agreed to by both AmTrust and CARMA. The parties can opt out of this rate stabilization under the following conditions.

- i) CARMA will have the option to opt out of the program if AmTrust exits the Public Entity marketplace or AmTrust's AMBest rating drops below A-.
- ii) AmTrust will have the option to opt out of the program if the Reported Layer Losses (losses excess of \$4,000,000 Retained Limit) valued as of 12/31/2014 for PY 2011-2012, PY 2012-2013, PY 2013-2014 and PY ~~2013-2014~~ 2014-2015 exceed \$1,000,000, or if CARMA expands outside of cities and/or special district risks, or if the payroll in the CARMA program changes by more than 10% in any one year.

Reinsurer: Wesco Insurance Company

Name:

Title:

Date:

Signature:

Cedent: California Affiliated Risk Management Authorities (CARMA)

Name:

Title:

Date:

Signature:

**ALLIANT UNDERWRITING SERVICES**

**REINSURED:** California Affiliated Risk Management Authorities (CARMA) and the following members:

Bay Cities Joint Powers Insurance Authority (BCJPIA)  
 Central San Joaquin Valley Risk Management Authority (CSJVRMA)  
 Monterey Bay Area Self Insurance Authority (MBASIA)  
 Municipal Pooling Authority of Northern California (MPA)  
 Vector Control Joint Powers Agency (VCJPA)

**ADDRESS:** 1750 Creekside Drive, Suite 200  
 Sacramento, CA 95833

**POLICY PERIOD:** July 1, 2014 to July 1, 2015  
 At 12:01 AM standard time at the address of the Reinsured

**CARRIER:** Wesco Insurance Company (AmTrust Financial Group)

**FORM:** Facultative Reinsurance of California Affiliated Risk Management Authorities Memorandum of Coverage (7/1/14 ed.)

**BASIS OF ACCEPTANCE:** Excess of Loss

**CONTRACT NUMBER:** WPP1028723 03

**MOC LIMIT:** \$10,000,000 Each occurrence and aggregate where applicable in excess of MOC

**MOC RETENTION:** \$4,000,000 Each occurrence

**REINSURANCE OFFERED:** \$10,000,000 Each occurrence and aggregate where applicable in excess of retained limit  
 \$10,000,000 Annual Aggregate for Property Damage as respects coverage for subsidence, per Member JPA of CARMA, in excess of retained limit

**ANNUAL PREMIUM:** \$1,105,000 Annual Premium

**COMMISSION:** 0% Net

**AMWINS FEE:** \$44,200 (AmWINS fee is in addition to annual premium)

**TOTAL PREMIUM & FEE:** \$1,149,200

**QUOTE SUBJECT TO:**

1. Acceptable review of CARMA Memorandum of Coverage for 2014-2015 prior to binding. Any change in MOC from 2013-2014 may alter Wesco premium, terms and or conditions
2. Premium payment is due and payable within 20 days from the Effective date.
3. 25% Minimum Earned Premium
4. Maximum liability for Property Damage arising from Subsidence coverage, regardless of the number of occurrences shall not exceed a policy aggregate of \$10,000,000 for each Member JPA of CARMA
5. Any change in claim servicing must be prior approved by AmTrust.

**FORMS & ENDORSEMENTS:**

1. Schedule of Endorsements
2. Schedule of Participating Members Endorsement
3. War Exclusion Endorsement
4. Notification of Claim or Suit Endorsement
5. MOC Sublimit/Limits Less than Retention Limitation Endorsement (Exclude any amount of loss, cost, or expense that is subject to (1) Any sublimit(s) in the MOC and/or (2) Any Limits(s) of Coverage in the MOC that is less than the MOC Retention amount)
6. Property Damage from Subsidence Endorsement





DATE PREPARED: 6/26/14

**NOTE: THIS BINDER IS FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT AMEND, EXTEND OR ALTER THE POLICY IN ANY WAY. PLEASE REFER TO THE POLICY FORM FOR COMPLETE COVERAGE AND EXCLUSION INFORMATION.**

This binder is provided on the basis that all information given to Insurer by or on behalf of the Insured in its underwriting submission and/or in its responses to the underwriter's requests for information is reliable, truthful, and complete to the best of the Insured's information and knowledge. The Insurer relies on the "duty of disclosure" as it exists under applicable law, and rejects any attempt to negate that duty wholly or partially. The Insured, by accepting this binder, waives the effect of any purported disclaimers of the Insured's duty to disclose to underwriters all material facts to the best of its knowledge that may be contained in such submission or in its responses to questions or requests for information, or in emails, cd roms, or internet websites used in providing or transmitting underwriting information.

Sincerely,

Alliant Specialty Insurance Services

## Casualty Excess Binder

Date: 6/24/2014  
 To: CRC/CRUMP - SF (CALIFORNIA ST)  
 Attn: Dennis Gamble

**RISK BOUND**

Policy #: AR6460089  
 Effective: 7/1/2014  
*Per terms and conditions listed herein.*

Insured: CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES (CARMA) C/O BICKMORE RISK SERVICES  
 Expiring Pol. #: AR6460089  
 Insurance Co.: Colony Insurance Company  
 Rated A XII by AM 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 binder:**

**NOTE: Coverage to be written on an excess policy.**

**The underlying General Liability is on an occurrence form.**

Policy Limit: \$15,000,000 Excess of: \$14,000,000 Annual Premium: \$520,000 Terrorism Coverage Prem.: N/A Annual Total Prem. w/Terr. Cov.: N/A Minimum Earned: 25% Policy Term: 12 months Terrorism Rejected	Each Occurrence Limit Aggregate Limit CA Surplus Lines Tax (3%): \$15,600.00 CA Stamping Fee (.2%): \$1,040.00 (100% Minimum & Deposit)
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The underlying policies from the schedule of underlying limits noted below are due within 60 days of inception. At 60 days from inception, without further notice, we will forward a Notice of Cancellation if any outstanding underlying policies are not received by Colony Specialty. *Employers Liability policies are exempt.*

**Schedule of Underlying Limits**

Our binder is based upon the following underlying requirements placed with a carrier rated A- (VI) or better by A.M. Best's:

<b>Excess Liability</b>			
Limit:	\$10,000,000	Each Occurrence and aggregate where applica	
	\$10,000,000	Aggregate	Subsidence
			Defense Inside
Excess of:	\$4,000,000	(3M CARMA Retained Limit XS 1M JPA SIR P	
Reinsurer	Wesco Insurance Company		
<input type="checkbox"/>	Claims-Made		

**ADDITIONAL INFORMATION OR REMARKS:**

Underlying Wesco Insurance Company (AmTrust Financial Group).

Please note we will no longer show underlying policy information including policy number and effective/expiration dates on the Schedule A-Schedule of Underlying Insurance. We require a Signed Acord application, copy of the primary General Liability policy (if not Colony) including any non-ISO endorsements, copy of Auto policy (including auto schedule) and copy of the Employers Liability policy dec page. Other underlying policies may be requested.

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

If Coverage applies on a Claims Made basis an Optional Extended Reporting period available if policy is terminated or not renewed; restrictions apply.

**FORMS:** In addition to the standard policy terms and conditions, the following endorsements and/or exclusions will be attached to the policy:

- |  |  |
|--|--|
| TRIA2002Notice-0108 Policyholder Disclosure  | XP205-0911 Excl-Obligations of Underlying Ins          |
| XP0002-0607 Excess Liability Policy  | XP40-0902 ERISA Exclusion                              |
| XP0002DAS-0605 Declarations-Excess Liability Policy                                  |  |
| U001-1004 Schedule of Forms and Endorsements   |  |
| Schedule AAS-0808 Schedule of Underlying Insurance                                   | XP2123-0902 Nuclear Energy Liab Excl Endt (Broad Form) |
| IL0017-1198 Common Policy Conditions   | XP2127-0212 Exclusion-Fungi Or Bacteria                |
| U002A-0212 Minimum Premium   | XP57-0107 Amendment of Ins. Agreement-Known Inj/Dmg    |
| U094-0613 Service of Suit  |  |
|  | XP103-0605 Cross Suits Exclusion                       |
|  | XP214-0212 Excl-Silica Or Silica-Related Dust          |
| XP08-0902 Employment Related Practices Excl  | XP200-0904 War Liability Exclusion                     |
|  | U173-0702 Cancellation - 10/30 Days Notice             |
| XP45A-0902 Exclusion - Professional Services   |  |
| XP125-0410 Excl-Violation of Statutes that Govern E-mails, Fax, Phone Calls or Other | XP03-0902 Care, Custody and Control Excl               |

PrivacyNotice-0213 Privacy Notice

ILP001-0104 OFAC Advisory Notice to Policyholders

**Terrorism Endt:** XP2128B-0711 Cert. Acts of Terr. & Other Acts of Terr. Excl.  
CX2129-1013 Cond Excl of Terr (Rel to Disp of Fedl TRIA)

**FORM WORDING (If Applicable):**

XP204-0711 Excl-Designated Entity(ies)

THE VECTOR CONTROL JOINT POWERS AGENCIES (VCJPA)

XP192-0710 Amendatory- Limits of Insurance

CAPRNotice-0911 CA Notice-Premium Refunds; D2-0711 California Notice

**SUBJECTIVITIES:**

This binder is subject to the following conditions. Failure to comply with these conditions may result in any policy bound or issued being cancelled.

If the underlying details are not as outlined above for any reason or if any conditions of this quote are not met, this quote and any binder or policy issued pursuant to it are invalid, and we reserve the right to withdraw, rescind, or to revise our price and terms for this insurance.

NOTE: If underlying coverage and/or other requested information is not received within sixty (60) days, the Company may elect to send Direct Notice of Cancellation.

Prior to binding, we will require signed TRIA form.

Prior to binding, we will require signed Acord application.

**ADMINISTRATIVE MATTERS**

**SUBJECT: Review of the CARMA Goals and Objectives for 2014**

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**BACKGROUND AND STATUS:**

At the 2014 Annual Workshop, the Board of Directors established the following goals and specific actions for the 2014/2015 year:

1. Continue to develop the uses of equity;
2. Continue to market internally and externally; and
3. Consider the length of the maturity benchmark for the investment portfolio.

The 2014/2015 strategic goals and action item list is attached to this report. Staff will provide an update on the status of each of the above goals at the meeting.

**RECOMMENDATION:**

*None.*

**REFERENCE MATERIALS ATTACHED:**

- CARMA 2014/2015 Strategic Goals & Action Item List

**California Affiliated Risk Management Authorities  
2014/2015 Strategic Goals & Action Item List**

<u>Target Date</u>	<u>Person Responsible</u>	<u>Action Item</u>	<b>Status</b>			<b>Comments</b>
			<b>Done</b>	<b>Revise</b>	<b>On Target</b>	
<b>Continue to develop the use of equity</b>						
September 2014	Staff	The Board to review various options, including establishing a mid-layer pool, returning funds, and holding funds.			X	In process.
<b>Continue to market internally and externally</b>						
On-going	Staff/Board	The Board established the goal to continue to market internally and externally.			X	In process.
<b>Consider the maturity benchmark for the investment portfolio</b>						
April 2014	Staff	The Board considered a change in its investment portfolio benchmark to the Merrill Lynch 0-5 Year Treasury Index from the Merrill Lynch 1-3 Year Treasury Index.	X			Complete. The Board approved the proposed change at the April 16, 2014, Board meeting.

**ADMINISTRATIVE MATTERS**

**SUBJECT: Discussion Regarding the 22nd Board of Directors' Annual Workshop on January 8-9, 2015, at Bodega Bay Lodge & Resort**

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**BACKGROUND AND STATUS:**

At the June 18, 2014, Board of Directors' meeting, the Board established meeting dates for the 2014/2015 Fiscal Year, including the Annual Workshop and Board of Directors' Meeting to be held in Bodega Bay on January 8-9, 2015.

Included with this report for the Board's discussion is a draft agenda for the January 8, 2015, CARMA Board of Directors' Workshop. Staff is seeking input as to any additional topics which should be included on the agenda and the format for the Workshop.

**RECOMMENDATION:**

*The Board of Directors to provide direction as to the content and format the Board desires for the January 2015 Workshop.*

**REFERENCE MATERIALS ATTACHED:**

- Draft Agenda for the January 8, 2015, Annual Workshop



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 RKramer@bickmore.net

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

**22<sup>nd</sup> ANNUAL WORKSHOP  
A G E N D A**

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

**Thursday, January 8, 2015  
11:00 a.m. – 5:00 p.m.**

**PAGE**

- A. Introductions and Welcome – President Tim Przybyla
- B. Strategic Exercise:
- C. Current Status of CARMA
  - 1. History and Accomplishments
  - 2. Review of 2014 Action Plan
- D. Measurements of How We Are Doing
  - 1. Claims – Frequency and Severity Analysis
  - 2. Financial Benchmarks
    - Target Equity Ratios as of June 30, 2014
    - Retrospective Adjustment Calculation as of June 30, 2014
    - Financial Review
- E. Challenges and Concerns for 2015
  - 1. State of the Market Presentation
  - 2. Analysis of Ex-Modification Factor Process
  - 3. Further Analysis of Mid-Layer Pool
- F. Strategies and Initiatives for 2015



G. Service Provider Evaluations – Board of Directors

1. Actuary: Bay Actuarial Consultants
2. Administrator: Bickmore
3. Board Counsel: Farmer, Smith, & Lane LLP
4. Broker of Record: Alliant Insurance Services
5. Claims Auditor: Farley Consulting Services
6. Financial Auditor: Sampson, Sampson, & Patterson LLP
7. Financial/Investment Advisor: Public Financial Management (PFM)

H. Closing

**ADMINISTRATIVE MATTERS**

**SUBJECT: Review of Liability Claims Audit Proposals**

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**BACKGROUND AND STATUS:**

Following a review of service providers at the January 9, 2014, Annual Workshop, the Board of Directors requested staff prepare a Request for Proposal (RFP) for Claims Audit Services.

The RFP developed by staff, was approved by the Board at its June meeting and was subsequently distributed to six potential providers: Angela Livingston Collaborations; Aon Global Risk Consulting; Farley Consulting Services; North Bay Associates; PMG Risk; and Susan Wright and Associates.

Staff received proposals from Aon Global Risk Consulting and Farley Consulting Services. Angela Livingston Collaborations declined to respond and the remaining three firms did not respond.

Staff has developed a summary of the two received proposals for the Board's consideration. Included for the Board's reference is the summary highlighting key information about each firm and information contained within their proposal.

After reviewing the information, the Board may take action by selecting a firm to provide the claims audit services or may proceed with an in-person interview process.

**RECOMMENDATION:**

*Review proposals and provide direction to staff.*

**REFERENCE MATERIALS ATTACHED:**

- Summary of Responses
- Proposal from Aon Global Risk Consulting
- Proposal from Farley Consulting Services

**CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES**  
**Summary of Responses to Request for Proposal for Liability Claims Audit Services**  
**August 2014**

<b>Firm/Proposer</b>	<b>AON Risk Solutions</b>	<b>Farley Consulting Services</b>
<b>Address</b>	199 Fremont St., Ste. 1500 San Francisco, CA 94105	P.O. Box 5928 Oceanside, CA 92052
<b>Contact Information</b>	Craig Bowlus, Managing Director P: (415) 486-7428	Tim Farley, CPCU, President P: (760) 435-9272
<b>Cost</b>	\$43,000 for all services (one expanded scope audit)	<ul style="list-style-type: none"> <li>• 2015 (expanded scope) - \$29,400</li> <li>• 2016 (standard scope) - \$18,500</li> <li>• 2017 (expanded scope) - \$29,400</li> </ul>
<b>Comply with RFP Scope</b>	Yes	Yes
<b>Conflict of Interest</b>	Addressed and no conflicts noted.	Not addressed.
<b>Assigned Staff</b>	Craig Bowlus	Tim Farley
<b>Experience</b>	35 + years	31+ years
<b>Similar Assignments within the Past Year</b>	California Joint Powers Risk Management Authority Enduris Schools Excess Liability Fund	Association of California Cities Excess Liability Independent Cities Risk Management Authority San Diego Pooled Insurance Program Authority
<b>References</b>	California Joint Powers Risk Management Authority Enduris Schools Excess Liability Fund	Association of California Cities Excess Liability Independent Cities Risk Management Authority San Diego Pooled Insurance Program Authority

Notes: North Bay Associates, PMG Risk, and Susan Wright and Associates did not respond.  
Angela Livingston Collaborations declined to respond.

*Proposal for California Affiliated Risk  
Management Authorities (CARMA)*

*August 15, 2014*

Jeffery M. Rogers, ARM  
*Director, Global Risk Consulting*

Aon Risk Solutions  
199 Fremont Street  
Suite 1500  
San Francisco, CA 94105  
t: 415.486.7428 | m: 415.539.7312

**COPY**

Submitted by:  
Aon Risk Insurance Services West, Inc. | License No. 0363334  
199 Fremont Street, Suite 1500 | San Francisco, CA 94105 | [www.aon.com](http://www.aon.com)

**AON**



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## Consultant Corporate Data

### Recent Similar Services

Aon has been providing claims auditing services for the Public Sector in general and pools in particular for over 25 years. Over the last year, our selected claims consulting team had successfully conducted liability claims audits and reported our findings for the Alliance of Schools for Cooperative Insurance Programs (ASCIP), Self-Insured Schools of California (SISC), and California Joint Powers Risk Management Authority (CJPRMA). These claims audits assessed the effectiveness of claims administration, staffing, compliance, as well as provided recommendations for improving their programs.

### Project Staff and Qualifications

The project would be managed and the audit report written by Craig Bowlus. His qualifications follow.

<b>Current Responsibilities:</b>	Leader of Aon's Risk Pooling practice group. Responsible for making all of Aon Risk Solutions' placement, consulting, auditing, technology and benefits capabilities available to our pooling clients.
<b>Special Areas of Expertise:</b>	Municipalities, Special Districts, Schools, Self-Insurance Groups, Native Governments and Risk Retention Groups
<b>Prior Industry Experience:</b>	Risk consulting for the public sector since 1978. Trained as a multi-line adjuster at Continental Insurance Company and then handled large property and liability claims while at Toplis & Harding (now VeriClaim) for 14 years. With Marsh Risk & Insurance Services for ten years prior to Aon, providing brokerage consulting and claims auditing for insured and self-insured clients with an emphasis on the Public Sector and Higher Education. Twice named a "Power Broker" by Risk and Insurance magazine.
<b>Education / Professional Designations / Affiliations:</b>	BS, University of California, Davis Associate in Risk Management (ARM) Professional Liability Underwriting Society (former Chair, Bay Area Chapter) Association of Government Risk and Insurance Pools California Association of Joint Powers Agencies Public Risk and Insurance Management Association

## Our Firm

Aon plc was founded on December 12, 1979, in Chicago. Our headquarters moved to London in April of this year. Aon is the leading provider of risk management, reinsurance brokerage, and human resource consulting, with over \$11.3 billion in revenue generated through more than 120 countries.

Although Aon is a major leader in virtually every market it serves, size is not our primary goal. We aim to be the world's most responsive, client-focused insurance and consulting services company. This approach has brought consistently strong year-over-year growth and stability to our firm.

Backed by vast resources, industry knowledge and technical expertise, Aon professionals help a wide range of clients, including risk pools and educational institutions, develop effective risk management and workforce productivity solutions.

### Aon's Experience with Public Entities

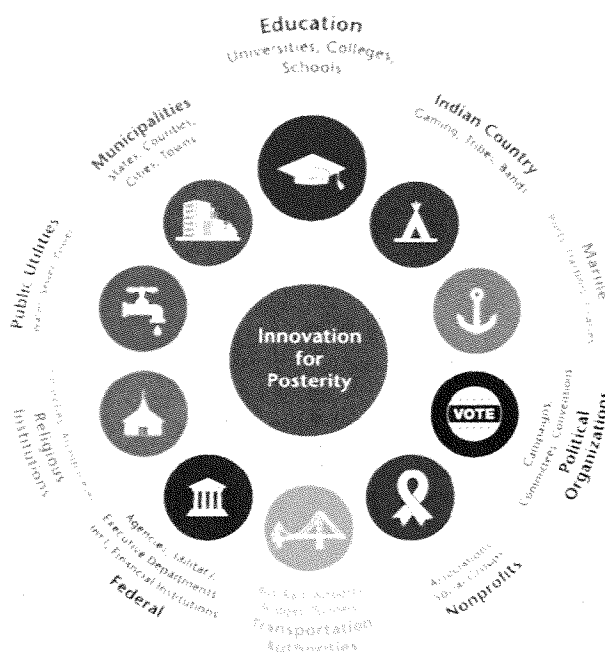
Through working with over 600 public entity clients we are highly networked with public entity markets and the senior professionals in both claims and underwriting who manage the coverage lines included in your audit. This will be important if your insurers or excess insurers are following the result of your audit.

### National Public Sector Practice

Shrinking budgets and staff, new regulations and increased demand for services are forcing today's risk management professionals to do more with less. In addition, technological advances and deferred maintenance decisions continue to stress the existing infrastructure on many public campuses and change both the levels and types of risk present. To address these challenges, Aon Risk Solutions turns to its Public Sector Practice, a team of professionals serving our governmental, quasi-governmental and other public sector clients.

Aon's Public Sector Practice has developed solutions for many clients. In the United States alone, we have strong, long-term relationships with all of the risk profiles shown in the graphic at left. This broad experience allows us to more fully understand our client's diverse exposures. We also partner with other practices to supplement our own expertise.

Nationally, the practice has a network of more than 75 colleagues who serve in account management, brokerage, sales, claims, risk control, actuarial and various other areas of expertise. As the National Practice Leader,



William Becker coordinates the Practice's efforts and lends over 20 years of expertise specializing exclusively on public sector. Moreover, our national group is part of a global network of public sector practices that includes Canada, the United Kingdom and Australia. Aon professionals in these countries share information and insight, enabling our clients to remain informed of global trends.

### Risk Pooling Practice

Pools require a risk management partner that can do far more than just place insurance policies. The risk retention and transfer solution must be tailored to the unique financial, coverage and service needs of each pool. To better serve the needs of entities like OMAG, Aon formed the Risk Pooling Practice. Only Aon offers the distinct combination of brokerage, consulting and 21<sup>st</sup>-century technology services and products for both Property & Casualty and Health & Benefits that will help your pool excel now and in the future.

Helping pools meet their objectives requires solid expertise on a broad range of financial, operational, legal, risk management and regulatory issues. The Risk Pooling Practice incorporates professionals from around the country which bring specialized expertise providing the following services for pooling clients:

- Retail, Wholesale and Reinsurance Brokerage
- Actuarial Science
- Risk Management Consulting
- Underwriting
- Loss Mitigation and Engineering
- Claims Management and Claims Auditing
- Modeling and Analysis of Claims
- Software Technology
- Membership
- Marketing and Branding
- Thought Leadership and Education

### References

Aon has provided a large number of public sector self-funded pools and municipalities with claims audits. For the purpose of this response we will limit our references to entities that Mr. Bowlus has worked with.

#### **California Joint Powers Risk Management Authority**

David Clovis, Executive Director: [david@cjprma.org](mailto:david@cjprma.org)

General liability claims auditing an excess pool comprised of 100 municipalities for the last 16 years. Annually, 100 – 110 open and closed files per year are involved.

#### **Enduris**

Mark Kammers, Executive Director: [mkammers@enduris.org](mailto:mkammers@enduris.org)

An annual audit of property and general liability files for a pool of over 400 special districts, ports and water districts for the last 14 years. Typically, 25 – 35 files are reviewed.



### **Schools Excess Liability Fund**

Eric Lucas, Executive Director: [eric@selfjpa.org](mailto:eric@selfjpa.org)

General liability auditing at both the excess and member levels. Mr. Bowlus has provided auditing services to SELF since the 1990s. File counts vary, depending on whether the primary or excess layer is involved.

## **Conflict of Interest**

Aon has no conflict of interest, apparent or real, which would prohibit or affect our ability to carry out the services described in our proposal.

## **Work Plan**

Our audit sample will comply with the provisions in the RFP relative to the number and distribution of files. Our audit platform is highly flexible, and scoring can be modified to meet CARNA's specific needs and expectations. We can comply with all of the conditions outlined in your RFP regarding reporting on administration, personnel and payments. We routinely evaluate staff functions and capabilities, as well as program oversight and accountabilities. Importantly, in addition to understanding claims management, we have a clear understanding of the overarching issues that drive the decisions that claims managers and adjusters in the public sector make and factor those into our analysis. Included in a typical audit are:

- Evaluate staffing qualifications
- Review housekeeping
- Analysis of supervision of adjusters and files
- Review workflow including file documentation, diary and follow up procedures
- Review staff caseloads
- Evaluate claim set up and investigation procedures
- Analysis of reserving policy and accuracy
- Review processing as it relates to payment procedures and accuracy
- Review litigation management
- Evaluate case resolution strategies

**Deliverable Results:** A business evaluation that determines the compliance of your claims staff to internal procedures and public sector industry standards. Deliverables will include recommendations to improve compliance, if applicable. The on-site evaluation report will be documented in the findings report.

## Compensation

Aon is prepared to undertake this audit and prepare a report summarizing the findings and suggestions for CARMA for \$43,000. This would include all expenses, which are expected to be minimal.

Thank you for considering Aon for this project. Should you have any questions or comments, please do not hesitate to contact us.

Jeffery M. Rogers, ARM  
*Director, Global Risk Consulting*

Aon Risk Solutions  
199 Fremont Street  
Suite 1500  
San Francisco, CA 94105

## Addendum: Sample Audit Information

### Claims Audit

Scoring by Components with Financials  
2012-2013

### SAMPLE TPA

Claims Reviewed:	<b>200</b>	Actual Reserves:	<b>\$6,829,669</b>
Incurred:	<b>\$20,006,199</b>	Recommended Reserve:	<b>\$6,756,631</b>
Paid:	<b>\$13,176,530</b>	Net Reserve Change:	<b>(\$73,037)</b>

Red indicates the score for that component did not meet or exceed target.

Components	Claims # Graded	Number of Responses			Weighted		Score Pct	Target Pct
		Yes	No	N/A	Actual	Possible		
01 Caseloads	200	397	0	3	397	397	100%	100%
02 Case Review/Documentation	195	682	43	475	682	725	94%	95%
03 Compensability	60	83	4	513	83	87	95%	100%
04 Initial Contacts	48	189	18	993	189	207	91%	95%
05 Payments	140	300	12	1,888	300	312	96%	100%
06 Medical Administration	133	375	13	1,212	375	388	97%	95%
07 Apportionment	19	25	3	372	25	28	89%	95%
08 Litigation	30	68	8	924	68	76	89%	95%
09 Subrogation	7	11	6	983	11	17	65%	95%
10 Vocational Rehabilitation/SJDB	1	2	0	1,998	2	2	100%	95%
11 Excess Insurance	2	5	0	1,195	5	5	100%	100%
12 Reserves	192	746	44	1,210	746	790	94%	95%
13 Resolution	70	110	17	473	110	127	87%	95%
14 Supervision	185	252	93	55	252	345	73%	95%
Overall		3,245	261	12,294	3,245	3,506	93%	95%



August 14, 2014

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

Attn.: Mr. Rob Kramer

*by email: rkramer@bickmore.net*

## **CARMA Audit Proposal – 2014**

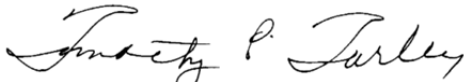
Dear Rob,

This document presents Farley Consulting Services' proposal to conduct annual audits for the California Affiliated Risk Management Authorities (CARMA) for the next three years (2015-2017).

Please contact the undersigned with any questions regarding this proposal.

All information presented in this proposal is valid for 90 days from the proposal due date (8/15/14).

Sincerely,

  
Timothy P. Farley, CPCU

# Proposal for Claims Audit Services

for

## California Affiliated Risk Management Authorities

# CARMA

August 14, 2014



**F A R L E Y**  
CONSULTING SERVICES, LLC

P.O. Box 5928 ~ Oceanside, CA 92052  
Phone: 760.435.9272 ~ Fax: 760.722.1760  
[farleyconsulting@cox.net](mailto:farleyconsulting@cox.net)

**An Independent Claims Management  
Consulting Firm**

## I. Consultant Corporate Data

### A. Project Team

FCS is an *independent* claims management consulting firm headquartered in Oceanside, California. FCS accepts no assignments from nor is it affiliated in any way with agents, brokers, or claims administration firms.

**Timothy P. Farley, CPCU**, will perform all elements of this project. Mr. Farley has more than 31 years of claims administration experience, the past 23 as an independent consultant for entities such as CARMA.

Mr. Farley has completed more than 800 similar audits.

### B. References

FCS has provided similar services to the following entities and encourages CARMA to contact the listed individual to discuss FCS's work product:

- Association of California Cities Excess Liability (ACCEL)  
FCS completes an annual audit of all 14 members of this California municipal pooling entity. Members include the cities of Anaheim, Santa Monica, Santa Barbara, and Mountain View.  
Contact: Mr. Conor Boughey (415) 403-1411
- Independent Cities Risk Management Authority (ICRMA)  
FCS completes a comprehensive audit of all 28 members of this metropolitan Los Angeles municipal pooling entity every other year. Each member receives its own break out report. A comprehensive summary report is also developed.  
Contact: Ms. Beth Lyons (800) 541-4591
- San Diego Pooled Insurance Program Authority (SANDPIPA)  
FCS completes a comprehensive audit of the general liability claims for all nine members of this municipal insurance pool every two years. The last audit was completed in April 2014.  
Contact: Ms. Laura Seiler (760) 738-7010

Additional references are available, if requested.

## II. Work Plan

### A. Scope of Audits

FCS acknowledges all 25 required areas of evaluation presented in the request for proposal. FCS routinely incorporates these factors into its audit format and assures CARMA that each of areas of claims administration is considered.

The annual audit will, of course, continue to incorporate the findings of all the CARMA members and the excess files at Bickmore.

The proposed expanded audit process will require a separate audit and report for each CARMA member and a comprehensive report summarizing findings of all CARMA members.

### B. Audit Size

The request for proposal provides typical sample sizes for each CARMA member. These audit sample sizes are similar to past CARMA audits. Those sample sizes were considered when tabulating the proposed audit fees.

FCS will alternate the scope of the project each contract year. FCS anticipates the 2015 audit will require an “expanded” scope where each member is provided its own break out report. Accordingly, the 2016 project will entail the review of roughly the same number of claims for each member, but only the creation of a comprehensive report detailing each member’s findings in separate report sections.

### C. Audit Timing

The RFP indicates CARMA does not anticipate contract execution until January 2015. Accordingly, FCS will begin each annual project sometime in February of each year. Attendance at CARMA’s annual April Board meeting is also anticipated.

### D. Compensation

FCS proposes the following fees:

- 2015 (expanded scope) – \$29,400
- 2016 (standard scope) – \$18,500
- 2017 (expanded scope) – \$29,400

Any additional services requested outside the scope of these audits will be billed at a fee agreed to by CARMA and FCS.

FCS requests the approval to issue an invoice for half the project fee at project inception. The balance will be invoiced after submission of the final report.

### **III. Insurance Requirements**

FCS maintains the required insurance and will provide proof when the project commences. Mr. Farley is the sole employee of FCS. Accordingly, he is not required to maintain workers' compensation insurance.



# Resume

## Timothy P. Farley, CPCU President

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### EXPERIENCE

**FARLEY CONSULTING SERVICES** – 2000 to present

President and primary consultant of national, independent claims management consulting firm.

**ADVANCED RISK MANAGEMENT TECHNIQUES, INC.** – 1991 to 2000

Senior Claims Consultant. Consultant to various corporations and public agencies on risk management subjects, with an emphasis on claims audits, claims administrator selection and evaluation, and other claims management issues.

**ALEXANDER & ALEXANDER** – 1989 to 1991

Marketing Manager. Responsible for market placement of all new and renewal retail business.

**TRANSCO INSURANCE SERVICES** – 1988 to 1989

Home Office Claims Supervisor. Supervision of independent claims adjusting firms handling litigated liability claims, including products liability and construction defect claims. Duties also included reports to various members of reinsurance treaties.

**INSURANCE CO. OF THE WEST** – 1986 to 1988

Claims Supervisor. Supervision of claims unit handling liability, automobile, and workers' compensation claims.

**USF&G INSURANCE CO.** – 1983 to 1986

Claims Adjustor. Responsible for full handling of property, liability and workers' compensation claims from first report to final resolution.

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### ACADEMIC BACKGROUND

University of Wisconsin – Madison, Wisconsin  
Graduate level courses on risk management

Western State University College of Law  
Graduate level courses in contracts, torts, civil procedures, property and criminal law

University of Wisconsin – La Crosse, Wisconsin  
Bachelor of Science degree in Business Administration  
Academic All-American

American Institute for Property and Liability Underwriters, Inc.  
Chartered Property Casualty Underwriter (CPCU) designation  
Instructor CPCU 1 and 6

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### PROFESSIONAL SOCIETIES

Society of Chartered Property Casualty Underwriters

**FINANCIAL MATTERS**

**SUBJECT: Consideration of the June 30, 2014, Independent Financial Audit Prepared by Sampson, Sampson, and Patterson, LLP**

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**BACKGROUND AND STATUS:**

The financial audit for the year ending June 30, 2014, which was prepared by Sampson, Sampson, and Patterson, LLP, is attached for the Board's consideration. Mr. Bill Patterson, Partner at Sampson, Sampson, and Patterson, LLP, will be in attendance to review the financial audit with the Board and answer any questions.

**RECOMMENDATION:**

*Staff recommends the Board of Directors accept and file the June 30, 2014, audit report as presented.*

**REFERENCE MATERIALS ATTACHED:**

- Auditor's Letter to the Governing Board
- Draft 2014 Financial Audit Report

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9/4/14

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

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REPORT ON AUDITED  
FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

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YEAR ENDED JUNE 30, 2014

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Claims development information	28-29
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INDEPENDENT AUDITOR'S REPORT

Governing Board  
California Affiliated Risk Management Authorities  
Sacramento, California

We have audited the accompanying financial statements of California Affiliated Risk Management Authorities (CARMA) as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise CARMA's basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the financial statements of CARMA for the year ended June 30, 2013, and in our report dated September 6, 2013, we expressed an unqualified opinion on those financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CARMA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CARMA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, 2014, and the changes in financial position and cash flows for the year then ended in accordance 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and claims development information on pages 3 through 12 and 27 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated , 2014 on our consideration of CARMA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CARMA's internal control over financial reporting and compliance.

# CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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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, 2014. 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 seventeen 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, 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 and litigation 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 layer 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.

### **2013/2014 Highlights**

- The Board of Directors approved an equity distribution in the amount of \$5.4 million for program years 2001/2002 through 2007/2008. This dividend release represented a return of equity at the 80% confidence level for current and past members of CARMA for program years that were a full five years old.
- The 2013/2014 program year marked the third year of a three-year process to phase out the process by which the experience modification factor (ex mod) had been applied to the reinsurance premium as well as the pooled portion of coverage. In 2013/2014, the entire reinsurance premium was allocated according to payroll.
- The Board of Directors approved a change in the investment portfolio benchmark from the Merrill Lynch 1-3 Year Treasury Index to the Merrill Lynch 0-5 Year Treasury Index in order to recognize the higher yield in longer-range maturities.



CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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**Financial Highlights for the Fiscal Year Ended June 30, 2014**

Revenues	\$7.3 million	Total revenues, operating and non-operating, increased 8.7% due to an increase in premium revenue of 6% and an increase in non-operating revenue of 161%.
Expenses	\$11.3 million	Increased 707% over the prior year as a result of a substantial increase in the provision for claims and claims adjustment expenses, as well as the equity distribution in the amount of \$5.4 million.
Assets	\$28.1 million	Decreased \$2.3 million, or 8%, resulting primarily from a decrease in cash due to the equity distribution, offset by an increase in investment earnings and the retention of cash as each year is funded in advance but paid out over a period of time.
Liabilities	\$14.7 million	Increased \$1.6 million or 12.5%, due primarily to increased claims reserves as well as the recording of a dividend payable to a prior member.

**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 Position; the Statement of Cash Flows; the Statement of Fiduciary Net Position; and the Statement of Changes in Fiduciary Net Position, 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 position, or pool equity.

The **Statement of Revenues, Expenses, and Changes in Net Position** presents information regarding revenues versus expenses and the change in CARMA’s net position 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 payable and liability accruals, 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 Position** presents information on the Rate Stabilization Fund’s assets and net position.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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The **Statement of Changes in Fiduciary Net Position** includes information about the contributions to, withdrawals from, and net increase (or decrease) for the year in net position 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 & Patterson, 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.

**Analysis of Overall Financial Position and Results of Operations**

<b>CARMA Balance Sheet (Excluding Fiduciary Funds)</b>			
	June 30, 2014	June 30, 2013	Percentage Change
Current Assets	\$3,891,823	\$9,502,277	-59.0%
Investment with maturities in excess of one year	24,189,426	20,879,306	15.9%
<b>Total Assets</b>	<b>\$28,081,249</b>	<b>\$30,381,583</b>	<b>-7.6%</b>
Current Liabilities	\$3,025,660	\$2,408,605	25.6%
Non-Current Liabilities	11,674,915	10,654,587	9.6%
<b>Total Liabilities</b>	<b>14,700,575</b>	<b>13,063,192</b>	<b>12.5%</b>
<b>Net Position</b>	<b>13,380,674</b>	<b>17,318,391</b>	<b>-22.7%</b>
<b>Total Liabilities &amp; Net Position</b>	<b>\$28,081,249</b>	<b>\$30,381,583</b>	<b>-7.6%</b>

JUNE 30, 2014

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**CARMA Pool Assets**

Total assets (excluding fiduciary funds) decreased \$2.3 million, attributable to a decrease in cash from the prior year due to an equity distribution of \$5.4 million offset by an increase in investment income and the retention of cash as each year is funded in advance but paid out over a period of time. An additional offset was the recording of member receivables in the amount of \$462,000.

CARMA maintains funds not immediately needed for the payment of claims and administrative expenses, approximately \$1.3 million, in the Local Agency Investment Fund (LAIF), which is administered by the State Treasurer's Office in Sacramento. These funds are available, should they be needed, on a same-day notice basis.

CARMA's excess funds are invested in the California Asset Management Program Trust (CAMP), a joint powers authority that contracts with Public Financial Management, Inc. (PFM) to provide investment management services. Custodial services are provided by U.S Bank. Holdings in CARMA's portfolio were \$26.6 million at June 30, 2014. Holdings are maintained in treasury and agency securities, municipal bonds, certificates of deposit, U.S. Government supported corporate debt, and corporate notes. CARMA's investment earnings increased 161% over the prior year due to rising interest rates, 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. At June 30, 2014, the fair value of CARMA's investments was \$98,300 less 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. The discount factor assumed in these challenging economic times becomes an increasingly critical judgment call. When investment yields fall short of projections, additional funding may be required to meet actuarial estimates.

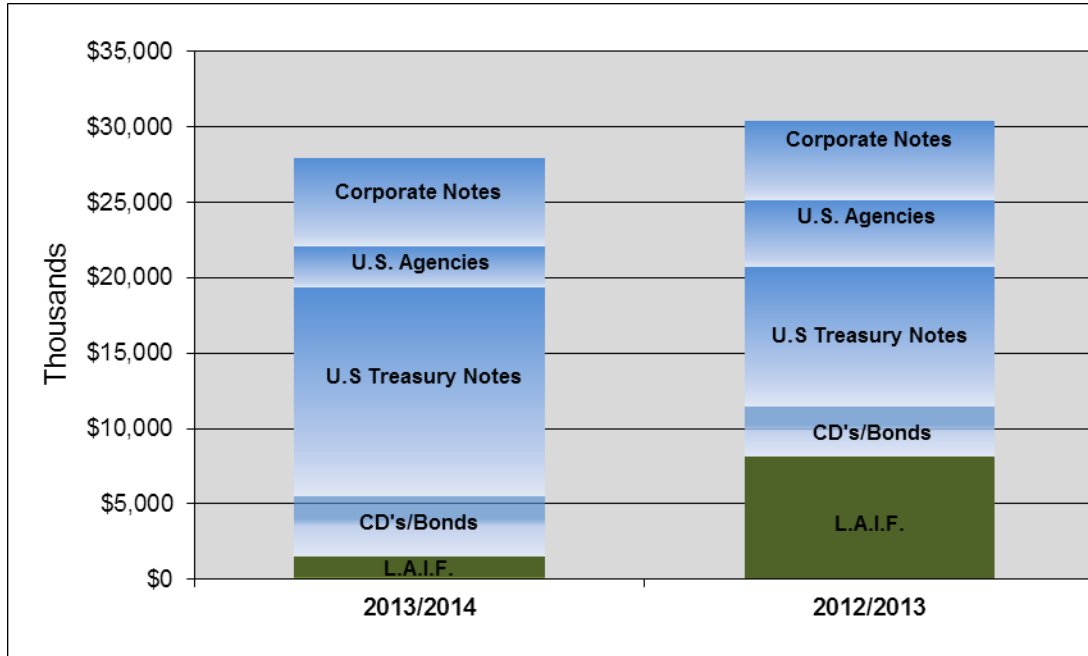
At its Board of Directors meeting in September 2003, CARMA established a Rate Stabilization Fund (Fund) retroactive to July 1, 2003, to receive the dividends issued on June 30, 2002. The purpose of the Fund was to allow CARMA's members to safeguard this cash resource for possible future assessments or premium fluctuations. Each member has discretion over the use of its portion of the Fund. Currently, only one member has an investment in the Fund. CARMA presents the cash assets in the Fund in a separate fiduciary fund on the financial statements. Results are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. 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 on the following page depicts the make-up of CARMA's cash assets. Cash and investments include fiduciary funds of \$399,615 and \$91,337, respectively, at June 30, 2014 and 2013.

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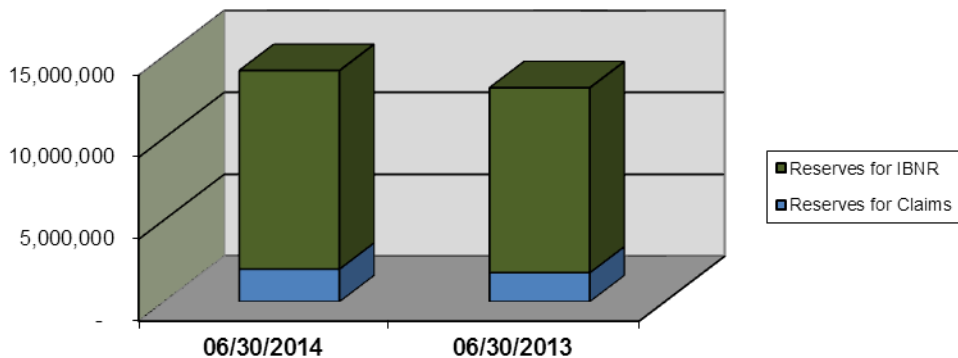
**Total Cash by Category at June 30, 2014, and June 30, 2013**



**CARMA Pool Liabilities**

As shown below, claim liabilities increased by \$1.1 million over the prior year. Reserves for known claims increased by \$226,800, and reserves for anticipated future claims (IBNR) increased by \$825,500.

**Comparison of Pool Liabilities at June 30, 2014, and June 30, 2013**



The portion of claims considered to be currently payable (less than one year) was actuarially determined. CARMA's current claims liability at June 30, 2014, is projected to be \$2.8 million, an increase of \$400,000 over last year's prediction. Its long term claims liability is projected to be \$11.3 million.

JUNE 30, 2014

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9/4/14**CARMA Revenues and Expenses**

<b>CARMA Statements of Revenue, Expenses, and Changes in Net Position (Excluding Fiduciary Fund Income)</b>			
	<u>Fiscal Year Ended June 30, 2014</u>	<u>Fiscal Year Ended June 30, 2013</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Deposit premiums	\$7,019,369	\$6,627,499	5.9%
Investment income	316,923	121,638	160.5%
Misc income	30	0	
Total Revenues	<u>\$7,336,322</u>	<u>\$6,749,137</u>	<u>8.7%</u>
<b>Expenses:</b>			
Reinsurance / Excess insurance	1,725,050	1,682,483	2.5%
Provision for claim and claim adjustment expenses	3,695,959	(710,149)	
Administrative fees	312,625	305,000	2.5%
Professional services	94,187	106,933	-11.9%
Other operating expenses	13,504	13,588	-0.6%
Total Operating Expenses	<u>5,841,325</u>	<u>1,397,855</u>	<u>317.9%</u>
Net Income before Equity Distribution	1,494,997	5,351,282	-72.1%
Equity Distribution	<u>5,432,714</u>	<u>0</u>	
Changes in Net Position	(3,937,717)	5,351,282	
Net Position, Beginning of Year	17,318,391	11,967,109	44.7%
Net Position, End of Year	<u>\$13,380,674</u>	<u>\$17,318,391</u>	<u>-22.7%</u>

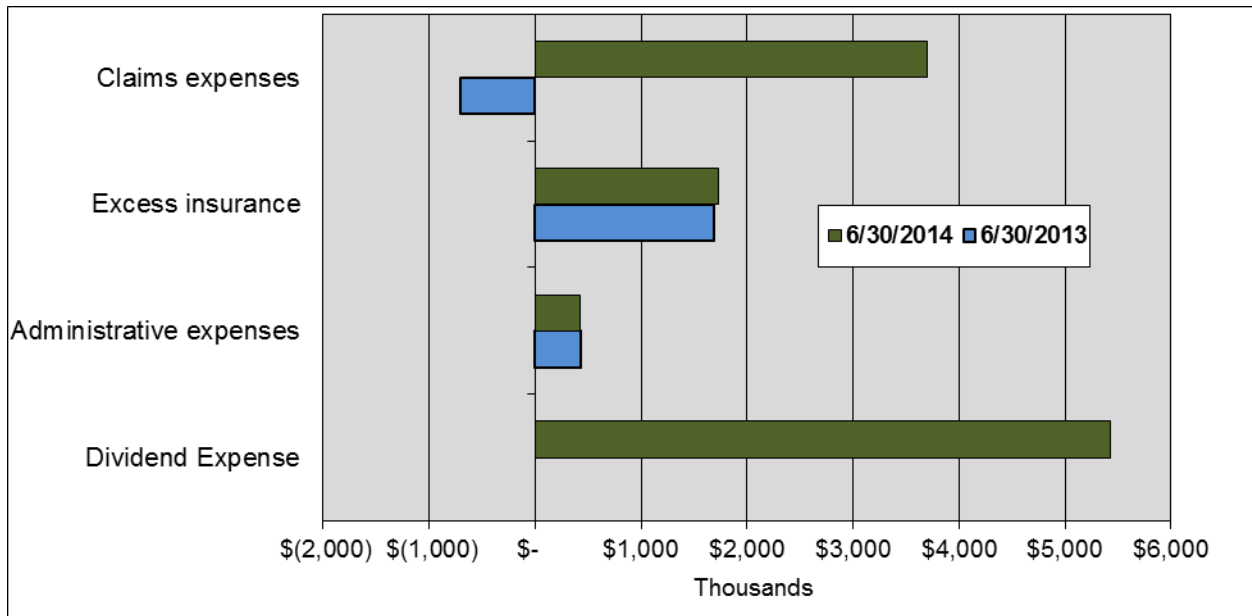
Total revenues, operating and non-operating, increased by 8.7%, or \$587,200, over the prior year. Revenues consist primarily of deposit premiums. Deposit premiums in 2013/2014 increased by 5.9%, or \$391,900. The pooling rate increased 10.9%, in part due to the decrease in the discount factor from 2.5% to 2.0%. This increase was offset by a slight decrease in payroll of 1.3% from the prior year. Investment income increased 161%, as discussed in a previous section. CARMA earned interest income of \$425,256 (including fiduciary fund earnings), with market depreciation on investments of <\$106,388>, decreasing overall investment income to \$318,868.

During the prior year, total revenues, operating and non-operating, had increased 8.0%, or \$498,800 from the previous year. Deposit premiums in 2012/2013 had increased by 11.6% due to the increase in the pooling rate of 21.6% which included a reduction in the discount factor from 3.5% to 2.5%. Investment income had decreased by 61.2% from the previous year.

Operating expenses increased 317.9%, or \$4.4 million, over the prior year, directly attributable to the increase in claims expense. Claims payments were \$2.6 million as compared to payments of \$25,800 the prior year. In addition, the actuary’s revaluation of ultimate loss projections during the current year yielded a decrease in projections of \$222,000 as compared to the prior year’s decrease in actuarial projections of \$4.7 million. Changes in actuarial projections of ultimate loss exposure have a direct result on claims expense. These large swings in annual claims costs illustrate the volatility inherent in excess liability pools.

In the current year, the equity distribution brought total expense to \$11.3 million, a 706.5% increase in total expense over the prior year. Total expense exceeded total revenue by \$3.9 million during the current fiscal year, compared to the prior year during which total revenue had exceeded expenses by \$5.4 million.

**Expenses for the Years Ended June 30, 2014, and June 30, 2013**



**Insurance Expense**

CARMA is an excess liability pool, and its underlying members are also joint powers authorities (JPAs). Since July 1, 2008, CARMA has 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 purchases excess insurance to cover losses from \$14 million to \$29 million.

Reinsurance and excess insurance expense demonstrated negligible change over the prior year. The excess insurance premium increased by 2.1%, while the reinsurance premium, including broker fees, increased by 2.7%.

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2014

**Provision for Insured Events**

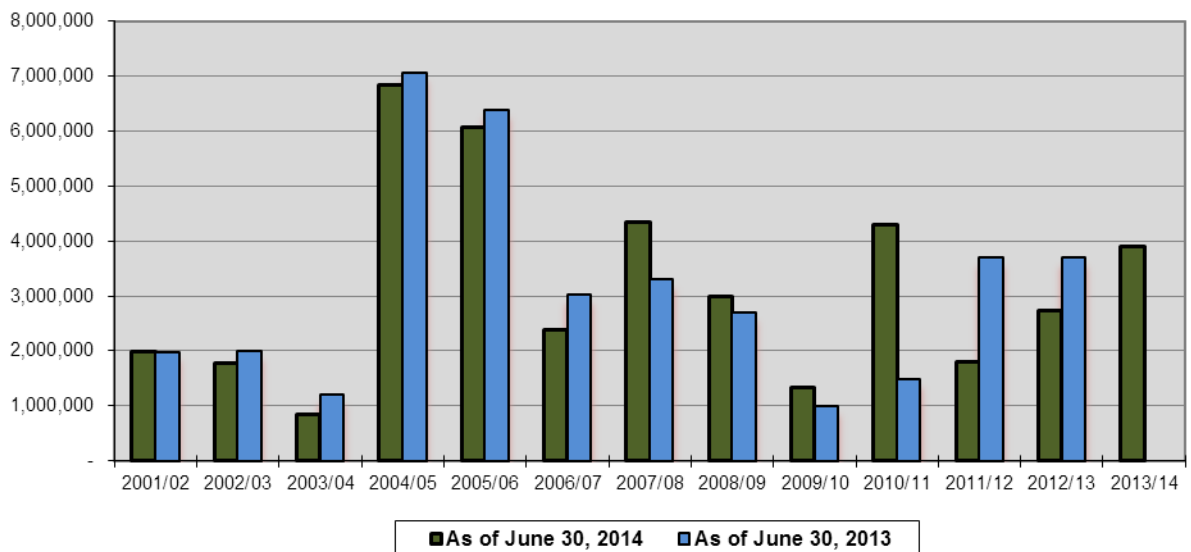
CARMA contracts with Bay Actuarial Consultants for an actuarial valuation of its outstanding claims liability as well as a recommendation of funding levels for the coming year. Funding for the 2013/2014 program year was calculated at the 75% confidence level and discounted at a 2.0% discount rate to recognize the future investment earnings on those funds. The 75% confidence level assumes that there is a 75% 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 62% confidence level). The prior two years were also funded at the 75% 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 pooled 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 below illustrates the actuarially determined expected ultimate losses (anticipated claims costs) for 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, 2013.

As previously stated regarding claims costs, the large swings in annual claims activity resulting in the appropriate revaluation of ultimate loss projections illustrate the volatility inherent in excess liability pools.

**Comparison of Ultimate Losses by Program Year  
June 30, 2014 and June 30, 2013**



JUNE 30, 2014

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### **General Administrative Expenses**

Total general administrative and other operating expenses decreased 1.2% over the prior year, due to the elimination of the Medicare reporting services which are now included in program administration fees and the bi-annual decrease in scope of the claims audit, offset by contractual increases in professional services. Total general administrative expenses represent 6.0% and 6.4% respectively of the total premiums for each of the fiscal years ended June 30, 2014 and June 30, 2013.

### **Economic Factors**

In developing the budget for the fiscal year ended June 30, 2014, 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 twenty-one years, coupled with a strong 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 future obligations.

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

The last six months of fiscal year 2013/2014 have seen a gradual rise in interest rates driven by the Fed's gradual reduction of economic stimulus through sustained asset purchases. If the tapering of these purchases continue as scheduled, this form of stimulus, known as "quantitative easing" will come to an end before the end of calendar year 2014. It is anticipated that the associated improvement in economic conditions that has led to this taper will eventually lead the Fed to raise the Federal Funds Target Rate sometime in 2015.

Over the past year, the Authority's investment portfolio has experienced a decline in the supply of federal agency obligations available for purchase as a result of the U.S. Treasury's gradual wind-down of Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC). This has had the effect of 1) increasing the value of government-sponsored enterprise (GSE) obligations already held in the portfolio, and 2) decreasing the amount of yield earned for newly-purchased GSEs. As with most other local government investors, the Authority will have to explore other asset classes as an alternative to shrinking GSE debt.

It is anticipated that the gradual rise in rates will continue to provide new opportunities to reinvest at higher rate levels, increasing interest income, but any new investment opportunities are weighed against the probability for further rate increases and their potential to diminish the fair value of the Authority's investments.



CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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CARMA, through its investment advisor, PFM Asset Management LLC, continues to pursue a policy of diversification of issuers, credit, bond market sectors, and maturities. Likewise, it monitors closely market changes that place upward pressure on interest rates for buying opportunities as well as for any negative effects on the fair market value of its holdings. Additionally, all investments are carefully analyzed and monitored to ensure that the portfolio maintains safety and liquidity, and all holdings continue to be appropriate for the Authority's goals. CARMA's investment advisor will continue to monitor the markets for new risks and opportunities, assessing the investment marketplace and its impact on the portfolio in light of these current market forces.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

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STATEMENT OF NET POSITION

(Prior Year Data for Comparison Purposes Only)

ASSETS

	June 30,	
	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and cash equivalents	\$ 1,480,541	\$ 8,117,558
Investments	1,871,934	1,290,892
Receivables:		
Member	461,943	
Interest	45,456	63,969
Prepaid expenses	<u>31,949</u>	<u>29,858</u>
Total Current Assets	<u>3,891,823</u>	<u>9,502,277</u>
Non-Current Assets:		
Investments	<u>24,189,426</u>	<u>20,879,306</u>
Total Non-Current Assets	<u>24,189,426</u>	<u>20,879,306</u>
Total Assets	<u>\$28,081,249</u>	<u>\$30,381,583</u>

LIABILITIES AND NET POSITION

Liabilities:		
Current Liabilities:		
Accounts payable	\$ 4,201	\$ 8,605
Equity payable to withdrawn member	221,459	
Current portion of claims liabilities	<u>2,800,000</u>	<u>2,400,000</u>
Total Current Liabilities	<u>3,025,660</u>	<u>2,408,605</u>
Non-Current Liabilities:		
Equity payable to withdrawn member	368,042	
Claims liabilities	<u>11,306,873</u>	<u>10,654,587</u>
Total Non-Current Liabilities	<u>11,674,915</u>	<u>10,654,587</u>
Total Liabilities	<u>14,700,575</u>	<u>13,063,192</u>
Net Position - unrestricted	<u>13,380,674</u>	<u>17,318,391</u>
Total Liabilities and Net Position	<u>\$28,081,249</u>	<u>\$30,381,583</u>

See independent auditors' report and notes to financial statements.

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CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(Prior Year Data for Comparison Purposes Only)

	Year Ended June 30,	
	2014	2013
OPERATING REVENUES		
Deposit premiums	\$ 7,019,369	\$ 6,627,499
Other	<u>30</u>	<u>          </u>
Total Operating Revenues	<u>7,019,399</u>	<u>6,627,499</u>
EXPENSES:		
Claims paid	2,643,673	25,823
Change in claims liabilities	1,052,286	(735,972)
Insurance	1,725,050	1,682,483
Contract administration	312,625	305,000
General and administrative	<u>107,691</u>	<u>120,521</u>
Total Expenses	<u>5,841,325</u>	<u>1,397,855</u>
Operating Income	1,178,074	5,229,644
Other Income:		
Investment earnings	<u>316,923</u>	<u>121,638</u>
Change in Net Position Before Member Dividend	1,494,997	5,351,282
Member Dividend	<u>(5,432,714)</u>	<u>          </u>
Change in Net Position	(3,937,717)	
Net Position, Beginning of Year	<u>17,318,391</u>	<u>11,967,109</u>
Net Position, End of Year	<u>\$13,380,674</u>	<u>\$17,318,391</u>

See independent auditors' report and notes to financial statements.

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CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF CASH FLOWS

(Prior Year Data for Comparison Purposes Only)

	Year Ended June 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from:		
Members	\$ 7,146,927	\$ 6,624,927
Other	30	
Cash payments for:		
Claims	(2,643,673)	(25,823)
Insurance	(1,725,050)	(1,682,483)
Contract administration	(313,276)	(305,635)
General and administrative	<u>(113,535)</u>	<u>(128,752)</u>
Net cash provided by operating activities	2,351,423	4,482,234
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Member dividend distributions	<u>(5,432,714)</u>	<u>                    </u>
Net cash used by capital and related financing activities	<u>(5,432,714)</u>	<u>                    </u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net increase in investments	(3,891,162)	(94,941)
Investment income	<u>335,436</u>	<u>147,971</u>
Net cash provided (used) by investing activities	<u>(3,555,726)</u>	<u>53,030</u>
Net increase (decrease) in cash and cash equivalents	(6,637,017)	4,535,264
Cash and cash equivalents, beginning of year	<u>8,117,558</u>	<u>3,582,294</u>
Cash and cash equivalents, end of year	<u>\$ 1,480,541</u>	<u>\$ 8,117,558</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income	\$ 1,178,074	\$ 5,229,644
Changes in assets and liabilities:		
Member receivables	(461,943)	4,690
Prepaid expenses	(2,091)	(735)
Accounts payable	(4,404)	(8,131)
Equity payable to withdrawn member	589,501	(7,262)
Claims liabilities	<u>1,052,286</u>	<u>(735,972)</u>
Net cash provided by operating activities	<u>\$ 2,351,423</u>	<u>\$ 4,482,234</u>

See independent auditors' report and notes to financial statements.

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CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF FIDUCIARY NET POSITION

(Prior Year for Comparison Purposes Only)

	<u>Investment Trust Fund</u>	
	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
ASSETS:		
Investments	<u>\$399,615</u>	<u>\$91,337</u>
TOTAL ASSETS	<u>\$399,615</u>	<u>\$91,337</u>
NET POSITION:		
Held in trust for rate stabilization fund participants	<u>\$399,615</u>	<u>\$91,337</u>
TOTAL NET POSITION	<u>\$399,615</u>	<u>\$91,337</u>

See independent auditors' report and notes to financial statements.

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CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

(Prior Year for Comparison Purposes Only)

	<u>Investment Trust Fund</u>	
	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
ADDITIONS:		
Member contribution	\$306,333	\$
Investment Income	<u>1,945</u>	<u>345</u>
TOTAL ADDITIONS	<u>308,278</u>	<u>345</u>
CHANGES IN NET POSITION	308,278	345
NET POSITION - BEGINNING OF YEAR	<u>91,337</u>	<u>90,992</u>
NET POSITION - END OF YEAR	<u>\$399,615</u>	<u>\$91,337</u>

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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, 2014, 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, 2014

(Continued)

Excess liability coverage provided to its members from inception through June 30, 2014 is as follows:

July 1, 2008 to June 30, 2014

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, 2014

(Continued)

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, corporate notes and deposits with the Local Agency Investment Fund (LAIF).

Excess Insurance/Reinsurance

CARMA has purchased specific occurrence excess insurance (reinsurance effective July 1, 1997) from commercial carriers for the Liability Program. For the 2013/14 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, 2014

(Continued)

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, 2014 as follows:

Cash and cash equivalents	<u>\$ 1,480,541</u>
Investments:	
Current	1,871,934
Non-current	<u>24,189,426</u>
Total Investments	<u>26,061,360</u>
Total	<u>\$27,541,901</u>

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

(Continued)

Cash and investments held by CARMA at June 30, 2014 consisted of the following:

Deposits	\$ 6,214
Investments	27,935,302
Less: Assets held in trust for investment pool participants	<u>(399,615)</u>
Total	<u>\$27,541,901</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.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
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%	5%
Commercial Paper	Yes	270 days	25%	5%
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%	None
Mutual Funds	No	N/A	N/A	N/A
Money Market Mutual Funds	Yes	N/A	15%	None
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	\$50 million	None
California Asset Management Program (CAMP)	Yes	N/A	None	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, 2014

(Continued)

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:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>
U.S. Treasury Notes	\$13,856,961	\$	\$ 8,394,966	\$5,461,995
Federal Agency Securities	2,670,144		2,144,692	525,452
Municipal Bonds	670,443	360,116	310,327	
Corporate Notes	5,888,225	410,987	1,648,612	3,828,626
Certificates of Deposit	3,375,201	1,100,831	2,274,370	
State Investment Pool	1,343,302	1,343,302		
Money Market Funds	<u>131,026</u>	<u>131,026</u>		
Total	<u>\$27,935,302</u>	<u>\$3,346,262</u>	<u>\$14,772,967</u>	<u>\$9,816,073</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):

<u>Highly Sensitive Investments</u>	<u>Fair Value at Year End</u>
Callable Notes and Bonds. 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.	\$1,626,621

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

(Continued)

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	Rating as of Year End					Not Rated
			AAA <sub>m</sub>	A-1	A	AA	AAA	
U.S. Treasury Notes	\$13,856,961	N/A	\$	\$	\$	\$13,856,961	\$	\$
Federal Agency Securities	2,670,144	N/A				2,670,144		
Municipal Bonds	670,443	N/A				230,118	440,325	
Corporate Notes	5,888,225	A			3,729,773	2,158,452		
Certificates of Deposit	3,375,201	A		2,825,019	550,182			
State Investment Pool	1,343,302	N/A						1,343,302
Money Market Fund	131,026	A	131,026					
<b>Total</b>	<u>\$27,935,302</u>		<u>\$131,026</u>	<u>\$2,825,019</u>	<u>\$4,279,955</u>	<u>\$18,915,675</u>	<u>\$440,325</u>	<u>\$1,343,302</u>

Concentration of Credit Risk

**Concentration of Credit Risk:** CARMA’s investment policy provides for diversification of investments by security type and institution. There are no investments in any one issuer that represent 5% or more of total investments.

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. 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). 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.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

(Continued)

As of June 30, 2014, none of CARMA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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, 2014, CARMA's investments in the California Asset Management Program (CAMP) pool was \$131,026. 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.

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 2% for both years presented. 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, 2014 and 2013 is \$14,936,542 and \$13,822,609, respectively.

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CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

(Continued)

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

	2013/2014	2012/2013
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	<u>\$13,054,587</u>	<u>\$13,790,559</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	3,590,262	3,406,146
Change in provision for insured events for prior fiscal years	<u>105,697</u>	<u>(4,116,295)</u>
Total incurred claims and claim adjustment expenses	<u>3,695,959</u>	<u>(710,149)</u>
Payments/Recoveries:		
Claims and claim adjustment expenses attributable to insured events of the prior fiscal years	<u>2,643,673</u>	<u>25,823</u>
Total payments	<u>2,643,673</u>	<u>25,823</u>
Total unpaid claims and claim adjustment expenses at the end of the fiscal year	<u>\$14,106,873</u>	<u>\$13,054,587</u>

The components of the unpaid claims and claim adjustment expenses as of June 30, 2014 and 2013 were as follows:

	2014	2013
Claims reserves	\$ 1,996,391	\$ 1,769,575
Claims incurred but not reported (IBNR)	12,040,299	11,220,062
Unallocated loss adjustment expenses (ULAE)	<u>70,183</u>	<u>64,950</u>
	<u>\$14,106,873</u>	<u>\$13,054,587</u>

NOTE 5 - 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, 2014, the balance of the Rate Stabilization Fund was \$399,615. The activities of the Rate Stabilization Fund are reported in a fiduciary fund and therefore, have been excluded from the balance sheet.

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9/4/14

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

(Continued)

NOTE 6 – MEMBER DIVIDENDS:

In January, 2014, the Board of Directors approved the return of equity at the 80% confidence level totaling \$5,606,578 to members that participated in the program years from 2001/2002 to 2007/2008. The Board also approved a negative adjustment for the 2011/2012 program year at the 70% confidence level in the amount of \$173,859, in conjunction with the return of equity. CARMA's retrospective adjustment policy provides for the return of equity at the discretion of the Board of Directors for eligible program years that are at least five years old provided that equity remains above the 70% confidence level after this distribution.



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REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2014

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 program year).
- (4) This section of rows shows the cumulative net amounts paid as of the end of successive years for each program year.
- (5) This line shows the latest reestimated amount of losses assumed by reinsurers for each program year.
- (6) This section of rows shows how each program 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 program 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 program years. The columns of the table show data for successive program years.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2014

**DRAFT**  
**9/14/14**

	<u>2004/2005</u>	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>	<u>2012/2013</u>	<u>2013/2014</u>
1. Required contribution and investment revenue:										
Earned	\$5,379,457	\$8,247,057	\$5,207,657	\$5,485,469	\$8,209,998	\$6,455,754	\$6,470,732	\$ 6,130,508	\$6,607,523	\$7,019,369
Ceded	<u>1,892,542</u>	<u>2,391,237</u>	<u>2,431,716</u>	<u>1,851,634</u>	<u>2,340,563</u>	<u>1,977,415</u>	<u>1,968,850</u>	<u>1,656,773</u>	<u>1,682,483</u>	<u>1,725,050</u>
Net earned before allocated interest	3,486,915	5,855,820	2,775,941	3,633,835	5,869,435	4,478,339	4,501,882	4,473,735	4,925,040	5,294,319
Allocated interest earned	449,062	819,411	763,294	671,804	375,382	214,928	132,821	76,364	38,995	23,674
Total net earned	3,935,977	6,675,231	3,539,235	4,305,639	6,244,817	4,693,267	4,634,703	4,550,099	4,964,035	5,317,993
2. Unallocated expenses	303,628	290,728	331,143	358,877	384,858	419,586	397,960	366,054	399,770	391,769
3. Estimated claims and expenses, end of program year:										
Incurred	1,948,983	2,808,665	2,672,246	3,437,232	3,236,455	2,538,500	2,604,570	3,605,940	3,406,146	3,590,262
Ceded										
Net incurred	<u>1,948,983</u>	<u>2,808,665</u>	<u>2,672,246</u>	<u>3,437,232</u>	<u>3,236,455</u>	<u>2,538,500</u>	<u>2,604,570</u>	<u>3,605,940</u>	<u>3,406,146</u>	<u>3,590,262</u>
4. Net paid (cumulative) as of:										
End of program year		250,000								
One year later		225,887								
Two years later	199,869	225,887		945,375	2,278,229					
Three years later	4,854,796	617,983	434,901	956,223	2,286,599		1,969,746			
Four years later	6,845,307	707,984	933,344	1,924,928	2,286,599					
Five years later	6,845,307	1,483,045	2,384,493	1,922,501	2,286,599					
Six years later	6,845,307	6,078,222	2,385,698	2,585,916						
Seven years later	6,845,307	6,078,222	2,385,698							
Eight years later	6,845,307	6,078,222								
Nine years later	6,845,307									
5. Reestimated ceded claims and expenses	6,213,233	1,127,170								
6. Reestimated net incurred claims and expenses:										
End of program year	1,948,983	2,808,665	2,672,246	3,437,232	3,236,455	2,538,500	2,604,570	3,605,940	3,406,146	3,590,262
One year later	2,044,823	2,484,890	3,015,138	3,519,853	5,783,645	2,566,637	2,995,151	3,469,361	2,559,825	
Two years later	2,034,908	2,176,689	2,291,421	2,290,248	4,430,931	1,395,945	1,417,050	1,691,013		
Three years later	8,184,870	4,068,383	2,123,243	2,534,634	3,143,063	950,730	4,185,188			
Four years later	7,936,805	7,321,096	2,726,738	2,566,739	2,683,786	1,277,837				
Five years later	7,426,558	7,869,582	3,165,557	3,254,280	2,956,986					
Six years later	7,187,908	7,924,628	3,007,619	4,287,070						
Seven years later	7,296,968	6,392,877	2,385,698							
Eight years later	7,066,570	6,078,822								
Nine years later	6,845,307									
7. Increase (decrease) in estimated net incurred claims and expenses from end of program year	\$4,896,324	\$3,270,157	\$ (286,548)	\$ 849,838	\$ (279,469)	\$(1,260,663)	\$1,580,618	\$(1,914,927)	\$ (846,321)	

INDEPENDENT AUDITOR'S 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

Governing Board  
California Affiliated Risk Management Authorities  
Sacramento, California

We have audited, in accordance with the 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, the financial statements of California Affiliated Risk Management Authorities (CARMA) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise CARMA's basic financial statements, and have issued our report thereon dated \_\_\_\_\_, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CARMA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of CARMA's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of CARMA's financial statements will not be prevented, or detected or corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

California Affiliated Risk Management Authorities  
, 2014

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CARMA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and agreements, 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CARMA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CARMA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FINANCIAL MATTERS**

**SUBJECT: Proposed Methodology for a Mid-Layer Pool**

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**BACKGROUND AND STATUS:**

At the CARMA Annual Workshop in January 2014, initial discussions took place regarding the possible future implementation of a mid-layer pool (MLP). Staff was asked to bring forward the item for further discussion at a future meeting.

**PURPOSE:**

The purpose of a MLP is to reduce the effect that severe claims can have on either CARMA's pooled or reinsurance layers. A MLP that fully funds a \$1 million layer, for example, provides a benefit to the members in the reduction of either pooled or reinsurance annual premiums, and is one way to become more independent of the fluctuations in the purchased insurance market.

**KEY COMPONENTS OF A MLP:**

As the options for size and structure of a MLP are myriad, there are some key components that the Board will need to consider and on which staff will need direction should the Board decide to implement this feature. These key components include:

- **Separately Funded:** Typically, a MLP would be separately funded.  
*Staff would recommend that the accountability for the funds of the MLP be maintained separately from the funds for the pooled layer; however, funds could be co-mingled for investment earning purposes.*
- **Program Years:** Typically, a MLP would not be subject to program years; the monies contributed would be co-mingled into a single pool that would pay losses without charging losses against any one program year.  
*Staff would recommend that the MLP be a single pool, not subject to program year accounting.*
- **Equity vs. Non-Equity:** The MLP can be maintained as either an equity or non-equity pool. If created as an equity pool, a member upon withdrawing from the JPA would be issued a refund for its fair share of any remaining balance in the pool. If maintained as a non-equity pool, upon withdrawal a member would forfeit all rights to these funds which would remain wholly with the JPA.  
*Staff would recommend that the MLP be maintained as a non-equity pool.*
- **Funding Layer:** The MLP can be created to fund any layer of claims activity desired;  
*\*Staff's recommendation would be for the MLP to fund claims activity either between \$4M and \$5M (the first reinsurance layer \$1 million) or between \$3M and \$4M (the highest current pooled layer \$1 million).*
- **Amount of Pre-Funding:** CARMA's retrospective adjustment calculation as of June 30,

2014, reveals that dividends are available in an amount of approximately \$2.6 million should the Board elect to release dividends this year. This dividend could be used either in whole or in part to either fund a MLP either fully or partially, or to offset the budgeted funding of a MLP.

*\*(This component will be further analyzed and explored later on in this staff report.)*

- **Dividends:** The MLP can be structured to either allow the release of dividends or not and some consideration of whether withdrawn or terminated members would be eligible to receive dividends could be considered as well. If the Board wishes to be able to release dividends from this layer, some determination of what funding layer would need to be exceeded and/or maintained in order for dividends to be released would need to be identified.

*Staff would recommend the release of dividends from the MLP in excess of the determined retained balance based on the current payroll allocation of current members.*

- **New Member Contributions:** As new members to the JPA would benefit from a MLP, the Board should consider the methodology by which a new member would be required to pay into this layer.

*Staff would recommend a contribution over a three-year period based on the new member's payroll in relation to the total JPA payroll and the current balance of the MLP.*

## **FINANCIAL ANALYSIS:**

### **Funding Layer:**

Selecting the most suitable layer for the MLP is a primary consideration. As was mentioned in the "Funding Layer" key component above\*, either the \$3M - \$4M or the \$4M - \$5M layers are optimum as they are each border layers, one at the high end of the pooled layer and the other at the low end of the reinsurance layer. Currently CARMA's pooled layer is \$3M x \$1M, however CARMA's pooled retention layer has varied over the years as follows:

- 1993/94                      \$4 M x \$1 M
- 1994/95 – 2002/03      \$2 M x \$1 M
- 2003/04 – 2004/05      \$3 M x \$1 M
- 2005/06 – 2007/08      \$4 M x \$1 M
- 2008/09 – Present        \$3 M x \$1 M

Attached is a Loss Stratification analysis since the inception of CARMA which reveals the following details of CARMA in aggregate and these two layers:

#### **CARMA:**

Total Incurred:	\$57,835,176
Total No. of Claims:	53

#### **\$3M - \$4M:**

Total Incurred:	\$5,039,483
Total No. of Claims:	6

Benefit: Pooled layer would be reduced by \$1M, thereby decreasing the pooled funding rate.

\$4M - \$5M:

Total Incurred:	\$4,000,000
Total No. of Claims:	4
Benefit:	Reinsurance would attach at a layer \$1M higher than the present retention of \$10M x \$4M, thereby reducing the reinsurance rate.

In consideration of each of these scenarios, staff will continue to obtain pooling rates from CARMA's actuary at the various retentions and confidence levels needed for evaluation, as well as requesting reinsurance rates from Alliant for the 2015/2016 program year at \$9M x \$5M, \$10M x \$5M (which would necessitate obtaining excess rates at various other retentions as well), in addition to the current \$10M x \$4M.

**Method of Funding the MLP:**

As each of the layers discussed above has incurred costs of approximately \$5 million during CARMA's twenty years in existence, staff would recommend an initial funding of \$2.5 million to create the MLP.

In the "Amount of Pre-Funding" key component listed above, it was noted that CARMA's retrospective adjustment calculation as of June 30, 2014 (attached), reveals that dividends are available in an amount of at least \$2.6 million (with \$1.77 million allocated to current members) should the Board elect to release dividends this year. This dividend could be used either in whole or in part to either fund a MLP either fully or partially, or to offset the budgeted funding of a MLP.

Also attached is a comparison of each member's potential dividend to the amount each member might contribute to the funding of a MLP, both a full funding of \$2.5 million, which would be collected via the budgeting process and would activate the MLP in 2015/16, or collecting half the recommended funding, \$1.25 million. Under this scenario, the collected funds would be placed in a restricted fund for the future activation of the MLP, and after the second collection via the budgeting process during 2016/17, the MLP would be activated.

**RECOMMENDATION:**

*Staff seeks direction from the Board.*

**REFERENCE MATERIALS ATTACHED:**

- CARMA Loss Stratification, Sorted by Program Year
- CARMA Retrospective Adjustment Calculation as of June 30, 2014
- Comparison by Member ~ Potential Dividend Release and Potential MLP Funding



CARMA ~ LOSS STRATIFICATION as of June 30, 2014

CLAIM DATA					
PROGRAM YEAR	DOL	COVERED	ENTITY	CITY	STATUS
1993/1994	11/2/93	4 x 1	PERMA	Banning	Closed
1993/1994	7/30/93	4 x 1	PERMA	Cathedral City	Closed
1994/1995	12/18/94	2 x 1	PARSAC	Carlsbad	Closed
1994/1995	11/30/94	2 x 1	PARSAC	Yucaipa	Closed
1994/1995	3/18/95	2 x 1	PERMA	Norco	Closed
1994/1995	6/18/95	2 x 1	PARSAC	Yucaipa	Closed
1994/1995	7/2/1994	2 x 1	PERMA	La Quinta	Closed
1995/1996	8/7/95	2 x 1	PARSAC	Rialto	Closed
1995/1996	9/13/95	2 x 1	PERMA	La Quinta	Closed
1995/1996	9/16/95	2 x 1	PARSAC	Hesperia	Closed
1995/1996	1/10/96	2 x 1	PARSAC	Hesperia	Closed
1995/1996	3/13/96	2 x 1	PARSAC	Rancho Cucamonga	Closed
1996/1997	10/2/96	2 x 1	PERMA	San Jacinto	Closed
1996/1997	10/28/96	2 x 1	BCPIA	Emeryville	Closed
1996/1997	3/30/1997	2 x 1	PARSAC	Clearlake	Closed
1997/1998	3/7/98	2 x 1	BCPIA	Union City	Closed
1997/1998	2/19/98	2 x 1	BCPIA	Berkeley	Closed
1998/1999	8/26/1998	2 x 1	PARSAC	Pacific Grove	Closed
1999/2000					
2000/2001	7/6/2000	2 x 1	MPA	Walnut Creek	Closed
2000/2001	11/10/2000	2 x 1	CSJVRMA	Tracy	Closed
2001/2002	3/19/2002	2 x 1	VECTOR	Turlock MAD	Closed
2002/2003	6/6/2003	2 x 1	CSJVRMA	Selma	Closed
2002/2003	9/20/2002	2 x 1	MPA	Richmond	Closed
2002/2003	10/27/2002	2 x 1	CSJVRMA	Madera	Closed
2002/2003	2/22/2003	2 x 1	PARSAC	Rialto	Closed
2003/2004	3/18/2004	3 x 1	BCPIA	Monte Sereno	Open
2004/2005	3/10/2005	3 x 1	PARSAC	Highland	Closed
2004/2005	5/21/2005	3 x 1	CSJVRMA	Hanford	Closed
2004/2005	1/1/2005	3 x 1	MPA	San Pablo	Closed
2004/2005	11/27/2004	3 x 1	PARSAC	Pacific Grove	Closed
2005/2006	4/12/2006	4 x 1	BCPIA	Mill Valley	Closed
2005/2006	12/31/2005	4 x 1	BCPIA	San Anselmo	Closed
2005/2006	4/5/2006	4 x 1	BCPIA	San Anselmo	Closed
2005/2006	7/8/2005	4 x 1	MPA	Richmond	Closed
2005/2006	12/30/2005	4 x 1	BCPIA	Larkspur	Closed
2006/2007	1/11/2007	4 x 1	MPA	Antioch	Closed
2006/2007	4/1/2007	4 x 1	BCPIA	Redwood City	Closed
2007/2008	4/22/2008	4 x 1	MPA	Richmond	Closed
2007/2008	12/6/2007	4 x 1	BCPIA	Emeryville	Closed
2007/2008	3/11/2008	4 x 1	MPA	Pittsburg/Walnut Creek/Ant	Closed
2007/2008	1/9/2008	4 x 1	MPA	San Ramon	Open
2007/2008	4/8/2008	4 x 1	PARSAC	Elk Grove	Closed
2007/2008	3/3/2008	4 x 1	MPA	Pittsburg	Closed
2008/2009	10/18/2008	3 x 1	MPA	Brentwood	Closed
2008/2009	12/8/2008	3 x 1	BCPIA	Redwood City	Closed
2008/2009	9/29/2008	3 x 1	CSJVRMA	Sonora	Open
2009/2010					
2010/2011	6/8/2011	3 x 1	MPA	Manteca	Closed
2010/2011	2/6/2011	3 x 1	CSJVRMA	Hanford	Open
2010/2011	1/1/2011	3 x 1	BCPIA	Sausalito	Open
2010/2011	7/4/2010	3 x 1	MPA	Moraga	Open
2011/2012	12/3/2011	3 x 1	CSJVRMA	Merced	Open
2011/2012	2/25/2012	3 x 1	MPA	Manteca	Open
2012/2013					
2013/2014	2/25/2014	3 x 1	MBASIA	King City	Open

COST DATA	
TOTAL CARMA INCURRED	TOTAL INCURRED PLUS RECOVERIES / QS
624,585	624,585
53,158	53,158
951,286	951,286
394	394
290	290
240	240
88	88
1,925,465	1,925,465
36,080	36,080
306	306
240	240
140	140
2,104,048	2,825,077
3,022	3,022
1,232	1,232
1,925,906	1,925,906
36,767	36,767
2,641	2,641
1,500,000	12,000,000
981,600	1,308,799
1,491,465	2,214,406
618,725	838,751
466,843	622,457
227,000	227,000
16,535	22,047
749,315	749,315
3,000,000	7,213,233
3,000,000	5,000,000
645,437	645,437
199,869	199,869
4,000,000	5,172,810
1,211,144	1,211,144
547,419	547,419
225,887	225,887
93,772	93,772
1,980,570	1,980,570
405,128	405,128
966,278	966,278
329,971	329,971
186,076	186,076
380,291	380,291
626,253	626,253
300,000	300,000
1,954,625	1,954,625
331,974	331,974
200,000	200,000
1,969,746	1,969,746
625,000	625,000
200,000	200,000
50,000	50,000
400,000	400,000
150,000	150,000
100,000	100,000

STRATIFICATION					
Current Pooled Layers			Excess Layers		TOTAL INCURRED PLUS RECOVERIES / QS
\$1,000,000 to \$2,000,000	\$2,000,000 to \$3,000,000	\$3,000,000 to \$4,000,000	\$4,000,000 to \$5,000,000	\$5,000,000 +	
624,585	-	-	-	-	624,585
53,158	-	-	-	-	53,158
951,286	-	-	-	-	951,286
394	-	-	-	-	394
290	-	-	-	-	290
240	-	-	-	-	240
88	-	-	-	-	88
1,000,000	925,465	-	-	-	1,925,465
36,080	-	-	-	-	36,080
306	-	-	-	-	306
240	-	-	-	-	240
140	-	-	-	-	140
1,000,000	1,000,000	825,077	-	-	2,825,077
3,022	-	-	-	-	3,022
1,232	-	-	-	-	1,232
1,000,000	925,906	-	-	-	1,925,906
36,767	-	-	-	-	36,767
2,641	-	-	-	-	2,641
1,000,000	1,000,000	1,000,000	1,000,000	8,000,000	12,000,000
1,000,000	308,799	-	-	-	1,308,799
1,000,000	1,000,000	214,406	-	-	2,214,406
838,751	-	-	-	-	838,751
622,457	-	-	-	-	622,457
227,000	-	-	-	-	227,000
22,047	-	-	-	-	22,047
749,315	-	-	-	-	749,315
1,000,000	1,000,000	1,000,000	1,000,000	3,213,233	7,213,233
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
645,437	-	-	-	-	645,437
199,869	-	-	-	-	199,869
1,000,000	1,000,000	1,000,000	1,000,000	1,172,810	5,172,810
1,000,000	211,144	-	-	-	1,211,144
547,419	-	-	-	-	547,419
225,887	-	-	-	-	225,887
93,772	-	-	-	-	93,772
1,000,000	980,570	-	-	-	1,980,570
405,128	-	-	-	-	405,128
966,278	-	-	-	-	966,278
329,971	-	-	-	-	329,971
186,076	-	-	-	-	186,076
380,291	-	-	-	-	380,291
626,253	-	-	-	-	626,253
300,000	-	-	-	-	300,000
1,000,000	954,625	-	-	-	1,954,625
331,974	-	-	-	-	331,974
200,000	-	-	-	-	200,000
1,969,746	969,746	-	-	-	1,969,746
625,000	-	-	-	-	625,000
200,000	-	-	-	-	200,000
50,000	-	-	-	-	50,000
400,000	-	-	-	-	400,000
150,000	-	-	-	-	150,000
100,000	-	-	-	-	100,000

Incurred Plus Recoveries by Program Year	Number of Claims by Program Year
677,743	2
952,298	5
1,962,230	5
2,829,331	3
1,962,673	2
2,641	1
-	-
13,308,799	2
2,214,406	1
1,710,255	4
749,315	1
13,058,540	4
7,251,032	5
2,385,698	2
2,788,868	6
2,486,599	3
-	-
2,844,746	4
550,000	2
100,000	1

TOTALS: 37,796,810 57,835,176 24,133,394 11,276,256 5,039,483 4,000,000 13,386,043 57,835,176

Count: 53 13 6 4 4

# California Affiliated Risk Management Authorities

## ~ Retrospective Adjustment Calculation ~

As of June 30, 2014

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/2013	2013/2014	Total All Years
<b>Income:</b>														
Deposit Premiums	\$ 2,883,997	\$ 3,697,858	\$ 4,693,601	\$ 5,975,629	\$ 6,354,632	\$ 6,505,800	\$ 7,459,934	\$ 8,209,998	\$ 6,455,754	\$ 6,470,732	\$ 5,956,649	\$ 6,607,523	\$ 7,019,369	87,813,068
Interest Income	126,711	450,917	841,837	449,064	819,410	763,292	671,804	375,383	214,929	132,821	76,364	38,996	23,674	7,170,805
<b>Total Income</b>	<b>3,010,708</b>	<b>4,148,775</b>	<b>5,535,438</b>	<b>6,424,693</b>	<b>7,174,042</b>	<b>7,269,092</b>	<b>8,131,738</b>	<b>8,585,381</b>	<b>6,670,683</b>	<b>6,603,553</b>	<b>6,033,013</b>	<b>6,646,519</b>	<b>7,043,043</b>	<b>94,983,873</b>
<b>Expenses:</b>														
Operating Expenses	284,842	259,386	265,082	303,627	290,731	330,481	358,877	347,824	419,586	397,751	366,054	399,770	391,769	5,370,694
Excess Insurance	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	1,968,850	1,656,773	1,682,483	1,725,050	26,945,106
<b>Claims Expenses:</b>														
Claims Paid	1,491,000	1,102,103	676,209	6,845,307	6,078,222	2,385,698	2,585,916	2,286,599	0	1,969,746	0	0	0	31,974,343
Reserve for Claims	0	100,368	71,425	0	0	0	195,848	192,400	0	827,750	517,000	0	91,600	1,996,391
Reserve for IBNR & ULAE	0	129,949	99,219	0	0	0	1,505,306	477,987	1,277,837	1,387,692	1,174,013	2,559,825	3,498,662	12,110,490
Sub-Total Claims Expense	1,491,000	1,332,420	846,853	6,845,307	6,078,222	2,385,698	4,287,070	2,956,986	1,277,837	4,185,188	1,691,013	2,559,825	3,590,262	46,081,224
<b>Total Expenses</b>	<b>2,701,919</b>	<b>2,963,224</b>	<b>2,767,366</b>	<b>9,041,476</b>	<b>8,760,190</b>	<b>5,147,895</b>	<b>6,497,581</b>	<b>5,645,373</b>	<b>3,674,838</b>	<b>6,551,789</b>	<b>3,713,840</b>	<b>4,642,078</b>	<b>5,707,081</b>	<b>78,397,024</b>
<b>Fund Balance at Expected Level</b>														
Before Refunds/Assessments	\$ 308,786	\$ 1,185,549	\$ 2,768,073	\$ (2,616,784)	\$ (1,586,149)	\$ 2,121,197	\$ 1,634,156	\$ 2,940,007	\$ 2,995,846	\$ 51,765	\$ 2,319,174	\$ 2,004,442	\$ 1,335,963	\$ 16,586,849
<b>(Equity Returns) / Assessments:</b>														
9/30/01 Reallocated Reserve														442,562
6/30/02 Assessment														1,093,907
6/30/06 Dividend														(186,994)
6/30/08 Assessment														949,644
6/30/09 PARSAC allocation to Future Admin														(72,615)
6/30/11 Closure to 2004/05				3,351,331										0
6/30/14 Retrospective Adjustment	(306,942)	(1,015,355)	(2,395,975)	(508,123)	1,892,425	(1,298,143)	(1,974,465)				173,859			(5,432,719)
<b>Subtotal (Equity Returns) / Assessments:</b>	<b>(306,942)</b>	<b>(1,015,355)</b>	<b>(2,395,975)</b>	<b>2,843,208</b>	<b>1,892,425</b>	<b>(1,298,143)</b>	<b>(1,974,465)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>173,859</b>	<b>0</b>	<b>0</b>	<b>(3,206,215)</b>
<b>Fund Balance at Expected Level</b>														
After Refunds/Assessments	\$ 1,848	\$ 170,192	\$ 372,097	\$ 226,424	\$ 306,281	\$ 823,054	\$ (340,308)	\$ 2,940,009	\$ 2,995,846	\$ 51,764	\$ 2,493,032	\$ 2,004,441	\$ 1,335,992	\$ 13,380,664
Add'l IBNR - Expected to 70%	0	0	0	0	0	0	0	0	210,364	416,772	320,021	548,906	753,955	2,250,017
<b>Fund Balance - 70% Confidence Level</b>	<b>\$ 1,848</b>	<b>\$ 170,192</b>	<b>\$ 372,097</b>	<b>\$ 226,424</b>	<b>\$ 306,281</b>	<b>\$ 823,054</b>	<b>\$ (340,308)</b>	<b>\$ 2,940,009</b>	<b>\$ 2,785,482</b>	<b>\$ (365,007)</b>	<b>\$ 2,173,011</b>	<b>\$ 1,455,534</b>	<b>\$ 582,037</b>	<b>\$ 11,130,651</b>
Add'l IBNR - Expected to 80%	0	0	0	0	0	0	0	0	911,578	1,212,426	989,156	1,571,869	2,046,449	6,731,479
<b>Fund Balance - 80% Confidence Level</b>	<b>\$ 1,848</b>	<b>\$ 170,192</b>	<b>\$ 372,097</b>	<b>\$ 226,424</b>	<b>\$ 306,281</b>	<b>\$ 823,054</b>	<b>\$ (340,308)</b>	<b>\$ 2,940,009</b>	<b>\$ 2,084,267</b>	<b>\$ (1,160,662)</b>	<b>\$ 1,503,877</b>	<b>\$ 432,571</b>	<b>\$ (710,458)</b>	<b>\$ 6,649,191</b>
														<b>\$ 11,130,651</b>
<b>Dividends Available to be issued - 70% Equity Retention:</b>														
														<b>\$ 6,649,191</b>
<b>Dividends Available to be issued - 80% Equity Retention:</b>														
														<b>\$ 6,649,191</b>
<b>Dividend Issuance Calculation at 70% Confidence Level:</b>														
Dividend / (Negative Adjustment): (Fund balance at 70%)	\$ 1,848	\$ 170,192	\$ 372,097	\$ 226,424	\$ 306,281	\$ 823,054	\$ (340,308)	\$ 2,940,009						
<b>Cumulative Net Dividend:</b>	<b>\$ 1,848</b>	<b>\$ 172,040</b>	<b>\$ 544,137</b>	<b>\$ 770,561</b>	<b>\$ 1,076,842</b>	<b>\$ 1,899,896</b>	<b>\$ 1,559,588</b>	<b>\$ 4,499,597</b>						<b>\$ 4,134,590</b>
<b>Ineligible Years - Program Years must be a full five years old before a dividend can be issued. Current negative years must be added to the equation.</b>														
														\$ (365,007)
														<b>\$ 4,134,590</b>
<b>Dividend Issuance Calculation at 80% Confidence Level:</b>														
Dividend / (Negative Adjustment): (Fund balance at 80%)	\$ 1,848	\$ 170,192	\$ 372,097	\$ 226,424	\$ 306,281	\$ 823,054	\$ (340,308)	\$ 2,940,009						
<b>Cumulative Net Dividend:</b>	<b>\$ 1,848</b>	<b>\$ 172,040</b>	<b>\$ 544,137</b>	<b>\$ 770,561</b>	<b>\$ 1,076,842</b>	<b>\$ 1,899,896</b>	<b>\$ 1,559,588</b>	<b>\$ 4,499,597</b>						<b>\$ 3,338,935</b>
<b>Ineligible Years - Program Years must be a full five years old before a dividend can be issued. Current negative years must be added to the equation.</b>														
														\$ (710,458)
														<b>\$ 2,628,477</b>

Note: Program Years through 2000/2001 are closed, and therefore do not appear on this calculation.

## California Affiliated Risk Management Authorities

### - Retrospective Adjustment Calculation by Member -

As of June 30, 2014

70% Equity Retention - Eligible Years									Current Negative Years		Cumulative Net Dividend Available	Ineligible Years					Member Allocation of Pool Equity for all Years
Member	2001/02	2002/03	2003/04	2004/05 *	2005/06	2006/07	2007/08	2008/09	2010/11	2013/14		2009/10	2010/11	2011/12	2012/13	2013/14	
BCJPIA	\$ 587	\$ 44,055	\$ 100,146	\$ 60,017	\$ 76,008	\$ 189,578	\$ (73,802)	\$ 636,528	\$ (136,668)		\$ 896,449	\$ 980,746		\$ 829,601	\$ 558,982	\$ 196,411	\$ 3,462,189
CSJVRMA	402	38,550	96,255	55,669	73,967	238,064	(97,310)	794,307	(101,977)		1,097,927	916,980		570,212	382,122	175,546	3,142,787
MBASIA			11,134	11,201	11,674	29,231	(11,266)	98,636	(14,742)		135,868	120,367		96,556	62,122	25,853	440,766
MPA	416	50,242	88,113	57,370	79,901	190,006	(80,525)	700,890	(98,188)		988,225	669,735		589,436	396,833	161,196	2,805,425
VCJPA	75	6,307	12,910	6,408	11,678	35,765	(13,971)	111,914	(13,432)		157,654	97,654		87,206	55,475	23,032	421,021
PARSAC	367	31,038	63,538	35,758	53,052	140,411	(63,434)	597,734			858,464						858,464
<b>Total</b>	<b>\$ 1,848</b>	<b>\$ 170,192</b>	<b>\$ 372,097</b>	<b>\$ 226,424</b>	<b>\$ 306,281</b>	<b>\$ 823,054</b>	<b>\$ (340,308)</b>	<b>\$ 2,940,009</b>	<b>\$ (365,007)</b>		<b>\$ 4,134,590</b>	<b>\$ 2,785,482</b>		<b>\$ 2,173,011</b>	<b>\$ 1,455,534</b>	<b>\$ 582,037</b>	<b>\$ 11,130,651</b>

\* As of 6/30/11 Program Years 1996/97 -2000/01 were closed into 2004/05

80% Equity Retention - Eligible Years									Current Negative Years		Cumulative Net Dividend Available	Ineligible Years					Member Allocation of Pool Equity for all Years
Member	2001/02	2002/03	2003/04	2004/05 *	2005/06	2006/07	2007/08	2008/09	2010/11	2013/14		2009/10	2010/11	2011/12	2012/13	2013/14	
BCJPIA	\$ 587	\$ 44,055	\$ 100,146	\$ 60,017	\$ 76,008	\$ 189,578	\$ (73,802)	\$ 636,528	\$ (434,582)	\$ (239,747)	\$ 358,788	\$ 733,855		\$ 574,143	\$ 166,123		\$ 1,832,909
CSJVRMA	402	38,550	96,255	55,669	73,967	238,064	(97,310)	794,307	(324,270)	(214,278)	661,356	686,140		394,627	113,564		1,855,687
MBASIA	0	0	11,134	11,201	11,674	29,231	(11,266)	98,636	(46,877)	(31,557)	72,176	90,066		66,823	18,462		247,527
MPA	416	50,242	88,113	57,370	79,901	190,006	(80,525)	700,890	(312,221)	(196,762)	577,430	501,136		407,931	117,935		1,604,432
VCJPA	75	6,307	12,910	6,408	11,678	35,765	(13,971)	111,914	(42,711)	(28,114)	100,261	73,071		60,353	16,487		250,172
PARSAC	367	31,038	63,538	35,758	53,052	140,411	(63,434)	597,734			858,464						858,464
<b>Total</b>	<b>\$ 1,848</b>	<b>\$ 170,192</b>	<b>\$ 372,097</b>	<b>\$ 226,422</b>	<b>\$ 306,281</b>	<b>\$ 823,054</b>	<b>\$ (340,308)</b>	<b>\$ 2,940,009</b>	<b>\$ (1,160,662)</b>	<b>\$ (710,458)</b>	<b>\$ 2,628,477</b>	<b>\$ 2,084,267</b>		<b>\$ 1,503,877</b>	<b>\$ 432,571</b>		<b>\$ 6,649,191</b>

PARSAC - 2013/14 Retrospective Adjustment:	
Share of Equity for Program Years: a Full Seven Years Old plus Negative Year	260,730
Accrue payable with plan to disperse funds as program year reaches a full seven years old	597,734
<b>Total PARSAC</b>	<b>858,464</b>

Prior Year Retrospective Adjustment - Payment/(Receivable) due in Conjunction with Current Release:
PARSAC - Release of payable accrued prior year in the amount of \$221,459
MBASIA - Collection of receivable accrued prior year in the amount of \$37,346

# California Affiliated Risk Management Authorities

~ Comparison by Member ~  
 ~ Potential Dividend Release AND Potential Mid-Layer Pool Funding ~

Member	MLP Funding Calculation			Potential Dividend Compared to MLP Funding		
	2013 Payroll	MLP Funding Allocation	1/2 MLP Funding Allocation	Potential Dividend	Compared to \$2.5M Full Funding	Compared to \$1.25M 1/2 Funding
BCJPIA	\$381,729,526	\$889,790	\$444,895	<b>\$358,788</b>	(531,002)	(86,107)
CSJVRMA	355,689,086	829,091	414,545	<b>661,356</b>	(167,735)	246,811
MBASIA	43,221,048	100,746	50,373	<b>72,176</b>	(28,570)	21,803
MPA	244,360,044	569,589	284,795	<b>577,430</b>	7,841	292,635
VCJPA	47,527,581	110,784	55,392	<b>100,261</b>	(10,523)	44,869
<b>Total</b>	<b>\$1,072,527,285</b>	<b>\$2,500,000</b>	<b>\$1,250,000</b>	<b>\$1,770,011</b>	<b>(729,989)</b>	<b>520,011</b>

**CLAIMS MATTERS**

**SUBJECT: Closed Session Pursuant to Government Code Section 54956.95(a) to Discuss Claims**

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**BACKGROUND AND STATUS:**

Due to the content of the discussion, staff has been advised to place this item 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 claim for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers authority.

By placing the discussion as a closed session item, the Board of Directors may discuss any or none of the claims presented.

**RECOMMENDATION:**

*None.*

**REFERENCE MATERIALS ATTACHED:**

*None.*