



A California Public Agency

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**CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES  
BOARD OF DIRECTORS' MEETING**

**AGENDA**

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

**Friday, September 9, 2011  
9:00 a.m. - 12:00 noon**

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

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

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1. <b>CALL TO ORDER</b>	
2. <b>INTRODUCTIONS</b>	
3. <b>APPROVAL OF AGENDA AS POSTED (OR AMENDED)</b>	
4. <b>PUBLIC COMMENTS</b> - 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. <b>CONSENT CALENDAR</b>	<b>1</b>
*A. Minutes of the June 22, 2011, Board of Directors' Meeting	<b>2</b>
*B. Minutes of the August 18, 2011, Special Board of Directors' Meeting	<b>13</b>
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*F. Reinsurance Binder Confirmation from AmTrust Reinsurance	<b>60</b>

*G.	Excess Binder Confirmation from Colony National Insurance Company	<b>64</b>
*H.	Sampson, Sampson, and Partners, LLP - Engagement Letter for Financial Audit Services for CARMA dated June 20, 2011 <i>Recommendation: Approval of the Consent Calendar.</i>	<b>67</b>
<b>6.</b>	<b>FINANCIAL MATTERS</b>	
*A.	Discussion on the Current Market Situation and the Economy, Mr. Carlos Oblites, PFM <i>Recommendation: None.</i>	<b>73</b>
*B.	Review of CARMA Investment Policy <i>Recommendation: The Board of Directors approves the CARMA Investment Policy, as presented.</i>	<b>74</b>
*C.	Consideration of the June 30, 2011, Independent Financial Audit Prepared by Sampson, Sampson, and Partners, LLP <i>Recommendation: The Board of Directors accepts and files the June 30, 2011, audit report as presented.</i>	<b>85</b>
<b>7.</b>	<b>ADMINISTRATIVE MATTERS</b>	
*A.	CARMA's Re-Accreditation with Excellence by the California Association of Joint Powers Authorities (CAJPA) <i>Recommendation: The Board of Directors reviews the final CAJPA Accreditation Report.</i>	<b>118</b>
*B.	CARMA/GENEX Contract – Medicare Reporting Agent and Set Aside Services <i>Recommendation: The Board approves CARMA's Executive Director to work with the President and Board Counsel on the renewal of CARMA/Genex contract to be in effect on January 1, 2012.</i>	<b>147</b>
*C.	Vector Control Joint Powers Agency Request to Opt-Out of the CARMA Excess layer <i>Recommendation: The Board grants permission to the Vector Control Joint Powers Agency (VCJPA) to opt-out of the Excess layer, effective July 1, 2012, forward.</i>	<b>166</b>
*D.	Review of the CARMA Goals and Objectives for 2011 <i>Recommendation: None.</i>	<b>168</b>
*E.	Discussion Regarding the 19 <sup>th</sup> Annual Board of Directors' Annual Workshop to be held on January 12-13, 2012, at Bodega Bay Lodge & Resort <i>Recommendation: Staff is seeking input from the Board of Directors as to the content and format the Board desires for the January 2012 workshop.</i>	<b>171</b>
<b>8.</b>	<b>COVERAGE MATTERS</b>	
*A.	Review of Cyber Liability Issues and the Inclusion or Exclusion Under the CARMA Memorandum of Coverage (MOC) <i>Recommendation: Provide direction to staff.</i>	<b>173</b>

- \*B. City of Novato (BCJPIA) – Purchase of Commercial Insurance by a Member of a CARMA Member to Cover BCJPIA's Retained Limit **175**  
*Recommendation: Provide direction to staff.*

9. **CLAIMS MATTERS**

- \*\*A. Closed Session Pursuant to Government Code Section 54956.95(a) to Discuss Claims. **179**

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:

Williams, et al. v. City of Antioch (MPA)

- \*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.

10. **CLOSING COMMENTS**

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

- A. Board  
B. Staff

11. **ADJOURNMENT**

**NOTICES**

- The CARMA Board of Directors' Annual Workshop is currently scheduled for January 12-13, 2012, at the Bodega Bay Lodge 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 22, 2011, Board of Directors' Meeting
- \*B. Minutes of the August 18, 2011, Special Board of Directors' Meeting
- \*C. Warrant Listings from June 1, 2011, through August 15, 2011
- \*D. Internal Financial Statements for the Year Ended June 30, 2011
- \*E. Treasurer's Report as of June 30, 2011
- \*F. Reinsurance Binder Confirmation from AmTrust Reinsurance
- \*G. Excess Binder Confirmation from Colony National Insurance Company
- \*H. Sampson, Sampson, and Partners, LLP – Engagement Letter for Financial Audit Services for CARMA dated June 20, 2011

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

**DRAFT MINUTES OF THE BOARD OF DIRECTORS’  
MEETING OF JUNE 22, 2011**

A regular meeting of the Board of Directors of CARMA was held on June 22, 2011, at Bickmore Risk Services, Sacramento, California.

**BOARD MEMBERS PRESENT:** Geoff Grote, BCJPIA, President  
John Stroh, VCJPA, Vice President  
Jake O’Malley, MPA, Treasurer  
Robert Galvan, MBASIA  
Linda Abid-Cummings, CSJVRMA

**ALTERNATE MEMBERS PRESENT:** None

**OTHERS PRESENT:** Karen Thesing, Executive Director  
Nancy Broadhurst, Accounting Manager  
Linzie Kramer, Litigation Manager  
Michael Groff, Litigation Manager  
Craig Farmer, Legal Counsel  
Ramona Buchanan, Bickmore Risk Services  
Rob Kramer, Bickmore Risk Services  
Jeanette Workman, Bickmore Risk Services  
Brian Kelley, Bickmore Risk Services  
Adrienne Beatty, Bickmore Risk Services  
Rebecca Lane, Bickmore Risk Services  
Mike Simmons, Alliant Insurance Services

**1. CALL TO ORDER**

The June 22, 2011, Board of Directors’ meeting was called to order at 10:05 a.m. by President Geoff Grote.

**2. INTRODUCTIONS**

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

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

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

4. **PUBLIC COMMENTS**

None.

5. **CONSENT CALENDAR**

**Jake O'Malley moved to approve/accept the following items: A) Minutes of the April 20, 2011, Board of Directors' Meeting; B) Warrant Listing from April 1, 2011, through May 31, 2011; C) Treasurer's Report as of March 31, 2011; D) Internal Financial Statements for the Nine Months Ended March 31, 2011; and E) Amended California Affiliated Risk Management Authorities (CARMA) Bylaws – JPA's Physical Address. Seconded by Linda Abid-Cummings. Motion passed unanimously.**

6. **ADMINISTRATIVE MATTERS**

A. **Resolution of the Board of Directors of CARMA Establishing Meeting Dates for the 2011/2012 Program Year**

Ms. Thesing reviewed the proposed meeting and retreat dates for 2011/2012 with the Board of Directors.

It was noted that the start time of the January 12, 2012, CARMA Board of Directors' Retreat should be 11:00 a.m. rather than 9:00 a.m. Ms. Thesing advised that the time change will be made and forwarded to the CARMA members accordingly.

**Linda Abid-Cummings moved to approve Resolution 4-2010/2011 - Resolution of the Board of Directors of the California Affiliated Risk Management Authorities Establishing Meeting Dates for the 2011/2012 Fiscal Year, with the change in the commencement time for the January 12, 2012, Retreat to 11:00 a.m. Seconded by John Stroh. Motion passed unanimously.**

Board of Directors' Meeting Dates:

Friday, September 9, 2011 – South Lake Tahoe, 9:00 a.m.  
Friday, January 13, 2012 – Bodega Bay, 9:00 a.m.  
Wednesday, April 18, 2012 – Sacramento, 10:00 a.m.  
Wednesday, June 20, 2012 – Sacramento, 10:00 a.m.

Annual Retreat/Board of Directors' Meeting:

Thursday, January 12, 2012 – Bodega Bay, 11:00 a.m. – 5:00 p.m.  
Friday, January 13, 2012 – Bodega Bay, 9:00 a.m. – 12:00 noon.

B. 2012 Expanded CARMA Liability Claims Audit – Inclusion of PARSAC in the Claims Audit

Ms. Thesing advised that this item may be premature, however, she reported that Mr. Tim Farley, Farley Consulting, will be conducting the CARMA Liability Claims Audit in 2011 and that the results will be presented in April 2012. The purpose of this item being on the agenda is for the Board to determine if it would like to discuss an expanded audit for 2012 to include PARSAC in the audit, or defer discussion to the April 2012 meeting, since the results of the 2012 audit will be presented in April 2013. Mr. Michael Groff, Litigation Manager, noted that at this point in time, there are fifteen active claims for PARSAC.

By consensus of the Board, it was determined that the discussion on an expanded CARMA Liability Claims Audit will be brought back to the April 2012 Board of Directors' meeting.

7. **FINANCIAL MATTERS**

A. Quota Share Renewal Consideration

Ms. Thesing reported that at the January 2011 Board of Directors' Retreat, Mr. Michael Simmons, and Ms. Susan Adams, Alliant Insurance Services, presented some risk financing options for excess coverage, including quota sharing and corridor deductibles.

Ms. Thesing reported that subsequently, staff and Alliant were directed to analyze the quota share option only for the CARMA coverage renewal. Quota sharing allows CARMA to share with a commercial carrier a portion of the self-funded layer and pay a premium for that exposure, e.g. 50 percent of \$3 million excess \$1 million. Ms. Thesing noted that this is an effective tool when a hard market environment exists which does not exist at this point in time. Having this information provides CARMA an opportunity to position itself in preparation for a hard market when it does occur.

Ms. Thesing reported that in addition to Alliant's analysis on the quota sharing option, staff also conducted an extensive analysis and shared the results with Alliant and will be presenting those results before a decision is rendered by the Board.

Ms. Thesing concluded by requesting that item 7.A. Quota Share Renewal Consideration be handled as a separate item from item 7.B., Renewal Rates for Specific Reinsurance and Excess coverage for the 2011/2012 Program Year. The Board concurred these two items would be handled as separate actions.

Mr. Michael Simmons directed the Board's attention to the results of Alliant's review of quota sharing contained in the agenda. Purchasing the 50% quota share

premium through Genesis as compared to CARMA funding at a 75% confidence level would result in a savings in premium. Under the quota share arrangement, and if the losses turn out to be greater than the actuary's 75% confidence level projection, the quota sharing arrangement would have been a good decision. However, if the losses come in at expected, it would not be a viable option for CARMA. Mr. Simmons advised that should conditions in the market change in a year or more, then this could be a viable option for CARMA. However, Mr. Simmons recommended that CARMA not participate in this option at this time.

Discussion ensued on this being a defensive move in a hard market, with Mr. Simmons projecting that for next year, and barring any catastrophic events, he does not expect a hardening of the property and liability markets.

Ms. Nancy Broadhurst provided an overview of staff's analysis of the quota share arrangements and the results indicated that of the premiums paid for sixteen fiscal years analyzed, only 6 of the years would have benefitted with the proposed quota share arrangement. Ms. Thesing advised that staff's recommendation would be to not participate in a quota sharing arrangement for the 2011/2012 program year.

**Jake O'Malley moved that, based upon the recommendations of staff and Alliant Insurance Services, CARMA declines the Quota Sharing proposal. Seconded by Linda Abid-Cummings. Motion passed unanimously.**

B. Renewal Rate for Specific Reinsurance and Excess Coverage for the 2011/2012 Program Year

Ms. Thesing reminded the Board that CARMA self-funds the \$3 million excess the member's \$1 million self-insured retention (SIR) coverage layer. For the reinsurance layer of \$10 million excess \$4 million Everest has historically provided this coverage, following the CARMA Memorandum of Coverage (MOC). For the \$15 million excess the \$14 million layer, Colony has been providing the excess coverage.

For the upcoming 2011/2012 program year, Alliant was requested to market the reinsurance and excess programs. Ms. Thesing explained that currently, CARMA participates in the Alliant ANML coverage program and this year, Alliant has made changes within its own organization. In addition to the reinsurance proposal being presented, a proposal is being presented for C.V. Starr. Ms. Thesing noted that CARMA may realize a 15% - 21% reduction in the reinsurance costs. Further, as directed by the Board, Ms. Thesing reported that staff and Alliant met with both C. V. Starr and the AmTrust Insurance Group on proposals, and would report on the results of those meetings after the presentation by Mr. Simmons.

Mr. Simmons provided the Board with an illustration of the changes that have occurred within the organization of Alliant Risk Insurance, including the splitting of ANML to ANML1 and ANML2. Mr. Simmons noted that Alliant moved the ANML1 coverage program to AmTrust effective July 1, 2011, the program in which CARMA participates. Thus, reinsurance quotations were obtained from both C. V. Starr and the AmTrust Financial Group, resulting in the 15% - 21% decreased costs. Mr. Simmons provided a comparison between the two quotations, noting that



the coverage was also marketed with other carriers, including Genesis, Iron Shore, and Navigators.

Mr. Simmons advised that the reinsurance certificate, held by reinsurance providers, should follow the MOC of CARMA; however, the one for C. V. Starr does not follow the arbitration clause of the CARMA MOC. Mr. Simmons noted he is working with C. V. Starr on this issue. This topic was shared with staff just prior to the Board meeting; thus, it was not resolved prior to this presentation. Mr. Linzie Kramer, Litigation Manager, noted that the arbitration provision, while important, is not as important as when the arbitration is held.

Mr. Simmons provided a summary of renewal options and the savings that would be realized for the current and four other options as follows: Current with Everest and Colony for a total limit of \$25 million excess \$4 million; (1) C. V. Starr and Colony for a total limit of \$25 million excess \$4 million; (2) Am Trust and Colony for a total limit of \$25 million excess \$4 million; (3) C. V. Starr and Colony for a total limit of \$25 million excess \$4 million; and (4) C. V. Starr and Colony for a total limit of \$30 million excess \$4 million. Mr. Simmons provided an overview of the options and quotations presented.

A lengthy discussion ensued on the options presented, and the benefit of going with either Option 1 (Starr/Colony) or Option 2 (Am Trust/Colony). Mr. Groff discussed staff's meeting with C. V. Starr and Am Trust, noting that CARMA does have a history with C. V. Starr. Topics that staff and the carriers discussed were the provider's claims philosophy, their staff's breadth of knowledge and experience with public entities, and the location of each provider. Mr. Simmons confirmed that Am Trust has an AM Best Rating of A X, and that Colony National Insurance Company has a rating of A XII.

Ms. Thesing noted that under Option 2, the premium illustrated on Alliant's summary document which was handed out at the meeting did not match the quotation for Am Trust previously provided by Alliant and found in the June agenda (\$1,017,000 versus \$1,071,200); the handout shows a lower premium. Mr. Simmons advised that this will be reviewed to clarify the Am Trust premium and ultimately the handout was incorrect, the correct premium is \$1,071,200.

President Grote recapped his understanding that staff is comfortable with both C. V. Starr and Am Trust. Mr. Groff affirmed this understanding.

**Jake O'Malley moved to approve: Option 2 – Am Trust for reinsurance coverage at the \$10 million excess \$4 million layer, and the Colony National Trust Insurance Company for excess coverage at the \$15 million excess \$14 million layer for the 2011-2012 program year. Seconded by John Stroh. Motion passed unanimously.**

Mr. Stroh referred to the reinsurance certificate issues, and inquired if this will occur each time that CARMA goes out to market for reinsurance. Mr. Simmons noted that each year, Alliant will request the certificate in advance in order to make a

comparison with the CARMA Memorandum of Coverage to detect any coverage issues that may exist in the certificate so that this may be addressed early on into the renewal process.

Discussion ensued on fees and Mr. Simmons noted that a disclosure letter is attached to the Alliant invoice each year informing CARMA of the additional income earned by placing the coverage with ANML as it is an Alliant product. This is in addition to the commissions earned.

The Board commended staff and Alliant for their efforts on this renewal process and for a job well done.

C. Consideration of the Proposed Annual Budget Scenarios for the 2011/2012 Fiscal Year

Ms. Nancy Broadhurst reported that each year the Board reviews a proposed operating budget for the next fiscal year. Discussing the changes to the proposed budget presented at the April 20, 2011, Board of Directors' meeting, Ms. Broadhurst noted that there will be decreases in the excess premium by \$30,000 and advised that losses will be funded at a discounted rate of 3.5% at the 75% confidence level. Mr. Simmons noted for clarification purposes that the Am Trust premium for the \$10 million excess \$4 million will be \$1,071,200 and that the document in the agenda correctly reflects this premium.

In conclusion, Ms. Broadhurst advised that there will be a 7.8% overall decrease in the proposed budget, which is primarily due to the lower excess premium.

**Robert Galvan moved to approve the CARMA Operating Budget, including the \$30,000 reduction in the excess premium as noted, for the 2011/2012 Fiscal Year. Seconded by Linda Abid-Cummings. Motion passed unanimously.**

D. Retrospective Adjustment Calculations – Closure of Program Years

Ms. Broadhurst reported that at its April 20, 2011, meeting, the Board approved a Retrospective Adjustment Policy which provides for an annual analysis of the program's equity by program year and in aggregate to determine the viability of the possible release of dividends and/or the ability to close program years.

Ms. Broadhurst discussed a spreadsheet of the retrospective adjustment calculations for program years 1996/97 through third quarter of 2010/11 and reported that the calculations were performed using the March 31, 2011, equity balances to coincide with the recent actuarial changes in the ultimate loss projections.

Noting a cumulative net dividend of \$1,524,377, Ms. Broadhurst advised that this yield is ultimately what could be returned, according to policy. However, based upon the calculations by member, three of the five current members would receive an assessment ("negative adjustment"). Ms. Broadhurst discussed a spreadsheet illustrating the proposed closure of Program Years 1996/97 through 2000/01

whereby the equity would be applied to the negative balance of \$2,956,098 for 2004/05, resulting in a surplus of \$370,948 for that program year. As such the recommendation is that the program equity allocated to each member for Program Years 1996/97 through 2000/01 is applied to the 2004/05 Program Year.

Ms. Broadhurst concluded by advising the future allocations of equity to the 2004/05 Program Year will not affect the member's allocation of equity for the closed year, which will remain fixed.

**Jake O'Malley moved to approve the closure of program years 1996/97 through 2000/01, and the application of the member's allocation of pool equity for those years to be applied to the 2004/05 program year. Seconded by John Stroh. Motion passed unanimously.**

The Board adjourned for lunch from 11:27 a.m. to 11:59 a.m.

## **8. COVERAGE MATTERS**

### **A. Discussion Regarding Cyber Liability Coverage and Reporting Requirements**

#### **Cyber Liability Coverage**

Ms. Thesing reported that at the April 20, 2011, meeting, a discussion was held on cyber liability with the direction that staff and legal counsel present to the Board at its June meeting language and a specific recommendation to exclude the coverage.

Mr. Groff reported that first and third party coverage is provided by the Public Entity Property Insurance Program (PEPIP), and at least two primary pools in CARMA have or are in the process of excluding coverage for cyber liability in their respective memoranda of coverage. However, CARMA does not specifically exclude this potential exposure from its Memorandum of Coverage (MOC) and as such, staff is presenting proposed language for exclusion under the CARMA MOC. Directing the Board's attention to the draft MOC contained in the agenda, Mr. Groff discussed the proposed language appearing under Definitions and as Exclusion 32 in the MOC.

Discussion ensued with it being question if the language is the same as that of the primary pools. Mr. Groff clarified that the language basically follows form of the primary pools and is essentially the same as the CSJVRMA and BCJPIA's memoranda of coverage, with only a couple of grammatical changes.

Mr. Robert Galvan advised that under the MBASIA MOC, cyber liability coverage is provided, and suggested that the excess coverage layer should be essentially the same as that for the primary layer. Additionally, there is a concern on the gap in coverage that would exist between the primary pool's coverage and PEPIP.

Discussion ensued with the suggestion that as an option, CARMA could adopt the

exclusion, and then a CARMA member could request that the coverage be retroactively endorsed to July 1<sup>st</sup> for the requesting member. With such an endorsement, certain criteria and conditions would need to be considered including the need to ensure it does not commit CARMA to certain conditions, or that the endorsed coverage would be viewed as an emerging policy and not primary to coverage provided by the member and/or PEPiP. It was suggested that staff could research this including the underwriting criteria for such an endorsement.

It was also suggested that staff evaluate if cyber liability, as a possible emerging risk, would have further exposure for California public agencies, determine if CARMA should collect for the risk rather than excluding it from the CARMA MOC, and if the CARMA MOC should follow form for the underlying pool.

The Board agreed that this item be tabled and presented at the September 9, 2011, Board of Directors' meeting for further discussion.

**Jake O'Malley moved to table this item to the September 9, 2011, meeting and that staff be directed to evaluate the criteria, what is and how serious the emerging cyber liability risk is, and present coverage options for the Board's consideration. Seconded by John Stroh. Motion passed unanimously.**

### **Reporting Requirements**

Mr. Groff reported that staff and Board Counsel discussed the interpretation of language in the CARMA MOC to clarify when state or federal civil rights cases are to be reported to CARMA. Mr. Groff discussed the revised language appearing on page 16 of the MOC under Section VII – Conditions 1. (a), paragraph 2, as follows:

2. For a Title 42 USC 1983 matter alleging a violation of civil rights:
  - i. Any claim or case where a Complaint has not yet been served and the combined total of paid and reserved amounts reaches twenty-five percent of the *Retained Limit*; or
  - ii. Any claim or case in which a Complaint has been filed and served on a *Covered Party*.

**Linda Abid-Cummings moved to approve the proposed language clarifying the requirements for reporting cases or claims involving alleged civil rights violations. Seconded by Robert Galvan. Motion passed unanimously.**

#### **B. Draft Memorandum of Coverage (MOC) for the 2011/2012 Program Year**

Ms. Thesing advised that the draft Memorandum of Coverage (MOC) for the 2011/2012 has been included in the agenda for approval by the Board. Proposed changes to the MOC exclude the proposed cyber liability language, which has been tabled, and includes the revised language specifying the requirements for reporting cases or claims involving alleged civil rights violations as approved under the

previous agenda item. Further changes to the MOC includes the Declaration Page, and Endorsement #1 which indicate the program year, policy number, covered parties, and the date of approval.

**Linda Abid-Cummings moved to accept the proposed revisions to the CARMA Memorandum of Coverage, including the language clarifying the requirements for reporting cases or claims involving alleged civil rights violations. Seconded by John Stroh. Motion passed unanimously**

C. Continuation of the Measurement of Litigation Management Performance Report

Ms. Thesing reported that the Measurement of Litigation Management Performance Report, which contains a re-cap of cases that have settled and closed over a certain period of time, was presented at the April 20, 2011, Board meeting. Additionally, the information was verbally presented by the Litigation Manager, and appears in a written Litigation Manager's Report. Ms. Thesing advised that at the meeting, the question was posed if it was necessary to present this report. Mr. Groff advised that case litigation management information is part of the documentation that is maintained in Litigation Management and would be available upon request.

Ms. Thesing advised that it is the recommendation to discontinue presenting the Measurement of Litigation Manager Performance Report to the Board.

**Jake O'Malley moved to approve the discontinuation of the Measurement of Litigation Management Performance Report. Seconded by John Stroh. Motion passed unanimously**

**9. ELECTIONS AND APPOINTMENT OF OFFICERS**

A. Nomination and Election of President and Vice President and Appointment of Treasurer for the 2011/2012 Program Year

Mr. Grote opened the floor for the nomination of the CARMA President for the 2011/2012 Program Year. Mr. Stroh nominated Mr. Geoff Grote, BCJPIA, as President. There were no other nominations. Mr. Grote accepted the nomination for CARMA President. Nominations closed.

Mr. Grote opened the floor for the nomination of the CARMA Vice President for the 2011/2012 Program Year. Mr. Stroh nominated Mr. Robert Galvan, MBASIA, as Vice President. There were no other nominations. Mr. Galvan accepted the nomination for CARMA Vice President. Nominations closed.

**John Stroh moved that Geoff Grote be nominated as CARMA President and Robert Galvan be nominated as CARMA Vice President for the 2011/2012 Program Year. Linda Abid-Cummings seconded the nominations. Motion passed unanimously.**

Mr. Grote opened the floor for appointments as CARMA Treasurer for the 2011/2012 Program Year. Mr. Stroh suggested that Mr. Jake O'Malley be appointed as the CARMA Treasurer. There were no other suggested appointments. Mr. O'Malley accepted the suggested appointment as CARMA Treasurer.

**John Stroh moved that Jake O'Malley be appointed as the CARMA Treasurer for the 2011/2012 Program Year. Seconded by Linda Abid-Cummings. Motion passed unanimously.**

By vote, the following were elected and appointed as CARMA Officers for the 2011/2012 Program Year:

President:	Mr. Geoff Grote – BCJPIA
Vice President:	Mr. Robert Galvan – MBASIA
Treasurer:	Mr. Jake O'Malley - MPA

Mr. Grote expressed appreciation to Mr. Stroh for his past service as the CARMA Vice President.

## 10. CLAIMS MATTERS

A. Closed Session Pursuant to Government Code Section 94957(b) – Review of Legal Counsel

Pursuant to Government Code Section 54957.1., the Board recessed to closed session at 12:29 p.m. for public employee performance review of the Legal Counsel's position.

B. Report from Closed Session

The Board reconvened to open session at 12:49 p.m. and President Grote reported that there were not reportable actions.

## 11. CLOSING COMMENTS

A. Board

None.

B. Staff

None.

12. **ADJOURNMENT**

The June 22, 2011, Board of Directors' meeting adjourned at 12:50 p.m. by general consensus of the Board.

*Ramona Buchanan*

Ramona Buchanan, Board Secretary

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

**MINUTES OF THE SPECIAL BOARD OF DIRECTORS'  
MEETING OF AUGUST 18, 2011**

A special meeting of the Board of Directors of CARMA was held on August 18, 2011, via teleconference.

**BOARD MEMBERS PRESENT:** Geoff Grote, BCJPIA, President  
Robert Galvan, MBASIA, Vice President  
Jake O'Malley, MPA, Treasurer  
Linda Abid-Cummings, CSJVRMA  
John Stroh, VCJPA

**BOARD MEMBERS ABSENT:** None

**ALTERNATE MEMBERS PRESENT:** Rene Mendez, MBASIA  
Bill Lewis, CSJVRMA

**OTHERS PRESENT:** Karen Thesing, Executive Director  
Ramona Buchanan, Board Secretary  
Michael Groff, Bickmore Risk Services  
Linzie Kramer, Bickmore Risk Services  
Nancy Broadhurst, Bickmore Risk Services  
Craig Farmer, Legal Counsel, Farmer, Smith, & Lane  
LLP  
George Murphy, Murphy, Campbell, Guthrie &  
Alliston

**1. CALL TO ORDER**

The August 18, 2011, Special Board of Directors' meeting was called to order at 2:34 p.m. by Mr. Geoff Grote.

**2. INTRODUCTIONS**

Those present introduced themselves.

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



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

**4. PUBLIC COMMENTS**

None

**5. CLAIMS MATTERS**

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

Pursuant to Government Code section 54956.95(a), the Board convened to closed session at 2:37 p.m. to discuss the following claim for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers authority:

Guthrie, et al. v. City of Mill Valley (BCJPIA)

B. Report from Closed Session

The Board reconvened to open session at 3:10 p.m. and it was noted the following action was taken in closed session: In the matter of Guthrie, et al. v. City of Mill Valley (BCJPIA), President Grote reported that the Board has taken action and provided direction to legal counsel as discussed in Closed Session.

**6. CLOSING COMMENTS**

A. Board

None

B. Staff

None

**7. ADJOURNMENT**

By consensus of the Board members present, the meeting was adjourned at 3:11 p.m.

*Ramona Buchanan*  
Ramona Buchanan, Board Secretary

Ranges: From: To: From: To:  
 Check Number First Last Check Date 6/1/2011 8/15/2011  
 Vendor ID First Last Checkbook ID CBT GENERAL CBT GENERAL  
 Vendor Name First Last

Sorted By: Check Number

\* Voided Checks

Check Number	Vendor ID	Vendor Check Name	Check Date	Checkbook ID	Audit Trail Code	Amount
1758	FA115	Farmer Smith and Lane, LLP	6/21/2011	CBT GENERAL	PMCHK00000092	\$525.00
1759	MU100	Murphy, Campbell, Guthrie and	6/21/2011	CBT GENERAL	PMCHK00000092	\$3,295.33
1760	BI100	Bickmore Risk Services	6/21/2011	CBT GENERAL	PMCHK00000092	\$24,090.00
1761	JU115	Jury Impact Inc.	6/21/2011	CBT GENERAL	PMCHK00000092	\$23,757.48
1762	OR100	Orrick, Herrington and Sutclif	6/21/2011	CBT GENERAL	PMCHK00000092	\$1,250.00
1763	PC100	CARMA - Petty Cash	6/21/2011	CBT GENERAL	PMCHK00000092	\$1,599.19
1764	DR100	Alliant Insurance Services, In	7/13/2011	CBT GENERAL	PMCHK00000093	\$68,290.00
1765	DR100	Alliant Insurance Services, In	7/13/2011	CBT GENERAL	PMCHK00000093	\$517,282.50
1766	DR100	Alliant Insurance Services, In	7/13/2011	CBT GENERAL	PMCHK00000093	\$1,071,200.00
1767	BI100	Bickmore Risk Services	7/13/2011	CBT GENERAL	PMCHK00000093	\$26,253.46
1768	CA105	CAJPA	7/13/2011	CBT GENERAL	PMCHK00000093	\$450.00
1769	FA115	Farmer Smith and Lane, LLP	7/13/2011	CBT GENERAL	PMCHK00000093	\$910.00
1770	GE105	GENEX Services, Inc.	7/13/2011	CBT GENERAL	PMCHK00000093	\$6,129.44
1771	MC100	McNamara, Ney, Beatty, Slatter	7/13/2011	CBT GENERAL	PMCHK00000093	\$117,765.50
1772	RC110	Herbert M. Rowland, Jr.	7/13/2011	CBT GENERAL	PMCHK00000093	\$1,551.50
1773	ST115	State Farm General Insurance C	7/13/2011	CBT GENERAL	PMCHK00000093	\$33,840.00
1774	BI100	Bickmore Risk Services	8/10/2011	CBT GENERAL	PMCHK00000094	\$24,090.00
1775	BO100	Bodega Bay Lodge	8/10/2011	CBT GENERAL	PMCHK00000094	\$2,000.00
1776	BO105	Bourhis & Mann, in Trust for t	8/10/2011	CBT GENERAL	PMCHK00000094	\$575,000.00
1777	FA115	Farmer Smith and Lane, LLP	8/10/2011	CBT GENERAL	PMCHK00000094	\$2,903.38
1778	HO100	Howard Rome Martin and Ridley	8/10/2011	CBT GENERAL	PMCHK00000094	\$37,074.11
1779	MC100	McNamara, Ney, Beatty, Slatter	8/10/2011	CBT GENERAL	PMCHK00000094	\$95,667.97
1780	OR100	Orrick, Herrington and Sutclif	8/10/2011	CBT GENERAL	PMCHK00000094	\$1,102.50
1781	RO110	Herbert M. Rowland, Jr.	8/10/2011	CBT GENERAL	PMCHK00000094	\$4,552.86

Total Checks: 24

Total Amount of Checks: \$2,640,590.22

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System: 8/19/2011 12:21:32 PM  
User Date: 8/19/2011

California Affiliated Risk Man  
VENDOR CHECK REGISTER REPORT  
Payables Management

Page: 1  
User ID: bhughey

Ranges:	From:	To:	From:	To:	
Check Number	First	Last	Check Date	6/1/2011	8/15/2011
Vendor ID	First	Last	Checkbook ID	CBT PETTY	CBT PETTY
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
001261	CA100	Ca Bank & Trust	6/6/2011	CBT PETTY	PMTRX00000129	\$30.00
Total Checks:	1			Total Amount of Checks:		\$30.00

# California Affiliated Risk Management Authorities

## ~ BALANCE SHEET ~

As of June 30, 2011

(Unaudited)

### ASSETS

#### CURRENT ASSETS

Cash in Bank	\$	21,575
Local Agency Investment Fund		4,720,997
Market Valuation - LAIF		7,443
Investments - Managed Portfolio		3,879,263
Market Valuation - Investment		(2,046)
Accounts Receivable		0
Interest Receivable		81,667
Prepaid Expenses		29,129
Prepaid Insurance		1,033

**TOTAL CURRENT ASSETS** 8,739,060

#### NONCURRENT ASSETS

Investments - Managed Portfolio (Net of Rate Stabilization Fund)	19,831,362
Market Valuation - Investment	132,051

**TOTAL OTHER ASSETS** 19,963,413

**TOTAL ASSETS** \$ 28,702,473

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Accounts Payable	\$	5,605
Deferred Revenue		0
Equity Payable to Withdrawing Member		14,523
Reserve for Claims		4,200,000

**TOTAL CURRENT LIABILITIES** 4,220,128

#### NONCURRENT LIABILITIES

Equity Payable to Withdrawing Member - Long Term Portion	7,262
Reserve for Claims	3,089,894
Reserve for IBNR	11,212,715

**TOTAL NONCURRENT LIABILITIES** 14,309,870

**TOTAL LIABILITIES** **18,529,998**

#### NET ASSETS

Unrestricted Net Assets - Prior Years	8,128,642
Net Assets - Current Year	2,043,832

**TOTAL NET ASSETS** 10,172,475

**TOTAL LIABILITIES AND NET ASSETS** \$ 28,702,473

**California Affiliated Risk Management Authorities**  
**~ INCOME STATEMENT ~**  
**For the Quarter Ended June 30, 2011**  
**(Unaudited)**

	<u>Actual</u>	<u>Budget</u>	<u>% Used</u>	<u>\$ Variance</u>
<b>OPERATING REVENUES</b>				
Deposit Premium	\$ 6,470,732	\$ 6,470,731	100%	\$ (1)
Investment Income	406,491	0		(406,491)
Misc Income	209	0		(209)
<b>TOTAL OPERATING REVENUES</b>	<u>\$ 6,877,432</u>	<u>6,470,731</u>	<u>106%</u>	<u>(406,701)</u>
<b>OPERATING EXPENSES</b>				
<b>Direct Expenses</b>				
Claims Paid	\$ 3,638,651	4,051,081	* { 60%	1,610,510
Incr/(Decr) in Reserves	<u>(1,198,080)</u>			
<b>Subtotal Claims Expense</b>	2,440,571	4,051,081	60%	1,610,510
Reinsurance	1,421,625	1,421,625	100%	0
Excess Insurance	<u>547,225</u>	<u>547,225</u>	<u>100%</u>	<u>0</u>
<b>Subtotal All Direct Expenses</b>	4,409,421	6,019,931	73%	1,610,510
<b>General &amp; Administrative Expenses</b>				
Program Management	289,000	289,000	100%	0
Membership Dues	1,498	1,800	83%	302
Financial Audit	8,100	7,800	104%	(300)
Claims Audit	29,900	29,900	100%	0
Actuarial Services	6,724	7,800	86%	1,076
Legal Services	50,698	60,000	84%	9,302
Marketing, Consultants and Website	600	5,000	12%	4,400
Board Meetings	1,558	2,000	78%	442
Annual Retreat	7,113	15,000	47%	7,887
Fidelity Bond	1,033	1,000	103%	(33)
Accreditation	1,500	1,500	100%	0
Investment Management Fees	26,218	20,000	131%	(6,218)
Bank Fees	236	0		(236)
Contingency	<u>0</u>	<u>10,000</u>	<u>0%</u>	<u>10,000</u>
<b>Subtotal General &amp; Admin Expenses</b>	424,178	450,800	94%	26,622
Member Equity Distribution	0	0		0
<b>TOTAL OPERATING EXPENSES</b>	<u>4,833,599</u>	<u>6,470,731</u>	<u>75%</u>	<u>1,637,132</u>
<b>CHANGE IN NET ASSETS</b>	<u><u>\$ 2,043,832</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, 2011

Before Closure of Program Years 1996/1997 through 2000/2001 into 2004/2005

(Unaudited)

<b>Assets:</b>	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	Total
Cash, L.A.I.F. & Investments	210,349	138,365	1,589,267	1,298,533	114,817	302,469	1,385,555	3,009,790	(2,632,573)	3,022,877	3,519,511	4,873,589	3,532,533	4,171,691	3,916,429	28,453,196
Market Valuation-LAIF & Investments															137,447	137,447
Prepaid Expenses															30,162	30,162
Interest Receivable															81,667	81,667
Accounts Receivable															0	0
<b>Total Assets</b>	<b>210,349</b>	<b>138,365</b>	<b>1,589,267</b>	<b>1,298,533</b>	<b>114,817</b>	<b>302,469</b>	<b>1,385,555</b>	<b>3,009,790</b>	<b>(2,632,573)</b>	<b>3,022,877</b>	<b>3,519,511</b>	<b>4,873,589</b>	<b>3,532,533</b>	<b>4,171,691</b>	<b>4,165,706</b>	<b>28,702,473 *</b>
<b>Liabilities:</b>																
Accounts Payable															5,605	5,605
Deferred Revenue															0	0
Return of Equity															0	0
Equity Payable															21,785	21,785
Reserve for Claims <sup>(1)</sup>	0	0	0	0	0	0	216,675	523,288	0	5,644,080	728,452	0	0	177,400	0	7,289,894
Reserve for IBNR <sup>(2)</sup>	(0)	0	(0)	0	(0)	19,588	78,193	240,018	342,601	742,457	1,064,942	1,578,411	2,152,702	2,389,237	2,604,570	11,212,713
<b>Total Liabilities</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>19,588</b>	<b>294,868</b>	<b>763,305</b>	<b>342,601</b>	<b>6,386,537</b>	<b>1,793,394</b>	<b>1,578,411</b>	<b>2,152,702</b>	<b>2,566,637</b>	<b>2,631,960</b>	<b>18,529,998</b>
<b>Retained Earnings:</b>																
Reserve for Adverse Development <sup>(3)</sup>	0	0	0	0	0	0	0	0	0	676,145	850,972	1,053,253	1,278,061	1,551,034	1,588,787	6,998,252
Contingency Funds <sup>(4)</sup>	210,349	138,365	1,589,267	1,298,533	114,817	282,881	1,090,687	2,246,485	(2,975,174)	(4,039,805)	875,145	2,241,925	101,770	54,020	(55,041)	3,174,224
<b>Total Retained Earnings</b>	<b>210,349</b>	<b>138,365</b>	<b>1,589,267</b>	<b>1,298,533</b>	<b>114,817</b>	<b>282,881</b>	<b>1,090,687</b>	<b>2,246,485</b>	<b>(2,975,174)</b>	<b>(3,363,660)</b>	<b>1,726,117</b>	<b>3,295,178</b>	<b>1,379,830</b>	<b>1,605,054</b>	<b>1,533,746</b>	<b>10,172,475</b>
<b>Total Liabilities and Retained Earnings</b>	<b>210,349</b>	<b>138,365</b>	<b>1,589,267</b>	<b>1,298,533</b>	<b>114,817</b>	<b>302,469</b>	<b>1,385,555</b>	<b>3,009,790</b>	<b>(2,632,573)</b>	<b>3,022,877</b>	<b>3,519,511</b>	<b>4,873,589</b>	<b>3,532,533</b>	<b>4,171,691</b>	<b>4,165,706</b>	<b>28,702,473</b>

\* Total Assets do not include Rate Stabilization Funds of \$90,006 at June 30, 2011

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

(1) Reserve for claims has been discounted from the loss run balance of \$7,865,760 by \$575,866 as calculated utilizing the discount factors prepared by Bay Actuarial Consultants.

(2) IBNR has been established at the discounted expected confidence level as calculated by Bay Actuarial Consultants.

(3) This line represents the additional reserves needed to fund up to the 80% confidence level.

(4) Provided there are sufficient contingency funds available for each program year and the JPA overall is funded at the 70% confidence level, this amount would be available for possible refund to members.

# California Affiliated Risk Management Authorities

~ Balance Sheet ~  
As of June 30, 2011  
(Unaudited)

After Closure of Program Years 1996/1997 through 2000/2001 into 2004/2005

Assets:	2001/2002	2002/2003	2003/2004	Includes 1996/97 through 2000/01 2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	Total
Cash, L.A.I.F. & Investments	302,469	1,385,555	3,009,790	718,758	3,022,877	3,519,511	4,873,589	3,532,533	4,171,691	3,916,429	28,453,196
Market Valuation-LAIF & Investments										137,447	137,447
Prepaid Expenses										30,162	30,162
Interest Receivable										81,667	81,667
Accounts Receivable										0	0
<b>Total Assets</b>	<b>302,469</b>	<b>1,385,555</b>	<b>3,009,790</b>	<b>718,758</b>	<b>3,022,877</b>	<b>3,519,511</b>	<b>4,873,589</b>	<b>3,532,533</b>	<b>4,171,691</b>	<b>4,165,706</b>	<b>28,702,473 *</b>
* Total Assets do not include Rate Stabilization Funds of \$90,006 at June 30, 2011											
<b>Liabilities:</b>											
Accounts Payable										5,605	5,605
Deferred Revenue										0	0
Return of Equity										0	0
Equity Payable										21,785	21,785
Reserve for Claims <sup>(1)</sup>	0	216,675	523,288	0	5,644,080	728,452	0	0	177,400	0	7,289,894
Reserve for IBNR <sup>(2)</sup>	19,588	78,193	240,018	342,601	742,457	1,064,942	1,578,411	2,152,702	2,389,237	2,604,570	11,212,713
<b>Total Liabilities</b>	<b>19,588</b>	<b>294,868</b>	<b>763,305</b>	<b>342,601</b>	<b>6,386,537</b>	<b>1,793,394</b>	<b>1,578,411</b>	<b>2,152,702</b>	<b>2,566,637</b>	<b>2,631,960</b>	<b>18,529,998</b>
<b>Retained Earnings:</b>											
Reserve for Adverse Development <sup>(3)</sup>	0	0	0	0	676,145	850,972	1,053,253	1,278,061	1,551,034	1,588,787	6,998,252
Contingency Funds <sup>(4)</sup>	282,881	1,090,687	2,246,485	376,157	(4,039,805)	875,145	2,241,925	101,770	54,020	(55,041)	3,174,224
<b>Total Retained Earnings</b>	<b>282,881</b>	<b>1,090,687</b>	<b>2,246,485</b>	<b>376,157</b>	<b>(3,363,660)</b>	<b>1,726,117</b>	<b>3,295,178</b>	<b>1,379,830</b>	<b>1,605,054</b>	<b>1,533,746</b>	<b>10,172,475</b>
<b>Total Liabilities and Retained Earnings</b>	<b>302,469</b>	<b>1,385,555</b>	<b>3,009,790</b>	<b>718,758</b>	<b>3,022,877</b>	<b>3,519,511</b>	<b>4,873,589</b>	<b>3,532,533</b>	<b>4,171,691</b>	<b>4,165,706</b>	<b>28,702,473</b>

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

- (1) Reserve for claims has been discounted from the loss run balance of \$7,865,760 by \$575,866 as calculated utilizing the discount factors prepared by Bay Actuarial Consultants.
- (2) IBNR has been established at the discounted expected confidence level as calculated by Bay Actuarial Consultants.
- (3) This line represents the additional reserves needed to fund up to the 80% confidence level.
- (4) Provided there are sufficient contingency funds available for each program year and the JPA overall is funded at the 70% confidence level, this amount would be available for possible refund to members.



# California Affiliated Risk Management Authorities

~ Income Statement ~  
For the Quarter Ended June 30, 2011  
(Unaudited)

Revenue:	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	Total
Deposit Premiums																6,470,732
Interest Income	2,845	1,872	21,498	17,565	1,553	4,091	18,742	41,264	(35,610)	45,386	50,525	65,963	52,748	57,644	34,185	380,271 *
Misc Income															209	209
<b>Total Revenue</b>	2,845	1,872	21,498	17,565	1,553	4,091	18,742	41,264	(35,610)	45,386	50,525	65,963	52,748	57,644	6,505,126	6,851,212
<b>Direct Expenses:</b>																
Claims Paid	0	0	0	0	0	0	0	76,070	0	775,061	498,443	10,848	2,278,229	0	0	3,638,651
Incr/(Decr.) in Reserves	(0)	(71,785)	(0)	0	(18,159)	(19,291)	6,486	29,545	(238,650)	(226,575)	105,052	233,538	(3,630,943)	28,137	2,604,570	(1,198,080)
Dividend/Assessment/Equity Distribution																0
Reinsurance / Excess																0
<b>Total Direct Expenses</b>	(0)	(71,785)	(0)	0	(18,159)	(19,291)	6,486	105,615	(238,650)	548,486	603,495	244,386	(1,352,714)	28,137	4,573,420	4,409,421
<b>Indirect Expenses:</b>																
General Management																289,000
Membership Dues																1,498
Financial Audit																8,100
Claims Audit																29,900
Actuarial Services																6,724
Legal Services**																50,698
Marketing/Consultants/Website																600
Board Meetings																1,558
Annual Retreat																7,113
Fidelity Bond																1,033
Accreditation Fees																1,500
Bank Fees																236
Contingency																0
<b>Total Indirect Expenses</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	397,960
<b>Net Income/(Loss)</b>	2,846	73,657	21,498	17,565	19,712	23,382	12,256	(64,351)	203,040	(503,100)	(552,970)	(178,423)	1,405,462	29,508	1,533,746	2,043,832

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

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

# California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~  
As of June 30, 2011

Program Year	Member	"Expected" Fund Balance	IBNR at 70% Conf. Level	"70% Conf." Fund Balance	IBNR at 80% Conf. Level	"80% Conf." Fund Balance
<b>2001/2002:</b>	BCJPIA	89,457	0	89,457	0	89,457
	CSJVRMA	61,702	0	61,702	0	61,702
	MPA	63,808	0	63,808	0	63,808
	PARSAC	56,409	0	56,409	0	56,409
	VCJPA	11,505	0	11,505	0	11,505
	PERMA Total	0 282,881	0 282,881	0 282,881	0 282,881	0 282,881
<b>2002/2003:</b>	BCJPIA	282,340	0	282,340	0	282,340
	CSJVRMA	247,048	0	247,048	0	247,048
	MPA	321,979	0	321,979	0	321,979
	PARSAC	198,906	0	198,906	0	198,906
	VCJPA	40,414	0	40,414	0	40,414
	PERMA Total	0 1,090,687	0 1,090,687	0 1,090,687	0 1,090,687	0 1,090,687
<b>2003/2004</b>	BCJPIA	604,627	0	604,627	0	604,627
	CSJVRMA	581,123	0	581,123	0	581,123
	MBASIA	67,223	0	67,223	0	67,223
	MPA	531,968	0	531,968	0	531,968
	PARSAC	383,601	0	383,601	0	383,601
	VCJPA Total	77,943 2,246,485	0 2,246,485	77,943 2,246,485	0 2,246,485	77,943 2,246,485
<b>2004/2005*</b>	BCJPIA	925,594	0	925,594	0	925,594
	CSJVRMA	(739,108)	0	(739,108)	0	(739,108)
	MBASIA	(147,179)	0	(147,179)	0	(147,179)
	MPA	(715,977)	0	(715,977)	0	(715,977)
	PARSAC	940,478	0	940,478	0	940,478
	VCJPA PERMA* Total	111,030 1,318 376,157	0 0 376,157	111,030 1,318 376,157	0 0 376,157	111,030 1,318 376,157
<b>2005/2006</b>	BCJPIA	(834,701)	(11,985)	(846,686)	(167,787)	(1,002,490)
	CSJVRMA	(812,336)	(11,664)	(824,000)	(163,291)	(975,628)
	MBASIA	(128,218)	(1,841)	(130,059)	(25,774)	(153,991)
	MPA	(877,503)	(12,599)	(890,103)	(176,391)	(1,053,894)
	PARSAC	(582,641)	(8,366)	(591,007)	(117,119)	(699,760)
	VCJPA Total	(128,260) (3,363,660)	(1,842) (48,296)*	(130,102) (3,411,955)	(25,782) (676,145)*	(154,042) (4,039,805)

# California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of June 30, 2011

Program Year	Member	"Expected" Fund Balance	IBNR at 70% Conf. Level	"70% Conf." Fund Balance	IBNR at 80% Conf. Level	"80% Conf." Fund Balance
<b>2006/2007</b>	BCJPIA	397,585	(36,001)	361,584	(196,009)	201,576
	CSJVRMA	499,270	(45,209)	454,061	(246,139)	253,131
	MBASIA	61,303	(5,551)	55,752	(30,222)	31,081
	MPA	398,483	(36,083)	362,400	(196,451)	202,032
	PARSAC	294,470	(26,664)	267,806	(145,173)	149,297
	VCJPA	75,006	(6,792)	68,214	(36,978)	38,028
	Total	1,726,117	(156,300)	1,569,817	(850,972)	875,145
<b>2007/2008</b>	BCJPIA	714,627	(63,450)	651,177	(228,420)	486,208
	CSJVRMA	942,242	(83,659)	858,583	(301,173)	641,069
	MBASIA	109,091	(9,686)	99,405	(34,869)	74,222
	MPA	779,710	(69,228)	710,481	(249,222)	530,487
	PARSAC	614,224	(54,535)	559,689	(196,327)	417,897
	VCJPA	135,283	(12,011)	123,272	(43,241)	92,042
	Total	3,295,178	(292,570)	3,002,607	(1,053,253)	2,241,925
<b>2008/2009</b>	BCJPIA	298,740	(96,246)	202,494	(276,707)	22,034
	CSJVRMA	372,791	(120,103)	252,688	(345,296)	27,495
	MBASIA	46,293	(14,914)	31,378	(42,878)	3,414
	MPA	328,948	(105,978)	222,970	(304,686)	24,262
	PARSAC	280,534	(90,380)	190,154	(259,843)	20,691
	VCJPA	52,525	(16,922)	35,603	(48,651)	3,874
	Total	1,379,830	(444,543)	935,287	(1,278,061)	101,770
<b>2009/2010</b>	BCJPIA	565,126	(202,588)	362,538	(546,106)	19,019
	CSJVRMA	528,384	(189,416)	338,967	(510,600)	17,783
	MBASIA	69,358	(24,864)	44,494	(67,024)	2,334
	MPA	385,916	(138,344)	247,572	(372,927)	12,988
	VCJPA	56,270	(20,172)	36,098	(54,377)	1,894
	PARSAC	0	0	0	0	0
	Total	1,605,054	(575,384)	1,029,670	(1,551,034)	54,020
<b>2010/2011</b>	BCJPIA	574,275	(214,548)	359,727	(594,884)	(20,609)
	CSJVRMA	428,504	(160,088)	268,416	(443,882)	(15,378)
	MBASIA	61,945	(23,143)	38,803	(64,168)	(2,223)
	MPA	412,581	(154,140)	258,442	(427,387)	(14,806)
	VCJPA	56,441	(21,086)	35,355	(58,466)	(2,025)
	PARSAC	0	0	0	0	0
	Total	1,533,746	(573,005)	960,741	(1,588,787)	(55,041)

# California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~  
As of June 30, 2011

Program Year	Member	"Expected" Fund Balance	IBNR at 70% Conf. Level	"70% Conf." Fund Balance	IBNR at 80% Conf. Level	"80% Conf." Fund Balance
<b>Total:</b>	BCJPIA	3,617,672	(624,818)	2,992,851	(2,009,913)	1,607,759
	CSJVRMA	2,109,620	(610,140)	1,499,481	(2,010,381)	99,239
	MBASIA	139,815	(79,998)	59,817	(264,935)	(125,120)
	MPA	1,629,912	(516,372)	1,113,540	(1,727,065)	(97,153)
	PARSAC	2,185,981	(179,946)	2,006,035	(718,463)	1,467,518
	VCJPA	488,156	(78,825)	409,331	(267,494)	220,662
	PERMA	1,318	0	1,318	0	1,318
<b>Total Equity</b>		<b>10,172,473</b>	<b>(2,090,100)</b>	<b>8,082,374</b>	<b>(6,998,252)</b>	<b>3,174,224</b>

<b>Program Year Closures:</b>	
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
<b>These eight program years are now closed, and no longer appear on the financial statements.</b>	

# California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of June 30, 2011 - Date of Closure

1996/97 Program Year		6/30/02	
Member	Deposit Premium	Re-allocated Reserve	(Dividend) Assessment
BCJPIA	814,332	172,156	98,684
PERMA	527,407	159,765	63,268
PARSAC	657,924	110,641	137,114
VCJPA	116,305	0	18,679
<b>Total</b>	<b>2,115,968</b>	<b>442,562</b>	<b>317,745</b>

9/30/01

6/30/2011 Equity closure to 2004/05	IBNR	Incurred Losses	Excess Insurance	Admin. Expenses	Interest Earned	Equity Distributions	"Expected" Fund Balance
(113,272)	0	(810,738)	(248,761)	(53,260)	140,860		(0)
(53,065)	0	(525,080)	(161,111)	(34,494)	91,229	(67,919) *	(0)
(47,837)	0	(655,021)	(200,981)	(43,031)	113,805	(72,615) **	(0)
3,825	0	(115,792)	(35,529)	(7,607)	20,118		(0)
<b>(210,349)</b>	<b>0</b>	<b>(2,106,630)</b>	<b>(646,382)</b>	<b>(138,392)</b>	<b>366,013</b>	<b>(140,534)</b>	<b>0</b>

\* Dividend - 6/30/06

(3mil ~ 10mil)

\*\* Deduction payable to Future Admin Costs - 6/30/09  
Re-allocated Reserve: Allocated to members by equity percentage of 1993/94 program year as of 12/31/00.

1997/98 Program Year		6/30/02	
Member	Deposit Premium	(Dividend) Assessment	Dividend (Return of Equity) 6/30/06
BCJPIA	636,940	262,014	
PERMA	316,590	166,056	(119,075)
PARSAC	609,421	326,378	
VCJPA	100,424	21,714	
<b>Total</b>	<b>1,663,375</b>	<b>776,162</b>	<b>(119,075)</b>

6/30/2011 Equity closure to 2004/05	IBNR	Incurred Losses	Reinsurance	Admin. Expenses	Interest Earned	Dividend (Return of Equity) 6/30/06	"Expected" Fund Balance
(63,384)	(0)	(751,547)	(236,472)	(63,940)	216,390		(0)
51,747	(0)	(373,555)	(117,538)	(31,781)	107,556	(119,075)	(0)
(136,331)	(0)	(719,076)	(226,256)	(61,177)	207,041		(0)
9,603	(0)	(118,494)	(37,284)	(10,081)	34,117		(0)
<b>(138,365)</b>	<b>(0)</b>	<b>(1,962,672)</b>	<b>(617,550)</b>	<b>(166,980)</b>	<b>565,105</b>	<b>(119,075)</b>	<b>0</b>

(3mil ~ 10mil)

1998/99 Program Year		6/30/02	
Member	Deposit Premium	Admin. Expenses To Date	Interest Earned
BCJPIA	793,751	(75,516)	322,160
PARSAC	658,615	(62,659)	267,313
VCJPA	117,920	(11,219)	47,860
PERMA*	42,666	(42,666)	n/a
<b>Total</b>	<b>1,612,952</b>	<b>(192,060)</b>	<b>637,333</b>

6/30/2011 Equity closure to 2004/05	IBNR	Incurred Losses	Reinsurance	Admin. Expenses To Date	Interest Earned	"Expected" Fund Balance
(803,346)	0	(1,335)	(235,715)	(75,516)	322,160	0
(666,576)	0	(1,108)	(195,585)	(62,659)	267,313	(0)
(119,345)	0	(198)	(35,018)	(11,219)	47,860	0
0	n/a	n/a	n/a	(42,666)	n/a	0
<b>(1,589,267)</b>	<b>0</b>	<b>(2,641)</b>	<b>(466,318)</b>	<b>(149,394)</b>	<b>637,333</b>	<b>0</b>

(3mil ~ 10mil)

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

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

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

# California Affiliated Risk Management Authorities

## ~ Member Allocation of Pool Equity ~

As of June 30, 2011

1999/2000 Program Year				Admin. Expenses To Date		Reinsurance		Incurred Losses		IBNR		6/30/2011 Equity closure to 2004/05		"Expected" Fund Balance		80% Conf. Contingency IBNR Reserves		"80% Conf." Fund Balance	
Member	Deposit Premium	Interest Earned																	
BCJPIA	752,117	250,786		(71,466)	(225,491)	0	0	0				(705,948)	0	(2)	0	(2)			
PARSAC	522,375	174,181		(49,636)	(156,612)	0	0	0				(490,308)	0	(0)	0	(0)			
VCJPA	108,966	36,334		(10,354)	(32,669)	0	0	0				(102,277)	0	(0)	0	(0)			
PERMA*	38,687	n/a		(38,687)	n/a	n/a	n/a	n/a				0	n/a	0	n/a	0			
<b>Total</b>	<b>1,422,145</b>	<b>461,301</b>		<b>(170,143)</b>	<b>(414,772)</b>	<b>0</b>	<b>0</b>	<b>0</b>				<b>(1,298,533)</b>	<b>0</b>	<b>(2)</b>	<b>0</b>	<b>(2)</b>			
	<b>1,383,458</b>			<b>(131,456)</b>	<b>(3mil ~ 10mil)</b>														
2000/2001 Program Year				Admin. Expenses To Date		Reinsurance		Incurred Losses		IBNR		6/30/2011 Equity closure to 2004/05		"Expected" Fund Balance		80% Conf. Contingency IBNR Reserves		"80% Conf." Fund Balance	
Member	Premium	Assessment 6/30/08	Interest Earned																
BCJPIA	794,604	275,982	46,247	(76,549)	(275,640)	(736,389)	0	0				(28,258)	0	(0)	0	(0)			
CSJVRMA	575,048	171,651	33,469	(55,398)	(199,478)	(532,919)	0	0				7,627	0	(0)	0	(0)			
MPA	664,940	245,164	38,701	(64,058)	(230,661)	(616,225)	0	0				(37,861)	0	(0)	0	(0)			
PARSAC	529,800	234,457	30,835	(51,039)	(183,782)	(490,986)	0	0				(69,285)	0	0	0	0			
VCJPA	113,388	22,390	6,599	(10,923)	(39,333)	(105,081)	0	0				12,960	0	(0)	0	(0)			
PERMA*	29,372	0	n/a	(29,372)	n/a	n/a	n/a	n/a				0	n/a	0	n/a	0			
<b>Total</b>	<b>2,707,152</b>	<b>949,644</b>	<b>155,851</b>	<b>(287,339)</b>	<b>(928,895)</b>	<b>(2,481,600)</b>	<b>0</b>	<b>0</b>				<b>(114,817)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>			
	<b>2,677,780</b>			<b>(257,967)</b>	<b>(3mil ~ 10mil)</b>														
2001/2002 Program Year				Admin. Expenses To Date		Reinsurance		Incurred Losses		IBNR		6/30/2011 Equity closure to 2004/05		"Expected" Fund Balance		80% Conf. Contingency IBNR Reserves		"80% Conf." Fund Balance	
Member	Premium	Interest Earned																	
BCJPIA	905,484	38,074		(83,518)	(292,866)	(471,519)	(6,195)	(6,195)					0	89,457	0	89,457			
CSJVRMA	624,524	26,260		(57,603)	(201,993)	(325,213)	(4,273)	(4,273)					0	61,702	0	61,702			
MPA	645,844	27,156		(59,570)	(208,889)	(336,315)	(4,418)	(4,418)					0	63,808	0	63,808			
PARSAC	570,948	24,007		(52,662)	(184,665)	(297,314)	(3,906)	(3,906)					0	56,409	0	56,409			
VCJPA	116,448	4,896		(10,741)	(37,663)	(60,639)	(797)	(797)					0	11,505	0	11,505			
PERMA*	20,749	n/a		(20,749)	n/a	n/a	n/a	n/a					n/a	0	n/a	0			
<b>Total</b>	<b>2,883,997</b>	<b>120,394</b>		<b>(284,842)</b>	<b>(926,077)</b>	<b>(1,491,000)</b>	<b>(19,588)</b>	<b>(19,588)</b>					<b>0</b>	<b>282,881</b>	<b>0</b>	<b>282,881</b>			
	<b>2,863,248</b>			<b>(264,093)</b>	<b>(3mil ~ 10mil)</b>														

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

# California Affiliated Risk Management Authorities

~ Balance Sheet ~  
As of June 30, 2011

Before Closure of Program Years 1996/1997 through 2000/2001 into 2004/2005

(Unaudited)

<b>Assets:</b>	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	Total
Cash, L.A.I.F. & Investments	210,349	138,365	1,589,267	1,298,533	114,817	302,469	1,385,555	3,009,790	(2,632,573)	3,022,877	3,519,511	4,873,589	3,532,533	4,171,691	3,916,429	28,453,196
Market Valuation-LAIF & Investments															137,447	137,447
Prepaid Expenses															30,162	30,162
Interest Receivable															81,667	81,667
Accounts Receivable															0	0
<b>Total Assets</b>	<b>210,349</b>	<b>138,365</b>	<b>1,589,267</b>	<b>1,298,533</b>	<b>114,817</b>	<b>302,469</b>	<b>1,385,555</b>	<b>3,009,790</b>	<b>(2,632,573)</b>	<b>3,022,877</b>	<b>3,519,511</b>	<b>4,873,589</b>	<b>3,532,533</b>	<b>4,171,691</b>	<b>4,165,706</b>	<b>28,702,473 *</b>
<b>Liabilities:</b>																
Accounts Payable															5,605	5,605
Deferred Revenue															0	0
Return of Equity															0	0
Equity Payable															21,785	21,785
Reserve for Claims <sup>(1)</sup>	0	0	0	0	0	0	216,675	523,288	0	5,644,080	728,452	0	0	177,400	0	7,289,894
Reserve for IBNR <sup>(2)</sup>	(0)	0	(0)	0	(0)	19,588	78,193	240,018	342,601	742,457	1,064,942	1,578,411	2,152,702	2,389,237	2,604,570	11,212,713
<b>Total Liabilities</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>19,588</b>	<b>294,868</b>	<b>763,305</b>	<b>342,601</b>	<b>6,386,537</b>	<b>1,793,394</b>	<b>1,578,411</b>	<b>2,152,702</b>	<b>2,566,637</b>	<b>2,631,960</b>	<b>18,529,998</b>
<b>Retained Earnings:</b>																
Reserve for Adverse Development <sup>(3)</sup>	0	0	0	0	0	0	0	0	0	676,145	850,972	1,053,253	1,278,061	1,551,034	1,588,787	6,998,252
Contingency Funds <sup>(4)</sup>	210,349	138,365	1,589,267	1,298,533	114,817	282,881	1,090,687	2,246,485	(2,975,174)	(4,039,805)	875,145	2,241,925	101,770	54,020	(55,041)	3,174,224
<b>Total Retained Earnings</b>	<b>210,349</b>	<b>138,365</b>	<b>1,589,267</b>	<b>1,298,533</b>	<b>114,817</b>	<b>282,881</b>	<b>1,090,687</b>	<b>2,246,485</b>	<b>(2,975,174)</b>	<b>(3,363,660)</b>	<b>1,726,117</b>	<b>3,295,178</b>	<b>1,379,830</b>	<b>1,605,054</b>	<b>1,533,746</b>	<b>10,172,475</b>
<b>Total Liabilities and Retained Earnings</b>	<b>210,349</b>	<b>138,365</b>	<b>1,589,267</b>	<b>1,298,533</b>	<b>114,817</b>	<b>302,469</b>	<b>1,385,555</b>	<b>3,009,790</b>	<b>(2,632,573)</b>	<b>3,022,877</b>	<b>3,519,511</b>	<b>4,873,589</b>	<b>3,532,533</b>	<b>4,171,691</b>	<b>4,165,706</b>	<b>28,702,473</b>

\* Total Assets do not include Rate Stabilization Funds of \$90,006 at June 30, 2011

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

(1) Reserve for claims has been discounted from the loss run balance of \$7,865,760 by \$575,866 as calculated utilizing the discount factors prepared by Bay Actuarial Consultants.

(2) IBNR has been established at the discounted expected confidence level as calculated by Bay Actuarial Consultants.

(3) This line represents the additional reserves needed to fund up to the 80% confidence level.

(4) Provided there are sufficient contingency funds available for each program year and the JPA overall is funded at the 70% confidence level, this amount would be available for possible refund to members.

# California Affiliated Risk Management Authorities

~ Balance Sheet ~

As of June 30, 2011

(Unaudited)

After Closure of Program Years 1996/1997 through 2000/2001 into 2004/2005

<b>Assets:</b>	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	Total
Cash, L.A.I.F. & Investments	302,469	1,385,555	3,009,790	718,758	3,022,877	3,519,511	4,873,589	3,532,533	4,171,691	3,916,429	28,453,196
Market Valuation-LAIF & Investments			3,009,790	718,758	3,022,877	3,519,511	4,873,589	3,532,533	4,171,691	3,916,429	28,453,196
Prepaid Expenses								3,532,533	4,171,691	137,447	137,447
Interest Receivable									30,162	30,162	30,162
Accounts Receivable									81,667	81,667	81,667
				0					0	0	0
<b>Total Assets</b>	<b>302,469</b>	<b>1,385,555</b>	<b>3,009,790</b>	<b>718,758</b>	<b>3,022,877</b>	<b>3,519,511</b>	<b>4,873,589</b>	<b>3,532,533</b>	<b>4,171,691</b>	<b>4,165,706</b>	<b>28,702,473 *</b>
* Total Assets do not include Rate Stabilization Funds of \$90,006 at June 30, 2011											
<b>Liabilities:</b>											
Accounts Payable										5,605	5,605
Deferred Revenue										0	0
Return of Equity										0	0
Equity Payable										21,785	21,785
Reserve for Claims <sup>(1)</sup>	0	216,675	523,288	0	5,644,080	728,452	0	0	177,400	0	7,289,894
Reserve for IBNR <sup>(2)</sup>	19,588	78,193	240,018	342,601	742,457	1,064,942	1,578,411	2,152,702	2,389,237	2,604,570	11,212,713
<b>Total Liabilities</b>	<b>19,588</b>	<b>294,868</b>	<b>763,305</b>	<b>342,601</b>	<b>6,386,537</b>	<b>1,793,394</b>	<b>1,578,411</b>	<b>2,152,702</b>	<b>2,566,637</b>	<b>2,631,960</b>	<b>18,529,998</b>
<b>Retained Earnings:</b>											
Reserve for Adverse Development <sup>(3)</sup>	0	0	0	0	676,145	850,972	1,053,253	1,278,061	1,551,034	1,588,787	6,998,252
Contingency Funds <sup>(4)</sup>	282,881	1,090,687	2,246,485	376,157	(4,039,805)	875,145	2,241,925	101,770	54,020	(55,041)	3,174,224
<b>Total Retained Earnings</b>	<b>282,881</b>	<b>1,090,687</b>	<b>2,246,485</b>	<b>376,157</b>	<b>(3,363,660)</b>	<b>1,726,117</b>	<b>3,295,178</b>	<b>1,379,830</b>	<b>1,605,054</b>	<b>1,533,746</b>	<b>10,172,475</b>
<b>Total Liabilities and Retained Earnings</b>	<b>302,469</b>	<b>1,385,555</b>	<b>3,009,790</b>	<b>718,758</b>	<b>3,022,877</b>	<b>3,519,511</b>	<b>4,873,589</b>	<b>3,532,533</b>	<b>4,171,691</b>	<b>4,165,706</b>	<b>28,702,473</b>

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

(1) Reserve for claims has been discounted from the loss run balance of \$7,865,760 by \$575,866 as calculated utilizing the discount factors prepared by Bay Actuarial Consultants.

(2) IBNR has been established at the discounted expected confidence level as calculated by Bay Actuarial Consultants.

(3) This line represents the additional reserves needed to fund up to the 80% confidence level.

(4) Provided there are sufficient contingency funds available for each program year and the JPA overall is funded at the 70% confidence level, this amount would be available for possible refund to members.



# California Affiliated Risk Management Authorities

~ Income Statement ~  
For the Quarter Ended June 30, 2011  
(Unaudited)

Revenue:	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	Total
Deposit Premiums																6,470,732
Interest Income	2,845	1,872	21,498	17,565	1,553	4,091	18,742	41,264	(35,610)	45,386	50,525	65,963	52,748	57,644	34,185	380,271 *
Misc Income															209	209
<b>Total Revenue</b>	2,845	1,872	21,498	17,565	1,553	4,091	18,742	41,264	(35,610)	45,386	50,525	65,963	52,748	57,644	6,505,126	6,851,212
<b>Direct Expenses:</b>																
Claims Paid	0	0	0	0	0	0	0	76,070	0	775,061	498,443	10,848	2,278,229	0	0	3,638,651
Incr/(Decr.) in Reserves	(0)	(71,785)	(0)	0	(18,159)	(19,291)	6,486	29,545	(238,650)	(226,575)	105,052	233,538	(3,630,943)	28,137	2,604,570	(1,198,080)
Dividend/Assessment/Equity Distribution																0
Reinsurance / Excess																0
<b>Total Direct Expenses</b>	(0)	(71,785)	(0)	0	(18,159)	(19,291)	6,486	105,615	(238,650)	548,486	603,495	244,386	(1,352,714)	28,137	4,573,420	4,409,421
<b>Indirect Expenses:</b>																
General Management																289,000
Membership Dues																1,498
Financial Audit																8,100
Claims Audit																29,900
Actuarial Services																6,724
Legal Services**																50,698
Marketing/Consultants/Website																600
Board Meetings																1,558
Annual Retreat																7,113
Fidelity Bond																1,033
Accreditation Fees																1,500
Bank Fees																236
Contingency																0
<b>Total Indirect Expenses</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	397,960
<b>Net Income/(Loss)</b>	2,846	73,657	21,498	17,565	19,712	23,382	12,256	(64,351)	203,040	(503,100)	(552,970)	(178,423)	1,405,462	29,508	1,533,746	2,043,832

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

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

# California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~  
As of June 30, 2011

Program Year	Member	"Expected" Fund Balance	IBNR at 70% Conf. Level	"70% Conf." Fund Balance	IBNR at 80% Conf. Level	"80% Conf." Fund Balance
<b>2001/2002:</b>	BCJPIA	89,457	0	89,457	0	89,457
	CSJVRMA	61,702	0	61,702	0	61,702
	MPA	63,808	0	63,808	0	63,808
	PARSAC	56,409	0	56,409	0	56,409
	VCJPA	11,505	0	11,505	0	11,505
	PERMA	0	0	0	0	0
	Total	282,881	0	282,881	0	282,881
<b>2002/2003:</b>	BCJPIA	282,340	0	282,340	0	282,340
	CSJVRMA	247,048	0	247,048	0	247,048
	MPA	321,979	0	321,979	0	321,979
	PARSAC	198,906	0	198,906	0	198,906
	VCJPA	40,414	0	40,414	0	40,414
	PERMA	0	0	0	0	0
	Total	1,090,687	0	1,090,687	0	1,090,687
<b>2003/2004</b>	BCJPIA	604,627	0	604,627	0	604,627
	CSJVRMA	581,123	0	581,123	0	581,123
	MBASIA	67,223	0	67,223	0	67,223
	MPA	531,968	0	531,968	0	531,968
	PARSAC	383,601	0	383,601	0	383,601
	VCJPA	77,943	0	77,943	0	77,943
	Total	2,246,485	0	2,246,485	0	2,246,485
<b>2004/2005*</b>	BCJPIA	925,594	0	925,594	0	925,594
	CSJVRMA	(739,108)	0	(739,108)	0	(739,108)
	MBASIA	(147,179)	0	(147,179)	0	(147,179)
	MPA	(715,977)	0	(715,977)	0	(715,977)
	PARSAC	940,478	0	940,478	0	940,478
	VCJPA	111,030	0	111,030	0	111,030
	PERMA*	1,318	0	1,318	0	1,318
	Total	376,157	0	376,157	0	376,157
<b>2005/2006</b>	BCJPIA	(834,701)	(11,985)	(846,686)	(167,787)	(1,002,490)
	CSJVRMA	(812,336)	(11,664)	(824,000)	(163,291)	(975,628)
	MBASIA	(128,218)	(1,841)	(130,059)	(25,774)	(153,991)
	MPA	(877,503)	(12,599)	(890,103)	(176,391)	(1,053,894)
	PARSAC	(582,641)	(8,366)	(591,007)	(117,119)	(699,760)
	VCJPA	(128,260)	(1,842)	(130,102)	(25,782)	(154,042)
	Total	(3,363,660)	(48,296)*	(3,411,955)	(676,145)*	(4,039,805)

# California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~  
As of June 30, 2011

Program Year	Member	"Expected" Fund Balance	IBNR at 70% Conf. Level	"70% Conf." Fund Balance	IBNR at 80% Conf. Level	"80% Conf." Fund Balance
<b>2006/2007</b>	BCJPIA	397,585	(36,001)	361,584	(196,009)	201,576
	CSJVRMA	499,270	(45,209)	454,061	(246,139)	253,131
	MBASIA	61,303	(5,551)	55,752	(30,222)	31,081
	MPA	398,483	(36,083)	362,400	(196,451)	202,032
	PARSAC	294,470	(26,664)	267,806	(145,173)	149,297
	VCJPA	75,006	(6,792)	68,214	(36,978)	38,028
	Total	1,726,117	(156,300)	1,569,817	(850,972)	875,145
<b>2007/2008</b>	BCJPIA	714,627	(63,450)	651,177	(228,420)	486,208
	CSJVRMA	942,242	(83,659)	858,583	(301,173)	641,069
	MBASIA	109,091	(9,686)	99,405	(34,869)	74,222
	MPA	779,710	(69,228)	710,481	(249,222)	530,487
	PARSAC	614,224	(54,535)	559,689	(196,327)	417,897
	VCJPA	135,283	(12,011)	123,272	(43,241)	92,042
	Total	3,295,178	(292,570)	3,002,607	(1,053,253)	2,241,925
<b>2008/2009</b>	BCJPIA	298,740	(96,246)	202,494	(276,707)	22,034
	CSJVRMA	372,791	(120,103)	252,688	(345,296)	27,495
	MBASIA	46,293	(14,914)	31,378	(42,878)	3,414
	MPA	328,948	(105,978)	222,970	(304,686)	24,262
	PARSAC	280,534	(90,380)	190,154	(259,843)	20,691
	VCJPA	52,525	(16,922)	35,603	(48,651)	3,874
	Total	1,379,830	(444,543)	935,287	(1,278,061)	101,770
<b>2009/2010</b>	BCJPIA	565,126	(202,588)	362,538	(546,106)	19,019
	CSJVRMA	528,384	(189,416)	338,967	(510,600)	17,783
	MBASIA	69,358	(24,864)	44,494	(67,024)	2,334
	MPA	385,916	(138,344)	247,572	(372,927)	12,988
	VCJPA	56,270	(20,172)	36,098	(54,377)	1,894
	PARSAC	0	0	0	0	0
	Total	1,605,054	(575,384)	1,029,670	(1,551,034)	54,020
<b>2010/2011</b>	BCJPIA	574,275	(214,548)	359,727	(594,884)	(20,609)
	CSJVRMA	428,504	(160,088)	268,416	(443,882)	(15,378)
	MBASIA	61,945	(23,143)	38,803	(64,168)	(2,223)
	MPA	412,581	(154,140)	258,442	(427,387)	(14,806)
	VCJPA	56,441	(21,086)	35,355	(58,466)	(2,025)
	PARSAC	0	0	0	0	0
	Total	1,533,746	(573,005)	960,741	(1,588,787)	(55,041)

# California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~  
As of June 30, 2011

Program Year	Member	"Expected" Fund Balance	IBNR at 70% Conf. Level	"70% Conf." Fund Balance	IBNR at 80% Conf. Level	"80% Conf." Fund Balance
<b>Total:</b>	BCJPIA	3,617,672	(624,818)	2,992,851	(2,009,913)	1,607,759
	CSJVRMA	2,109,620	(610,140)	1,499,481	(2,010,381)	99,239
	MBASIA	139,815	(79,998)	59,817	(264,935)	(125,120)
	MPA	1,629,912	(516,372)	1,113,540	(1,727,065)	(97,153)
	PARSAC	2,185,981	(179,946)	2,006,035	(718,463)	1,467,518
	VCJPA	488,156	(78,825)	409,331	(267,494)	220,662
	PERMA	1,318	0	1,318	0	1,318
<b>Total Equity</b>		<b>10,172,473</b>	<b>(2,090,100)</b>	<b>8,082,374</b>	<b>(6,998,252)</b>	<b>3,174,224</b>

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
<b>These eight program years are now closed, and no longer appear on the financial statements.</b>	

# California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of June 30, 2011 - Date of Closure

1996/97 Program Year		6/30/02	
Member	Deposit Premium	Re-allocated Reserve	(Dividend) Assessment
BCJPIA	814,332	172,156	98,684
PERMA	527,407	159,765	63,268
PARSAC	657,924	110,641	137,114
VCJPA	116,305	0	18,679
<b>Total</b>	<b>2,115,968</b>	<b>442,562</b>	<b>317,745</b>

9/30/01

6/30/2011 Equity closure to 2004/05	IBNR	Incurred Losses	Excess Insurance	Admin. Expenses	Interest Earned	Equity Distributions	"Expected" Fund Balance
(113,272)	0	(810,738)	(248,761)	(53,260)	140,860		(0)
(53,065)	0	(525,080)	(161,111)	(34,494)	91,229	(67,919) *	(0)
(47,837)	0	(655,021)	(200,981)	(43,031)	113,805	(72,615) **	(0)
3,825	0	(115,792)	(35,529)	(7,607)	20,118		(0)
<b>(210,349)</b>	<b>0</b>	<b>(2,106,630)</b>	<b>(646,382)</b>	<b>(138,392)</b>	<b>366,013</b>	<b>(140,534)</b>	<b>0</b>

\* Dividend - 6/30/06

(3mil ~ 10mil)

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

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

1997/98 Program Year		6/30/02	
Member	Deposit Premium	(Dividend) Assessment	Dividend (Return of Equity) 6/30/06
BCJPIA	636,940	262,014	
PERMA	316,590	166,056	(119,075)
PARSAC	609,421	326,378	
VCJPA	100,424	21,714	
<b>Total</b>	<b>1,663,375</b>	<b>776,162</b>	<b>(119,075)</b>

6/30/2011 Equity closure to 2004/05	IBNR	Incurred Losses	Reinsurance	Admin. Expenses	Interest Earned	Dividend (Return of Equity) 6/30/06	"Expected" Fund Balance
(63,384)	(0)	(751,547)	(236,472)	(63,940)	216,390		(0)
51,747	(0)	(373,555)	(117,538)	(31,781)	107,556	(119,075)	(0)
(136,331)	(0)	(719,076)	(226,256)	(61,177)	207,041		(0)
9,603	(0)	(118,494)	(37,284)	(10,081)	34,117		(0)
<b>(138,365)</b>	<b>(0)</b>	<b>(1,962,672)</b>	<b>(617,550)</b>	<b>(166,980)</b>	<b>565,105</b>	<b>(119,075)</b>	<b>0</b>

(3mil ~ 10mil)

1998/99 Program Year		6/30/02	
Member	Deposit Premium	Admin. Expenses To Date	Interest Earned
BCJPIA	793,751	(75,516)	322,160
PARSAC	658,615	(62,659)	267,313
VCJPA	117,920	(11,219)	47,860
PERMA*	42,666	(42,666)	n/a
<b>Total</b>	<b>1,612,952</b>	<b>(192,060)</b>	<b>637,333</b>

6/30/2011 Equity closure to 2004/05	IBNR	Incurred Losses	Reinsurance	Admin. Expenses To Date	Interest Earned	"Expected" Fund Balance
(803,346)	0	(1,335)	(235,715)	(75,516)	322,160	0
(666,576)	0	(1,108)	(195,585)	(62,659)	267,313	(0)
(119,345)	0	(198)	(35,018)	(11,219)	47,860	0
0	n/a	n/a	n/a	(42,666)	n/a	0
<b>(1,589,267)</b>	<b>0</b>	<b>(2,641)</b>	<b>(466,318)</b>	<b>(149,394)</b>	<b>637,333</b>	<b>0</b>

(3mil ~ 10mil)

Effective 7/1/98, Public Entity Risk Management Authority (PERMA) has withdrawn from membership.

They contributed towards administration expenses only through 2002/03.

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

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

# California Affiliated Risk Management Authorities

## ~ Member Allocation of Pool Equity ~

As of June 30, 2011

1999/2000 Program Year				Admin. Expenses To Date		Reinsurance		Incurred Losses		IBNR		6/30/2011 Equity closure to 2004/05		"Expected" Fund Balance		80% Conf. Contingency IBNR Reserves		"80% Conf." Fund Balance	
Member	Deposit Premium	Interest Earned																	
BCJPIA	752,117	250,786		(71,466)	(225,491)	0	0					(705,948)	0	(2)	0	(2)			
PARSAC	522,375	174,181		(49,636)	(156,612)	0	0					(490,308)	0	(0)	0	(0)			
VCJPA	108,966	36,334		(10,354)	(32,669)	0	0					(102,277)	0	(0)	0	(0)			
PERMA*	38,687	n/a		(38,687)	n/a	n/a	n/a					0	n/a	0	n/a	0			
<b>Total</b>	<b>1,422,145</b>	<b>461,301</b>		<b>(170,143)</b>	<b>(414,772)</b>	<b>0</b>	<b>0</b>					<b>(1,298,533)</b>	<b>0</b>	<b>(2)</b>	<b>0</b>	<b>(2)</b>			
	<b>1,383,458</b>			<b>(131,456)</b>	<b>(3mil ~ 10mil)</b>														
2000/2001 Program Year				Admin. Expenses To Date		Reinsurance		Incurred Losses		IBNR		6/30/2011 Equity closure to 2004/05		"Expected" Fund Balance		80% Conf. Contingency IBNR Reserves		"80% Conf." Fund Balance	
Member	Premium	Assessment 6/30/08	Interest Earned																
BCJPIA	794,604	275,982	46,247	(76,549)	(275,640)	(736,389)	0					(28,258)	0	(0)	0	(0)			
CSJVRMA	575,048	171,651	33,469	(55,398)	(199,478)	(532,919)	0					7,627	0	(0)	0	(0)			
MPA	664,940	245,164	38,701	(64,058)	(230,661)	(616,225)	0					(37,861)	0	(0)	0	(0)			
PARSAC	529,800	234,457	30,835	(51,039)	(183,782)	(490,986)	0					(69,285)	0	0	0	0			
VCJPA	113,388	22,390	6,599	(10,923)	(39,333)	(105,081)	0					12,960	0	(0)	0	(0)			
PERMA*	29,372	0	n/a	(29,372)	n/a	n/a	n/a					0	n/a	0	n/a	0			
<b>Total</b>	<b>2,707,152</b>	<b>949,644</b>	<b>155,851</b>	<b>(287,339)</b>	<b>(928,895)</b>	<b>(2,481,600)</b>	<b>0</b>					<b>(114,817)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>			
	<b>2,677,780</b>			<b>(257,967)</b>	<b>(3mil ~ 10mil)</b>														
2001/2002 Program Year				Admin. Expenses To Date		Reinsurance		Incurred Losses		IBNR		6/30/2011 Equity closure to 2004/05		"Expected" Fund Balance		80% Conf. Contingency IBNR Reserves		"80% Conf." Fund Balance	
Member	Premium	Interest Earned																	
BCJPIA	905,484	38,074		(83,518)	(292,866)	(471,519)	(6,195)						0	89,457	0	89,457			
CSJVRMA	624,524	26,260		(57,603)	(201,993)	(325,213)	(4,273)						0	61,702	0	61,702			
MPA	645,844	27,156		(59,570)	(208,889)	(336,315)	(4,418)						0	63,808	0	63,808			
PARSAC	570,948	24,007		(52,662)	(184,665)	(297,314)	(3,906)						0	56,409	0	56,409			
VCJPA	116,448	4,896		(10,741)	(37,663)	(60,639)	(797)						0	11,505	0	11,505			
PERMA*	20,749	n/a		(20,749)	n/a	n/a	n/a						n/a	0	n/a	0			
<b>Total</b>	<b>2,883,997</b>	<b>120,394</b>		<b>(284,842)</b>	<b>(926,077)</b>	<b>(1,491,000)</b>	<b>(19,588)</b>					<b>282,881</b>	<b>0</b>	<b>282,881</b>	<b>0</b>	<b>282,881</b>			
	<b>2,863,248</b>			<b>(264,093)</b>	<b>(3mil ~ 10mil)</b>														

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

# California Affiliated Risk Management Authorities

## ~ Member Allocation of Pool Equity ~

As of June 30, 2011

<b>2002/2003 Program Year</b>		Interest Earned	Admin. Expenses To Date	Reinsurance	Incurring Losses	IBNR	"Expected" Fund Balance	80% Conf. Contingency IBNR Reserves	"80% Conf." Fund Balance	
Member	Premium									
BCJPIA	954,516	108,881	(64,410)	(355,014)	(341,388)	(20,242)	282,340	0	282,340	
CSJVRMA	835,195	95,270	(56,359)	(310,635)	(298,712)	(17,711)	247,048	0	247,048	
MPA	1,088,511	124,166	(73,452)	(404,851)	(389,312)	(23,083)	321,979	0	321,979	
PARSAC	672,441	76,705	(45,376)	(250,102)	(240,502)	(14,260)	198,906	0	198,906	
VCJPA	136,626	15,585	(9,219)	(50,815)	(48,865)	(2,897)	40,414	0	40,414	
PERMA*	10,569	n/a	(10,569)	0	n/a	0	0	n/a	0	
<b>Total</b>	<b>3,697,858</b>	<b>420,607</b>	<b>(259,386)</b>	<b>(1,371,418)</b>	<b>(1,318,778)</b>	<b>(78,193)</b>	<b>1,090,687</b>	<b>0</b>	<b>1,090,687</b>	
	<b>3,687,289</b>		<b>(248,817)</b>	<b>(3mil ~ 10mil)</b>						
<b>2003/2004 Program Year</b>		Interest Earned	Admin. Expenses To Date	Reinsurance	Incurring Losses	IBNR	"Expected" Fund Balance	80% Conf. Contingency IBNR Reserves	"80% Conf." Fund Balance	
Member	Premium									
BCJPIA	1,263,251	209,650	(71,345)	(445,548)	(286,783)	(64,599)	604,627	0	604,627	
CSJVRMA	1,214,146	201,500	(68,572)	(428,229)	(275,635)	(62,088)	581,123	0	581,123	
MBAIF	140,449	23,309	(7,932)	(49,536)	(31,885)	(7,182)	67,223	0	67,223	
MPA	1,111,447	184,456	(62,772)	(392,007)	(252,320)	(56,836)	531,968	0	531,968	
PARSAC	801,461	133,011	(45,264)	(282,675)	(181,947)	(40,984)	383,601	0	383,601	
VCJPA	162,847	27,026	(9,197)	(57,436)	(36,969)	(8,328)	77,943	0	77,943	
<b>Total</b>	<b>4,693,601</b>	<b>778,953</b>	<b>(265,082)</b>	<b>(1,655,431)</b>	<b>(1,065,540)</b>	<b>(240,018)</b>	<b>2,246,485</b>	<b>0</b>	<b>2,246,485</b>	
				<b>(4mil ~ 10mil)</b>						
<b>2004/2005 Program Year</b>		Interest Earned	Admin. Expenses To Date	Reinsurance	Incurring Losses	IBNR	Prior Years* Equity Allocation	"Expected" Fund Balance	80% Conf. Contingency IBNR Reserves	"80% Conf." Fund Balance
Member	Premium									
BCJPIA	1,583,927	114,846	(80,481)	(501,646)	(1,814,448)	(90,811)	1,714,208	925,594	0	925,594
CSJVRMA	1,469,177	106,526	(74,650)	(465,303)	(1,682,997)	(84,232)	(7,627)	(739,108)	0	(739,108)
MBAIF	295,609	21,434	(15,020)	(93,622)	(338,631)	(16,948)		(147,179)	0	(147,179)
MPA	1,514,082	109,782	(76,932)	(479,525)	(1,734,438)	(86,807)	37,861	(715,977)	0	(715,977)
PARSAC	943,711	68,426	(47,951)	(298,883)	(1,081,056)	(54,106)	1,410,337	940,478	0	940,478
VCJPA	169,123	12,263	(8,593)	(53,563)	(193,737)	(9,696)	195,234	111,030	0	111,030
PERMA							1,318	1,318	0	1,318
<b>Total</b>	<b>5,975,629</b>	<b>433,275</b>	<b>(303,627)</b>	<b>(1,892,542)</b>	<b>(6,845,307)</b>	<b>(342,601)</b>	<b>3,351,331</b>	<b>376,157</b>	<b>0</b>	<b>376,157</b>
				<b>(4mil ~ 10mil)</b>						

\* Prior Years Equity Allocation - As of June 30, 2011, the equity for Program Years 1996/97 - 2000/01 was closed into 2004/05

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

# California Affiliated Risk Management Authorities

## ~ Member Allocation of Pool Equity ~

As of June 30, 2011

<b>2005/2006 Program Year</b>		Admin.	70% Conf.		"Expected"		"70% Conf."		80% Conf.	
Member	Premium	Interest Earned	Expenses To Date	Reinsurance / Excess Ins	Incurred Losses	IBNR	Fund Balance	Contingency IBNR Reserves	Fund Balance	Contingency IBNR Reserves
BCJPIA	1,576,921	206,775	(72,146)	(593,393)	(1,768,617)	(184,243)	(834,701)	(11,985)	(846,686)	(167,787)
CSJVRMA	1,534,667	201,235	(70,213)	(577,493)	(1,721,227)	(179,306)	(812,336)	(11,664)	(824,000)	(163,291)
MBAIF	242,229	31,763	(11,082)	(91,150)	(271,675)	(28,301)	(128,218)	(1,841)	(130,059)	(25,774)
MPA	1,657,780	217,378	(75,845)	(623,820)	(1,859,306)	(193,690)	(877,503)	(12,599)	(890,103)	(176,391)
PARSAC	1,100,726	144,334	(50,359)	(414,201)	(1,234,534)	(128,606)	(582,641)	(8,366)	(591,007)	(117,119)
VCJPA	242,309	31,773	(11,086)	(91,180)	(271,765)	(28,311)	(128,260)	(1,842)	(130,102)	(25,782)
<b>Total</b>	<b>6,354,632</b>	<b>833,258</b>	<b>(290,731)</b>	<b>(2,391,237)</b> (5mil ~ 20mil)	<b>(7,127,125)</b>	<b>(742,457)</b> *	<b>(3,363,660)</b>	<b>(48,296)</b> *	<b>(3,411,955)</b>	<b>(676,145)</b> *

<b>2006/2007 Program Year</b>		Admin.	70% Conf.		"Expected"		"70% Conf."		80% Conf.	
Member	Premium	Interest Earned	Expenses To Date	Reinsurance / Excess Ins	Incurred Losses	IBNR	Fund Balance	Contingency IBNR Reserves	Fund Balance	Contingency IBNR Reserves
BCJPIA	1,498,514	163,366	(76,121)	(560,110)	(382,770)	(245,293)	397,585	(36,001)	361,584	(196,009)
CSJVRMA	1,881,767	205,147	(95,590)	(703,361)	(480,665)	(308,029)	499,270	(45,209)	454,061	(246,139)
MBAIF	231,052	25,189	(11,737)	(86,362)	(59,018)	(37,821)	61,303	(5,551)	55,752	(30,222)
MPA	1,501,897	163,734	(76,293)	(561,374)	(383,634)	(245,847)	398,483	(36,083)	362,400	(196,451)
PARSAC	1,109,870	120,996	(56,379)	(414,843)	(283,497)	(181,676)	294,470	(26,664)	267,806	(145,173)
VCJPA	282,700	30,820	(14,361)	(105,667)	(72,211)	(46,275)	75,006	(6,792)	68,214	(36,978)
<b>Total</b>	<b>6,505,800</b>	<b>709,252</b>	<b>(330,481)</b>	<b>(2,431,716)</b> (5mil ~ 20mil)	<b>(1,661,796)</b>	<b>(1,064,942)</b>	<b>1,726,117</b>	<b>(156,300)</b>	<b>1,569,817</b>	<b>(850,972)</b>

<b>2007/2008 Program Year</b>		Admin.	70% Conf.		"Expected"		"70% Conf."		80% Conf.	
Member	Premium	Interest Earned	Expenses To Date	Reinsurance / Excess Ins	Incurred Losses	IBNR	Fund Balance	Contingency IBNR Reserves	Fund Balance	Contingency IBNR Reserves
BCJPIA	1,617,841	125,869	(77,830)	(401,565)	(207,377)	(342,311)	714,627	(63,450)	651,177	(228,420)
CSJVRMA	2,133,137	165,960	(102,619)	(529,467)	(273,428)	(451,340)	942,242	(83,659)	858,583	(301,173)
MBAIF	246,970	19,214	(11,881)	(61,301)	(31,657)	(52,255)	109,091	(9,686)	99,405	(34,869)
MPA	1,765,180	137,332	(84,918)	(438,136)	(226,263)	(373,486)	779,710	(69,228)	710,481	(249,222)
PARSAC	1,390,539	108,185	(66,895)	(345,146)	(178,241)	(294,217)	614,224	(54,535)	559,689	(196,327)
VCJPA	306,267	23,828	(14,734)	(76,019)	(39,258)	(64,802)	135,283	(12,011)	123,272	(43,241)
<b>Total</b>	<b>7,459,934</b>	<b>580,389</b>	<b>(358,877)</b>	<b>(1,851,634)</b> (5mil ~ 25mil)	<b>(956,223)</b>	<b>(1,578,411)</b>	<b>3,295,178</b>	<b>(292,570)</b>	<b>3,002,607</b>	<b>(1,053,253)</b>

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

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



# California Affiliated Risk Management Authorities

## ~ Member Allocation of Pool Equity ~

As of June 30, 2011

<b>2008/2009 Program Year</b>											
Member	Premium	Interest Earned	Admin. Expenses To Date	Reinsurance / Excess Ins	Incurred Losses	IBNR	"Expected" Fund Balance	70% Conf. Contingency IBNR Reserves	"70% Conf." Fund Balance	80% Conf. Contingency IBNR Reserves	"80% Conf." Fund Balance
BCJPIA	1,777,509	62,603	(75,306)	(506,744)	(493,249)	(466,072)	298,740	(96,246)	202,494	(276,707)	22,033
CSJVRMA	2,218,108	78,120	(93,972)	(632,353)	(615,513)	(581,599)	372,791	(120,103)	252,688	(345,296)	27,495
MBASIA	275,441	9,701	(11,669)	(78,525)	(76,433)	(72,222)	46,293	(14,914)	31,378	(42,878)	3,414
MPA	1,957,242	68,933	(82,920)	(557,984)	(543,124)	(513,199)	328,948	(105,978)	222,970	(304,686)	24,262
PARSAC	1,669,177	58,787	(70,716)	(475,860)	(463,187)	(437,667)	280,534	(90,380)	190,154	(259,843)	20,691
VCJPA	312,521	11,007	(13,240)	(89,096)	(86,723)	(81,945)	52,525	(16,922)	35,603	(48,651)	3,874
<b>Total</b>	<b>8,209,998</b>	<b>289,151</b>	<b>(347,824)</b>	<b>(2,340,563)</b>	<b>(2,278,229)</b>	<b>(2,152,702)</b>	<b>1,379,830</b>	<b>(444,543)</b>	<b>935,288</b>	<b>(1,278,061)</b>	<b>101,770</b>

(4mil ~ 29mil)

<b>2009/2010 Program Year</b>											
Member	Premium	Interest Earned	Admin. Expenses To Date	Reinsurance / Excess Ins	Incurred Losses	IBNR	"Expected" Fund Balance	70% Conf. Contingency IBNR Reserves	"70% Conf." Fund Balance	80% Conf. Contingency IBNR Reserves	"80% Conf." Fund Balance
BCJPIA	2,262,791	39,764	(137,506)	(696,232)	(62,461)	(841,231)	565,126	(202,588)	362,538	(546,106)	19,019
CSJVRMA	2,115,672	37,179	(128,566)	(650,965)	(58,400)	(786,537)	528,384	(189,416)	338,967	(510,600)	17,783
MBASIA	277,713	4,880	(16,876)	(85,449)	(7,666)	(103,244)	69,358	(24,864)	44,494	(67,024)	2,334
MPA	1,545,223	27,154	(93,900)	(475,445)	(42,654)	(574,463)	385,916	(138,344)	247,572	(372,927)	12,988
VCJPA	225,309	3,959	(13,692)	(69,325)	(6,219)	(83,762)	56,270	(20,172)	36,098	(54,377)	1,894
PARSAC*	29,046		(29,046)	0	0	0	0	0	0	0	0
<b>Total</b>	<b>6,455,754</b>	<b>112,938</b>	<b>(419,586)</b>	<b>(1,977,415)</b>	<b>(177,400)</b>	<b>(2,389,237)</b>	<b>1,605,054</b>	<b>(575,384)</b>	<b>1,029,671</b>	<b>(1,551,034)</b>	<b>54,020</b>

(4mil ~ 29mil)

<b>2010/2011 Program Year</b>											
Member	Premium	Interest Earned	Admin. Expenses To Date	Reinsurance / Excess Ins	Incurred Losses	IBNR	"Expected" Fund Balance	70% Conf. Contingency IBNR Reserves	"70% Conf." Fund Balance	80% Conf. Contingency IBNR Reserves	"80% Conf." Fund Balance
BCJPIA	2,414,657	12,800	(140,772)	(737,190)	0	(975,220)	574,275	(214,548)	359,727	(594,884)	(20,607)
CSJVRMA	1,801,732	9,551	(105,039)	(550,065)	0	(727,675)	428,504	(160,088)	268,416	(443,882)	(15,378)
MBASIA	260,461	1,381	(15,185)	(79,518)	0	(105,194)	61,945	(23,143)	38,803	(64,168)	(2,223)
MPA	1,734,781	9,196	(101,136)	(529,625)	0	(700,635)	412,581	(154,140)	258,442	(427,387)	(14,806)
VCJPA	237,316	1,258	(13,835)	(72,452)	0	(95,846)	56,441	(21,086)	35,355	(58,466)	(2,025)
PARSAC*	21,785		(21,785)	0	0	0	0	0	0	0	0
<b>Total</b>	<b>6,470,732</b>	<b>34,185</b>	<b>(397,751)</b>	<b>(1,968,850)</b>	<b>0</b>	<b>(2,604,570)</b>	<b>1,533,746</b>	<b>(573,005)</b>	<b>960,742</b>	<b>(1,588,787)</b>	<b>(55,041)</b>

(4mil ~ 29mil)

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

**TOTAL ALL YEARS      10,172,473      (2,090,099)      8,082,378      (6,998,252)      3,174,224**

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

**California Affiliated Risk Management Authorities**  
**As of June 30, 2011**

Closure of Program Years 1996/97 - 2000/01 - Equity Applied to 2004/05											
1996/97 through 2000/01 Closed into 2004/05 - Equity at Expected Confidence Level											
Member	1996/97	1997/98	1998/99	1999/00	2000/01	Sum 1996/97 - 2000/01	2001/02	2002/03	2003/04	Original 2004/05	Re-Allocated 2004/05
BCJPIA	\$ 113,272	\$ 63,384	\$ 803,346	\$ 705,948	\$ 28,258	\$ 1,714,208				\$ (788,613)	\$ 925,595
CSJVRMA					(7,627)	(7,627)				(731,481)	(739,108)
MBASIA					37,861	37,861				(147,179)	(147,179)
MPA	\$ (3,825)	(9,603)	119,345	102,277	(12,960)	195,234				(753,838)	(715,977)
VCJPA										(84,204)	111,030
PERMA	53,065	(51,747)				1,318				(469,859)	1,318
PARSAC	47,837	136,331	666,576	490,308	69,285	1,410,337					940,478
<b>Total</b>	<b>\$ 210,349</b>	<b>\$ 138,365</b>	<b>\$ 1,589,267</b>	<b>\$ 1,298,533</b>	<b>\$ 114,817</b>	<b>\$ 3,351,331</b>				<b>\$ (2,975,173)</b>	<b>\$ 376,158</b>
IBNR as of 6/30/	0	0	0	0	0					342,601	

NOTE: The calculation above provides a scenario by which program years with no open claims that have also been closed by the actuary can be formally closed by the Board. The program equity allocated to each member for Program Years 1996/97 - 2000/01 is separately applied to 2004/05 so as to maintain the integrity of each member's share. The "Re-allocated 2004/05" column is the sum total of all five program years. Future allocation of equity for the 2004/05 program year will not affect the member's allocation of equity for the closed years, which will remain fixed.

# California Affiliated Risk Management Authorities

## ~ Rate Stabilization Fund ~

As of June 30, 2011

Member	Original Balance @ 7/1/2002	Cumulative Interest 2002/2003 - 2005/2006	2006/2007		2007/2008		2008/2009 YE Interest as of 06/30/09	2009/2010 YE Interest as of 06/30/10	2010/2011 YE Interest as of 6/30/11	Balance @ 6/30/11
			Interest as of 9/30/06	Member Contribution / Withdrawal 9/30/06 & 3/31/07 * 10/1/06 - 06/30/07	Member Withdrawal June 2008	Member Billing 6/30/08**				
BCJPIA	380,979	33,811	7,692	445,979 *	(970,226)	6,354	0	0	(0)	
PARSAC	201,011	17,839	4,058	(222,909)	0	0	0	0	(0)	
VCJPA	28,165	2,500	569	63,251	(22,390)	4,130	2,095	1,217	90,006	
CSJVRMA	0	0	0	0	0	0	0	0	0	
MBASIA	0	0	0	0	0	0	0	0	0	
MPA	0	0	0	0	0	0	0	0	0	
<b>Total</b>	<b>610,155</b>	<b>54,150</b>	<b>12,319</b>	<b>286,321</b>	<b>(992,616)</b>	<b>6,354</b>	<b>2,095</b>	<b>1,217</b>	<b>90,006</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>

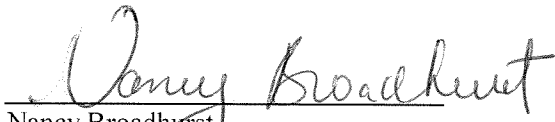
**California Affiliated Risk Management Authorities**  
**Treasurer's Report**  
As of June 30, 2011

	Book Value	Market Value	% of Total	Effective Yield
California Bank & Trust – Petty Cash	\$ 2,000	\$ 2,000	0.01%	0.00%
California Bank & Trust – General Operating	19,575	19,575	0.07%	0.00%
State of California Local Agency Investment Fund	4,720,997	4,728,439	16.49%	0.45%
CAMP - Money Market	86,646	86,646	0.30%	0.12%
CAMP - Investments managed by PFM	23,713,986	23,843,991	83.14%	1.13%
<b>Total Cash and Investments</b>	<b>\$ 28,543,204</b>	<b>\$ 28,680,651</b>	<b>100.00%</b>	<b>1.01%</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.

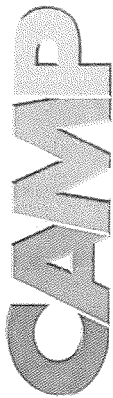
I certify that this report reflects all cash and investments and is in conformance with the Agency's Investment Policy. The investment program herein shown provides sufficient cash flow liquidity to meet the Agency's expenditures for the next six months.

Respectfully submitted,

  
Nancy Broadhurst  
Assistant Treasurer

Accepted,

\_\_\_\_\_  
Jake O'Malley  
Treasurer



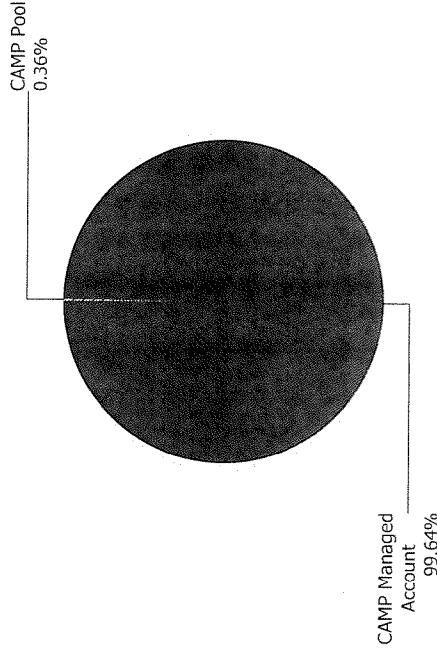
**Account Statement - Transaction Summary**

For the Month Ending **June 30, 2011**

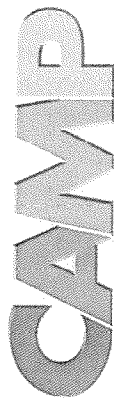
**CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00**

<b>Asset Summary</b>			
	<b>June 30, 2011</b>	<b>May 31, 2011</b>	
<b>CAMP Pool</b>	86,646.05	1,125,717.61	
<b>CAMP Managed Account</b>	23,843,990.52	22,799,383.90	
<b>Total</b>	<b>\$23,930,636.57</b>	<b>\$23,925,101.51</b>	
<b>Asset Allocation</b>			

<b>CAMP Pool</b>	
Opening Market Value	1,125,717.61
Purchases	3,147,190.05
Redemptions	(4,186,261.61)
Unsettled Trades	0.00
Change in Value	0.00
<b>Closing Market Value</b>	<b>\$86,646.05</b>
Cash Dividends and Income	25.90
<b>CAMP Managed Account</b>	
Opening Market Value	22,799,383.90
Purchases	4,176,200.69
Redemptions	(3,122,201.57)
Unsettled Trades	0.00
Change in Value	(9,392.50)
<b>Closing Market Value</b>	<b>\$23,843,990.52</b>
Cash Dividends and Income	19,196.02



**PFM Asset Management LLC**



**Managed Account Detail of Securities Held**

For the Month Ending June 30, 2011

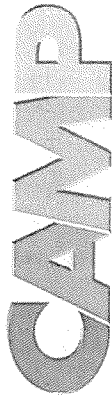
**CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)**

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 11/30/2009 0.750% 11/30/2011	912828MM9	250,000.00	TSY	TSY	12/04/09	12/08/09	249,589.84	0.83	158.81	249,913.37	250,673.75
US TREASURY NOTES	DTD 11/30/2009 0.750% 11/30/2011	912828MM9	750,000.00	TSY	TSY	06/03/10	06/03/10	750,644.53	0.69	476.43	750,180.07	752,021.25
US TREASURY NOTES	DTD 06/30/2010 0.625% 06/30/2012	912828NS5	1,050,000.00	TSY	TSY	06/06/11	06/06/11	1,054,429.69	0.23	17.83	1,054,143.50	1,054,105.50
US TREASURY NOTES	DTD 01/31/2011 0.625% 01/31/2013	912828PR5	2,050,000.00	TSY	TSY	02/01/11	02/04/11	2,051,041.02	0.60	5,344.44	2,050,829.55	2,058,087.25
<b>Security Type Sub-Total</b>			<b>4,100,000.00</b>					<b>4,105,705.08</b>	<b>0.54</b>	<b>5,997.51</b>	<b>4,105,066.49</b>	<b>4,114,887.75</b>

<b>U.S. Government Supported Corporate Debt</b>												
HSBC USA INC (FDIC) GLOBAL NOTE	DTD 12/16/2008 3.125% 12/16/2011	4042EPAAS	375,000.00	AAA	Aaa	07/23/09	07/28/09	388,503.75	1.58	488.28	377,636.28	380,044.88
<b>Security Type Sub-Total</b>			<b>375,000.00</b>					<b>388,503.75</b>	<b>1.58</b>	<b>488.28</b>	<b>377,636.28</b>	<b>380,044.88</b>

<b>Federal Agency Bond / Note</b>												
FNMA GLOBAL NOTES	DTD 10/09/2009 1.000% 11/23/2011	31398AZN5	275,000.00	AAA	Aaa	10/08/09	10/09/09	274,334.50	1.12	290.28	274,875.06	275,997.43
FHLB GLOBAL BONDS	DTD 11/16/2009 1.000% 12/28/2011	3133XVRS2	500,000.00	AAA	Aaa	11/18/09	11/23/09	500,115.00	0.99	41.67	500,026.97	502,048.00
FNMA NOTES (FLOATING)	DTD 11/23/2010 0.280% 11/23/2012	31398A6R8	1,250,000.00	AAA	Aaa	11/18/10	11/23/10	1,249,488.25	0.43	390.28	1,249,488.25	1,251,356.25
FNMA GLOBAL NOTES	DTD 01/15/2010 1.750% 02/22/2013	31398AE24	180,000.00	AAA	Aaa	01/14/10	01/15/10	179,740.80	1.80	1,128.75	179,860.49	183,753.54
FNMA GLOBAL NOTES	DTD 01/15/2010 1.750% 02/22/2013	31398AE24	250,000.00	AAA	Aaa	06/03/10	06/03/10	251,970.00	1.45	1,567.71	251,199.43	255,213.25
FHLMC NOTES	DTD 02/04/2011 0.750% 03/28/2013	3137EACS6	615,000.00	AAA	Aaa	06/30/11	06/30/11	617,964.30	0.47	1,191.56	617,959.60	618,157.41
<b>Security Type Sub-Total</b>			<b>375,000.00</b>					<b>388,503.75</b>	<b>1.58</b>	<b>488.28</b>	<b>377,636.28</b>	<b>380,044.88</b>





**Managed Account Detail of Securities Held**

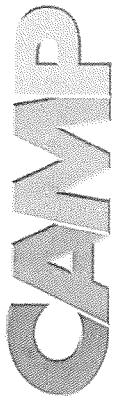
For the Month Ending June 30, 2011

**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>Federal Agency Bond / Note</b>												
FHLMC GLOBAL NOTES	DTD 03/04/2010 1.625% 04/15/2013	3137EACJ6	525,000.00	AAA	Aaa	05/26/10	05/27/10	527,341.50	1.47	1,801.04	526,465.70	535,839.68
FHLMC GLOBAL NOTES	DTD 03/04/2010 1.625% 04/15/2013	3137EACJ6	1,150,000.00	AAA	Aaa	03/03/10	03/04/10	1,148,390.00	1.67	3,945.14	1,149,061.19	1,173,744.05
FNMA GLOBAL NOTES	DTD 05/21/2010 1.500% 06/26/2013	31398AT44	500,000.00	AAA	Aaa	06/03/10	06/03/10	498,630.00	1.59	104.17	499,103.46	509,990.00
FNMA NOTES (CALLABLE)	DTD 07/29/2010 1.250% 07/29/2013	31398AZ47	1,050,000.00	AAA	Aaa	08/06/10	08/10/10	1,053,675.00	1.13	5,541.67	1,050,295.52	1,050,822.15
FANNIE MAE GLOBAL NOTES	DTD 08/06/2010 1.000% 09/23/2013	31398A250	220,000.00	AAA	Aaa	08/09/10	08/10/10	219,832.80	1.02	598.89	219,879.72	221,760.00
FANNIE MAE GLOBAL NOTES	DTD 08/06/2010 1.000% 09/23/2013	31398A250	1,385,000.00	AAA	Aaa	03/15/11	03/17/11	1,385,994.43	0.97	3,770.28	1,385,881.87	1,396,080.00
FHLMC NOTES	DTD 08/20/2010 0.875% 10/28/2013	3137EACL1	1,100,000.00	AAA	Aaa	09/01/10	09/07/10	1,095,072.00	1.02	1,684.38	1,096,337.00	1,105,065.50
FHLMC GLOBAL REFERENCE NOTES	DTD 10/17/2003 4.875% 11/15/2013	3134A4UK8	940,000.00	AAA	Aaa	10/01/10	10/05/10	1,053,636.60	0.92	5,855.42	1,026,941.26	1,033,577.00
FHLB TAP BONDS	DTD 12/04/2008 3.125% 12/13/2013	3133XSP93	615,000.00	AAA	Aaa	06/28/11	06/29/11	650,350.20	0.76	960.94	650,270.84	650,986.11
FNMA NOTES	DTD 11/01/2010 0.750% 12/18/2013	31398A5W8	800,000.00	AAA	Aaa	06/28/11	06/29/11	799,960.00	0.75	216.67	799,960.10	799,883.20
FHLB NOTES	DTD 11/18/2010 0.875% 12/27/2013	313371UC8	1,050,000.00	AAA	Aaa	06/29/11	06/30/11	1,053,496.50	0.74	102.08	1,053,492.64	1,054,070.85
FEDERAL HOME LOAN BANK GLOBAL NOTES	DTD 04/15/2011 1.375% 05/28/2014	313373JR4	225,000.00	AAA	Aaa	04/14/11	04/15/11	224,700.75	1.42	283.59	224,719.69	227,992.05

<b>Security Type Sub-Total</b>	<b>12,630,000.00</b>	<b>12,784,692.63</b>	<b>1.01</b>	<b>29,474.52</b>	<b>12,755,818.79</b>	<b>12,846,336.47</b>
<b>Corporate Note</b>						





**Managed Account Detail of Securities Held**

For the Month Ending June 30, 2011

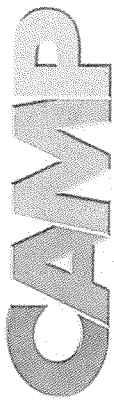
**CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)**

Security Type/Description Dated Date/Coupon/Maturity Corporate Note	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
WELLS FARGO & COMPANY GLOBAL SR NOTES DTD 01/31/2008 4.375% 01/31/2013	949746NY3	500,000.00	AA-	A1	09/02/08	09/05/08	481,800.00	5.31	9,175.35	492,990.67	524,761.50
BANK OF NEW YORK MELLON GLOBAL NOTES DTD 03/27/2008 4.500% 04/01/2013	06406HBJ7	360,000.00	AA-	Aa2	06/11/10	06/16/10	386,647.20	1.77	4,050.00	376,857.45	382,496.40
WAL MART STORES INC GLOBAL NOTES DTD 04/15/2008 4.250% 04/15/2013	931142CL5	500,000.00	AA	Aa2	03/22/10	03/25/10	535,025.00	1.88	4,486.11	520,744.53	531,094.00
GECC GLOBAL NOTES (FL RATE LIB+15) DTD 05/08/2007 0.418% 05/08/2013	36962G2U7	500,000.00	AA+	Aa2	11/02/10	11/05/10	491,240.00	1.28	314.29	493,413.53	497,812.00
US BANCORP NOTE (CALLABLE) DTD 09/13/2010 1.375% 09/13/2013	91159HG0	500,000.00	A+	Aa3	09/08/10	09/13/10	499,355.00	1.42	2,062.50	499,524.43	502,263.50
GENERAL ELECTRIC CAPITAL CORP NOTES DTD 09/16/2010 1.875% 09/16/2013	36962G404	400,000.00	AA+	Aa2	09/13/10	09/16/10	399,396.00	1.93	2,187.50	399,552.14	404,566.00
JPMORGAN CHASE & CO NOTES DTD 09/30/2010 1.650% 09/30/2013	46623EJ2	750,000.00	A+	Aa3	09/27/10	09/30/10	749,910.00	1.65	3,128.13	749,932.19	757,991.25
BERKSHIRE HATHAWAY FIN CORP NOTE DTD 01/11/2011 1.500% 01/10/2014	084664BR1	125,000.00	AA+	Aa2	01/03/11	01/11/11	124,665.00	1.59	885.42	124,716.72	126,110.75
BERKSHIRE HATHAWAY FIN CORP NOTE DTD 01/11/2011 1.500% 01/10/2014	084664BR1	325,000.00	AA+	Aa2	01/03/11	01/11/11	324,697.75	1.53	2,302.08	324,744.43	327,887.95
XTO ENERGY INC (CALLABLE) DTD 01/22/2004 4.900% 02/01/2014	98385XAD8	230,000.00	AAA	Aaa	01/13/11	01/19/11	253,795.80	1.40	4,695.83	250,328.30	252,141.41
WAL MART STORES INC. CORP NOTES DTD 04/18/2011 1.625% 04/15/2014	931142DA8	205,000.00	AA	Aa2	04/11/11	04/18/11	204,446.50	1.72	675.50	204,483.18	207,707.23
IBM CORP GLOBAL NOTES DTD 05/12/2011 1.250% 05/12/2014	459200GW5	360,000.00	A+	Aa3	05/09/11	05/12/11	359,661.60	1.28	612.50	359,676.71	360,789.48
JOHNSON & JOHNSON GLOBAL NOTE (CALLABLE) DTD 05/20/2011 1.200% 05/15/2014	478160AX2	475,000.00	AAA	Aaa	05/17/11	05/20/11	474,444.25	1.24	649.17	474,465.07	476,419.78



**PFM Asset Management LLC**





**Managed Account Detail of Securities Held**

For the Month Ending June 30, 2011

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

Security Type/Description	Dated Date/Coupon/Maturity	CUSIP	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
<b>Security Type Sub-Total</b>							5,285,084.10	1.93	35,224.38	5,271,429.35	5,352,041.25
<b>Certificate of Deposit</b>											
BARCLAYS BANK PLC NY CERT DEPOS	06740MKN5		A-1+	P-1	09/02/10	09/07/10	575,000.00	0.90	4,269.37	575,000.00	575,680.17
DTD 09/07/2010 0.900% 09/02/2011											
BANK OF NOVA SCOTIA HOUSTON YCD (FLOAT)	06417DSG1		AA-	Aa1	11/04/10	11/09/10	575,000.00	0.54	438.71	575,000.00	575,000.00
DTD 11/09/2010 0.518% 11/09/2012											

**Security Type Sub-Total 1,150,000.00 0.72 4,708.08 1,150,000.00 1,150,680.17**

**Managed Account Sub-Total 23,485,000.00 1.13 75,892.77 23,659,950.91 23,843,990.52**

**Money Market Fund**

CAMP Pool 86,646.05 AAAm NR 86,646.05 0.00 86,646.05 86,646.05

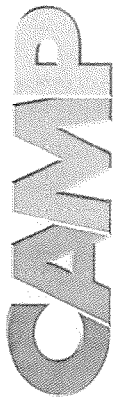
**Money Market Sub-Total 86,646.05 0.00 0.00 86,646.05 86,646.05**

**Securities Sub-Total \$23,571,646.05 \$23,800,631.61 1.13% \$23,746,596.96 \$23,930,636.57**

**Accrued Interest \$75,892.77 \$75,892.77 \$75,892.77**

**Total Investments \$24,006,529.34**





**Managed Account Security Transactions & Interest**

For the Month Ending June 30, 2011

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

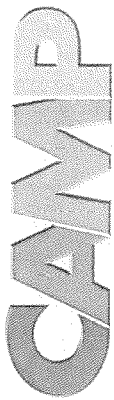
Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
<b>BUY</b>											
	06/06/11	06/06/11	US TREASURY NOTES DTD 06/30/2010 0.625% 06/30/2012	912828NS5	1,050,000.00	(1,054,429.69)	(2,846.17)	(1,057,275.86)			
	06/28/11	06/29/11	FHLB TAP BONDS DTD 12/04/2008 3.125% 12/13/2013	3133XSP93	615,000.00	(650,350.20)	(854.17)	(651,204.37)			
	06/28/11	06/29/11	FNMA NOTES DTD 11/01/2010 0.750% 12/18/2013	31398A5W8	800,000.00	(799,960.00)	(183.33)	(800,143.33)			
	06/29/11	06/30/11	FHLB NOTES DTD 11/18/2010 0.875% 12/27/2013	313371UC8	1,050,000.00	(1,053,496.50)	(76.56)	(1,053,573.06)			
	06/30/11	06/30/11	FHLMC NOTES DTD 02/04/2011 0.750% 03/28/2013	3137EACS6	615,000.00	(617,964.30)	(1,178.75)	(619,143.05)			
<b>Transaction Type Sub-Total</b>					<b>4,130,000.00</b>	<b>(4,176,200.69)</b>	<b>(5,138.98)</b>	<b>(4,181,339.67)</b>			

<b>INTEREST</b>											
	06/16/11	06/16/11	HSBC USA INC (FDIC) GLOBAL NOTE DTD 12/16/2008 3.125% 12/16/2011	4042EPAAS	375,000.00	0.00	5,859.38	5,859.38			
	06/26/11	06/26/11	FNMA GLOBAL NOTES DTD 05/21/2010 1.500% 06/26/2013	31398AT44	500,000.00	0.00	3,750.00	3,750.00			
	06/28/11	06/28/11	FHLB GLOBAL BONDS DTD 11/16/2009 1.000% 12/28/2011	3133XVRS2	500,000.00	0.00	2,500.00	2,500.00			
	06/30/11	06/30/11	US TREASURY NOTES DTD 06/30/2010 0.625% 06/30/2012	912828NS5	1,050,000.00	0.00	3,281.25	3,281.25			
<b>Transaction Type Sub-Total</b>					<b>2,425,000.00</b>	<b>0.00</b>	<b>15,390.63</b>	<b>15,390.63</b>			

<b>SELL</b>											
	06/28/11	06/29/11	US TREASURY NOTES DTD 10/15/2010 0.500% 10/15/2013	912828PB0	300,000.00	299,636.72	307.38	299,944.10	(480.47)	(454.72)	LIFO
	06/28/11	06/29/11	US TREASURY NOTES DTD 10/15/2010 0.500% 10/15/2013	912828PB0	500,000.00	499,394.53	512.29	499,906.82	1,542.97	1,084.47	LIFO



**PFM Asset Management LLC**



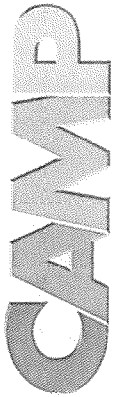
**Managed Account Security Transactions & Interest**

For the Month Ending **June 30, 2011**

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

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
SELL	06/28/11	06/29/11	US TREASURY NOTES DTD 11/15/2010 0.500% 11/15/2013	912828PU8	650,000.00	649,441.41	397.42	649,838.83	4,443.36	3,469.73	FIFO
	06/29/11	06/30/11	FHLMC NOTES (CALLABLE) DTD 07/12/2010 1.500% 07/12/2013	3134G1KL7	625,000.00	625,287.50	4,375.00	629,662.50	(1,275.00)	235.26	FIFO
	06/29/11	06/30/11	US TREASURY NOTES DTD 10/15/2010 0.500% 10/15/2013	912828PB0	1,050,000.00	1,048,441.41	1,090.16	1,049,531.57	(1,968.74)	(1,878.26)	FIFO
<b>Transaction Type Sub-Total</b>					<b>3,125,000.00</b>	<b>3,122,201.57</b>	<b>6,682.25</b>	<b>3,128,883.82</b>	<b>2,262.12</b>	<b>2,456.48</b>	
<b>Managed Account Sub-Total</b>						<b>(1,053,999.12)</b>	<b>16,933.90</b>	<b>(1,037,065.22)</b>	<b>2,262.12</b>	<b>2,456.48</b>	
<b>Total Security Transactions</b>						<b>(\$1,053,999.12)</b>	<b>\$16,933.90</b>	<b>(\$1,037,065.22)</b>	<b>\$2,262.12</b>	<b>\$2,456.48</b>	





**Managed Account Security Transactions & Interest**

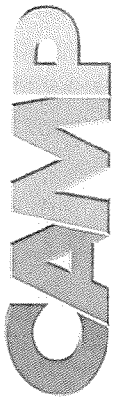
For the Month Ending May 31, 2011

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

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
<b>BUY</b>											
	05/09/11	05/12/11	IBM CORP GLOBAL NOTES DTD 05/12/2011 1.250% 05/12/2014	459200GW5	360,000.00	(359,661.60)	0.00	(359,661.60)			
	05/17/11	05/20/11	JOHNSON & JOHNSON GLOBAL NOTE (CALLABLE) DTD 05/20/2011 1.200% 05/15/2014	478160AX2	475,000.00	(474,444.25)	0.00	(474,444.25)			
<b>Transaction Type Sub-Total</b>					<b>835,000.00</b>	<b>(834,105.85)</b>	<b>0.00</b>	<b>(834,105.85)</b>			
<b>INTEREST</b>											
	05/09/11	05/09/11	GECC GLOBAL NOTES (FL RATE LIB+15) DTD 05/08/2007 0.462% 05/08/2013	36962G2U7	500,000.00	0.00	576.88	576.88			
	05/09/11	05/09/11	BANK OF NOVA SCOTIA HOUSTON YCD (FLOAT) DTD 11/09/2010 0.562% 11/09/2012	06417DSG1	575,000.00	0.00	798.90	798.90			
	05/15/11	05/15/11	FILMC GLOBAL REFERENCE NOTES DTD 10/17/2003 4.875% 11/15/2013	3134A4UK8	940,000.00	0.00	22,912.50	22,912.50			
	05/15/11	05/15/11	US TREASURY NOTES DTD 11/15/2010 0.500% 11/15/2013	912828PU8	650,000.00	0.00	1,625.00	1,625.00			
	05/23/11	05/23/11	FNMA NOTES (FLOATING) DTD 11/23/2010 0.290% 11/23/2012	31398A6R8	1,250,000.00	0.00	969.81	969.81			
	05/23/11	05/23/11	FNMA GLOBAL NOTES DTD 10/09/2009 1.000% 11/23/2011	31398AZN5	275,000.00	0.00	1,375.00	1,375.00			
	05/25/11	05/25/11	FNMA NOTES (CALLED, OMD 5/25/12) DTD 05/25/2010 1.300% 05/25/2011	31398AS37	1,000,000.00	0.00	6,500.00	6,500.00			
	05/28/11	05/28/11	FEDERAL HOME LOAN BANK GLOBAL NOTES DTD 04/15/2011 1.375% 05/28/2014	313373JR4	225,000.00	0.00	369.53	369.53			
	05/31/11	05/31/11	US TREASURY NOTES DTD 11/30/2009 0.750% 11/30/2011	912828MM9	750,000.00	0.00	2,812.50	2,812.50			



**PFM Asset Management LLC**



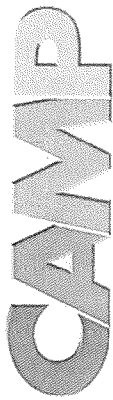
**Managed Account Security Transactions & Interest**

For the Month Ending May 31, 2011

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

Transaction Type	Trade Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
<b>INTEREST</b>										
	05/31/11	US TREASURY NOTES DTD 11/30/2009 0.750% 11/30/2011	912828MM9	250,000.00	0.00	937.50	937.50			
<b>Transaction Type Sub-Total</b>				<b>6,415,000.00</b>	<b>0.00</b>	<b>38,877.62</b>	<b>38,877.62</b>			
<b>MATURITY</b>										
	05/25/11	FNMA NOTES (CALLED, OMD 5/25/12) DTD 05/25/2010 1.300% 05/25/2011	31398AS37	1,000,000.00	1,000,000.00	0.00	1,000,000.00	(800.00)	0.00	
<b>Transaction Type Sub-Total</b>				<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>0.00</b>	<b>1,000,000.00</b>	<b>(800.00)</b>	<b>0.00</b>	
<b>SELL</b>										
	05/09/11	FEDERAL HOME LOAN BANK GLOBAL NOTES DTD 04/15/2011 1.375% 05/28/2014	313373JR4	350,000.00	352,989.00	360.94	353,349.94	3,454.50	3,444.48	FIFO
	05/17/11	FEDERAL HOME LOAN BANK GLOBAL NOTES DTD 04/15/2011 1.375% 05/28/2014	313373JR4	475,000.00	479,621.75	634.98	480,256.73	5,253.50	5,235.87	FIFO
<b>Transaction Type Sub-Total</b>				<b>825,000.00</b>	<b>832,610.75</b>	<b>995.92</b>	<b>833,606.67</b>	<b>8,708.00</b>	<b>8,680.35</b>	
<b>Managed Account Sub-Total</b>				<b>998,504.90</b>	<b>998,504.90</b>	<b>39,873.54</b>	<b>1,038,378.44</b>	<b>7,908.00</b>	<b>8,680.35</b>	
<b>Total Security Transactions</b>				<b>\$998,504.90</b>	<b>\$998,504.90</b>	<b>\$39,873.54</b>	<b>\$1,038,378.44</b>	<b>\$7,908.00</b>	<b>\$8,680.35</b>	





**Managed Account Security Transactions & Interest**

For the Month Ending April 30, 2011

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

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
<b>BUY</b>											
	03/31/11	04/01/11	US TREASURY NOTES DTD 03/15/2011 1.250% 03/15/2014	912828PZ7	1,250,000.00	(1,250,292.97)	(721.81)	(1,251,014.78)			
	04/11/11	04/18/11	WAL MART STORES INC. CORP NOTES DTD 04/18/2011 1.625% 04/15/2014	9311142DA8	205,000.00	(204,446.50)	0.00	(204,446.50)			
	04/14/11	04/15/11	FEDERAL HOME LOAN BANK GLOBAL NOTES DTD 04/15/2011 1.375% 05/28/2014	313373JR4	1,050,000.00	(1,048,603.50)	0.00	(1,048,603.50)			

**Transaction Type Sub-Total**

**2,505,000.00 (2,503,342.97) (721.81) (2,504,064.78)**

**INTEREST**

	04/01/11	04/01/11	BANK OF NEW YORK MELLON GLOBAL NOTES	06406HBJ7	360,000.00	0.00	8,100.00	8,100.00			
	04/15/11	04/15/11	US TREASURY NOTES DTD 03/27/2008 4.500% 04/01/2013	912828PB0	500,000.00	0.00	1,250.00	1,250.00			
	04/15/11	04/15/11	US TREASURY NOTES DTD 10/15/2010 0.500% 10/15/2013	912828PB0	1,350,000.00	0.00	3,375.00	3,375.00			
	04/15/11	04/15/11	WAL MART STORES INC GLOBAL NOTES DTD 04/15/2008 4.250% 04/15/2013	9311142CL5	500,000.00	0.00	10,625.00	10,625.00			
	04/15/11	04/15/11	FHLMC GLOBAL NOTES DTD 03/04/2010 1.625% 04/15/2013	3137EACI6	1,150,000.00	0.00	9,343.75	9,343.75			
	04/15/11	04/15/11	FHLMC GLOBAL NOTES DTD 03/04/2010 1.625% 04/15/2013	3137EACI6	525,000.00	0.00	4,265.63	4,265.63			
	04/28/11	04/28/11	FHLMC NOTES DTD 08/20/2010 0.875% 10/28/2013	3137EACLI	1,100,000.00	0.00	6,630.56	6,630.56			

**Transaction Type Sub-Total**

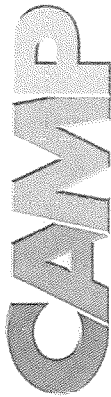
**5,485,000.00 0.00 43,589.94 43,589.94**

**SELL**

	03/31/11	04/01/11	US TREASURY NOTES DTD 11/30/2009 0.750% 11/30/2011	912828MM9	750,000.00	752,607.42	1,885.30	754,492.72	3,837.88	3,023.02	FIFO
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**PFM Asset Management LLC**



**Managed Account Security Transactions & Interest**

For the Month Ending **April 30, 2011**

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

Transaction Type	Trade	Settle	Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
	<b>SELL</b>										
03/31/11	04/01/11		US TREASURY NOTES DTD 08/31/2006 4.625% 08/31/2011	912828FS4	500,000.00	509,199.22	2,010.87	511,210.09	(19,394.53)	5,139.49	FIFO
04/11/11	04/18/11		US TREASURY NOTES DTD 03/15/2011 1.250% 03/15/2014	912828PZ7	200,000.00	199,554.69	230.98	199,785.67	(492.19)	(491.49)	FIFO
04/14/11	04/15/11		US TREASURY NOTES DTD 03/15/2011 1.250% 03/15/2014	912828PZ7	1,050,000.00	1,051,927.73	1,105.64	1,053,033.37	1,681.64	1,684.63	FIFO
<b>Transaction Type Sub-Total</b>					<b>2,500,000.00</b>	<b>2,513,289.06</b>	<b>5,232.79</b>	<b>2,518,521.85</b>	<b>(14,367.20)</b>	<b>9,355.65</b>	
<b>Managed Account Sub-Total</b>						<b>9,946.09</b>	<b>48,100.92</b>	<b>58,047.01</b>	<b>(14,367.20)</b>	<b>9,355.65</b>	
<b>Total Security Transactions</b>						<b>\$9,946.09</b>	<b>\$48,100.92</b>	<b>\$58,047.01</b>	<b>(\$14,367.20)</b>	<b>\$9,355.65</b>	



**PFM Asset Management LLC**

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

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

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

July 13, 2011

PMIA Average Monthly Yields

Account Number: 35-34-009

Transactions

Tran Type Definitions

June 2011 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
6/22/2011	6/21/2011	RW	1320998	NANCY BROADHURST	-50,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	4,770,996.50
Total Withdrawal:	-50,000.00	Ending Balance:	4,720,996.50



**CARMA**  
**LAIF Fair Market Valuation**  
**6/30/11**

**LAIF Statement Balance** **4,720,996.50**

**FAIR VALUE FACTOR:**  
**Performance Rate as of 6/30/11** **1.00157647**

**Market Value** **\$4,728,439.01**



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 07/15/2011, your Local Agency Investment Fund account has been directly credited with the interest earned on your deposits for the quarter ending 06/30/2011.

Earnings Ratio		.00001304422399226
Interest Rate		0.48%
Dollar Day Total	\$	439,630,084.34
Quarter End Principal Balance	\$	4,720,996.50
Quarterly Interest Earned	\$	5,734.63

**State of California  
Pooled Money Investment Account  
Market Valuation  
6/30/2011**

Description	Carrying Cost Plus		Fair Value	Accrued Interest
	Accrued Interest Purch.	Amortized Cost		
United States Treasury:				
Bills	\$ 24,818,177,506.74	\$ 24,844,364,805.84	\$ 24,859,874,750.00	NA
Notes	\$ 10,713,937,756.33	\$ 10,712,363,727.25	\$ 10,762,075,000.00	\$ 18,565,612.00
Federal Agency:				
SBA	\$ 544,879,228.83	\$ 544,873,882.85	\$ 544,254,926.47	\$ 580,202.34
MBS-REMICs	\$ 468,463,453.14	\$ 468,463,453.14	\$ 506,246,544.33	\$ 2,219,916.87
Debentures	\$ 1,376,412,463.48	\$ 1,376,405,352.36	\$ 1,377,429,500.00	\$ 2,094,440.25
Debentures FR	\$ -	\$ -	\$ -	\$ -
Discount Notes	\$ 3,441,068,944.32	\$ 3,446,951,305.33	\$ 3,447,816,500.00	NA
GNMA	\$ 46,017.95	\$ 46,017.95	\$ 47,035.38	\$ 454.27
IBRD Deb FR	\$ 300,000,000.00	\$ 300,000,000.00	\$ 300,552,000.00	\$ 274,312.50
CDs and YCDs FR	\$ 800,000,000.00	\$ 800,000,000.00	\$ 800,000,000.00	\$ 362,666.67
Bank Notes	\$ 550,000,000.00	\$ 550,000,000.00	\$ 550,047,966.91	\$ 333,791.67
CDs and YCDs	\$ 6,580,134,295.00	\$ 6,580,034,295.00	\$ 6,580,020,389.81	\$ 2,025,969.47
Commercial Paper	\$ 7,479,732,809.45	\$ 7,481,182,938.29	\$ 7,480,974,553.34	NA
Corporate:				
Bonds FR	\$ -	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 3,968,140,000.00	\$ 3,968,140,000.00	\$ 3,968,140,000.00	NA
AB 55 & GF Loans	\$ 5,311,791,341.39	\$ 5,311,791,341.39	\$ 5,311,791,341.39	NA
<b>TOTAL</b>	<b>\$ 66,352,783,816.63</b>	<b>\$ 66,384,617,119.40</b>	<b>\$ 66,489,270,507.63</b>	<b>\$ 26,457,366.04</b>

Fair Value Including Accrued Interest

\$ 66,515,727,873.67

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 (**1.001576470**). 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 \$20,031,529.41 or \$20,000,000.00 x **1.001576470**.

# Bill Lockyer, State Treasurer

Inside the State Treasurer's Office

Local Agency Investment Fund (LAIF)



## PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
7/6/2011	0.38	0.38	242
7/7/2011	0.38	0.38	242
7/8/2011	0.38	0.38	243
7/9/2011	0.38	0.38	243
7/10/2011	0.38	0.38	243
7/11/2011	0.38	0.38	242
7/12/2011	0.38	0.38	238
7/13/2011	0.38	0.38	240
7/14/2011	0.38	0.38	238
7/15/2011	0.38	0.38	245
7/16/2011	0.38	0.38	245
7/17/2011	0.38	0.38	245
7/18/2011	0.38	0.38	243
7/19/2011	0.38	0.38	233

\*Daily yield does not reflect capital gains or losses

## LAIF Performance Report

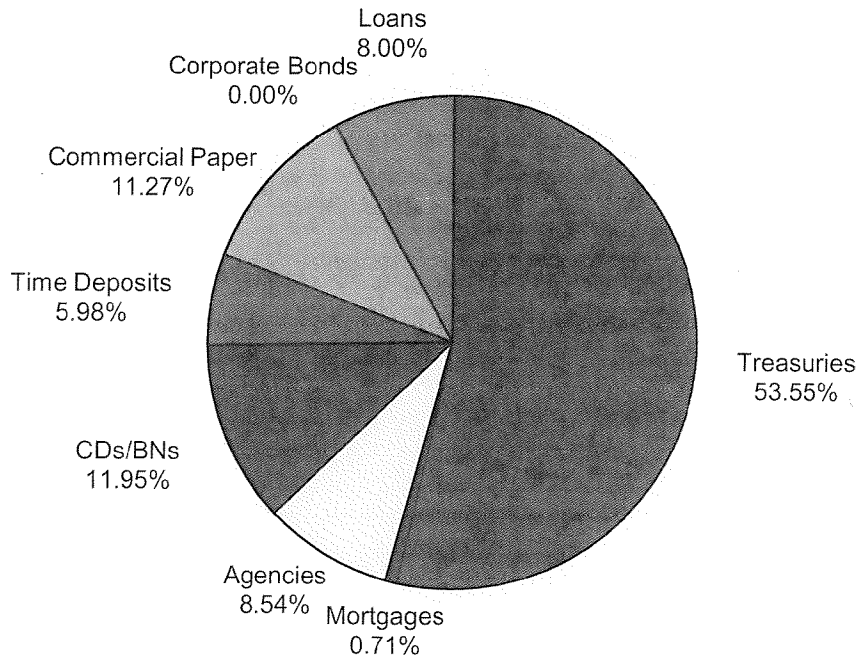
Quarter ending 06/30/2011

Apportionment Rate: 0.48%  
 Earnings Ratio: .00001304422399226  
 Fair Value Factor: 1.001576470  
 Daily: 0.37%  
 Quarter To Date: 0.48%  
 Average Life: 237

## PMIA Average Monthly Effective Yields

JUN 2011 0.448%  
 MAY 2011 0.413%  
 APR 2011 0.588%

## Pooled Money Investment Account Portfolio Composition \$66.4 Billion 06/30/11



**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 08, 2011

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

PMIA Average Monthly Yields

Account Number: 35-34-009

Transactions

Tran Type Definitions

May 2011 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
5/11/2011	5/10/2011	RW	1317298	NANCY BROADHURST	-100,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	4,870,996.50
Total Withdrawal:	-100,000.00	Ending Balance:	4,770,996.50

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

[www.treasurer.ca.gov/pmia](http://www.treasurer.ca.gov/pmia)  
-laif  
 June 08, 2011

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

PMIA Average Monthly Yields

Account Number: 35-34-009

Transactions  
Tran Type Definitions

April 2011 Statement

Effective Date	Transaction Date	Tran Type	Tran Confirm Number	Authorized Caller	Amount
4/1/2011	3/30/2011	RD	1310961	NANCY BROADHURST	925,000.00
4/15/2011	4/14/2011	QRD	1314115	SYSTEM	5,756.94
4/21/2011	4/21/2011	RW	1315543	NANCY BROADHURST	-100,000.00

Account Summary

Total Deposit:	930,756.94	Beginning Balance:	4,040,239.56
Total Withdrawal:	-100,000.00	Ending Balance:	4,870,996.50

July 13, 2011

CARMA

c/o Bickmore Risk Services  
1750 Creekside Oaks Drive #200  
Sacramento, CA 95833

Line of Coverage: Excess Liability-Wesco Insurance

Effective Date: July 1, 2011

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 5.86%. 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

July 12, 2011

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

**CARMA FY 11/12 Liability Renewal – Revised Binder**

Dear Karen:

We have reissued this binder to reflect the total premium of \$1,071,200 as was approved by the CARMA Board of Directors. The annual premium of \$1,071,200 includes fees of \$41,200 paid to Amwins who is the wholesale broker. All other terms and conditions remain the same. We are pleased to present you with the binder of coverage for the renewal of CARMA's liability reinsurance program as follows:

<b>COVERED PARTY:</b>	California Affiliated Risk Management Authorities (including all members listed on Endorsement #1 of CARMA's MOC.
<b>REINSURER:</b>	Wesco Insurance Company (AmTrust Financial Group) 59 Maiden Lane, 6th Floor New York, NY 10038
<b>AM BEST RATING:</b>	A IX
<b>REINSURANCE LIMITS:</b>	\$10,000,000 per occurrence and in the aggregate where applicable excess of Retained Limit  \$10,000,000 policy aggregate as respects for subsidence, per member of Covered Party
<b>RETAINED LIMIT:</b>	\$4,000,000 each occurrence
<b>COVERAGE FORM:</b>	Excess of Loss Certificate of Casualty Facultative Reinsurance providing reinsurance of CARMA's Memorandum of Coverage.
<b>PREMIUM:</b>	\$1,030,000 minimum annual premium <u>\$ 41,200</u> AmWins brokerage fee <b>\$1,071,200</b>  \$ 267,800 minimum earned premium Premium is due and payable within 20 days
<b>COMMISSION:</b>	NIL



# INVOICE

**Alliant Insurance Services**  
**ATTN: Accounts Receivable**  
**PO Box 120670**  
**San Diego, CA 92112-0670**  
**619-238-1828**

## INVOICE

<b>TO:</b> CALIFORNIA AFFILIATED RISK c/o BICKMORE AND ASSOCIATES 1750 Creekside Oaks Dr #200 Sacramento CA 95833	<b>INVOICE NUMBER</b> 39451	<b>INVOICE DATE</b> 7/13/11
	<b>CUSTOMER NUMBER</b> CA124360	<b>PRODUCER</b> 1760
	<b>INVOICE TOTAL</b> 1,071,200.00	

### POLICY INFORMATION

TYPE OF POLICY: EXCESS LIABILITY  
INVOICE: 39451  
INSURANCE COMPANY: Wesco Insurance Company  
POLICY#: WPP102872300  
NAME INSURED: CALIFORNIA AFFILIATED RISK  
POLICY EFFECTIVE DATE: 7/01/11  
POLICY EXPIRATION DATE: 7/01/12  
POLICY TERM: ANNUAL POLICY  
TRANSACTION: RENEWAL POLICY  
TRANSACTION EFFECTIVE DATE: 7/01/11

### CHARGES

### AMOUNT

EXCESS LIABILITY  
Brokerage Fee

1,030,000.00  
41,200.00

PLEASE RETURN A COPY OF INVOICE WITH YOUR PAYMENT. REMEMBER  
TO INCLUDE YOUR ACCOUNT NUMBER ON YOUR CHECK. THANK YOU.

**TOTAL**

1,071,200.00

Alliant embraces a policy of transparency with respect to its compensation from insurance transactions. Details on our compensation policy, including the types of income that Alliant may earn on a placement, are available on our website at [www.alliantinsurance.com](http://www.alliantinsurance.com). For a copy of our policy or for any inquiries regarding compensation issues pertaining to your account you may also contact us at: Alliant Insurance Services, Inc., Attention: General Counsel, 701 B Street, 6th Floor, San Diego, CA, 92101.

# INVOICE

**Alliant Insurance Services**  
**ATTN: Accounts Receivable**  
**PO Box 120670**  
**San Diego, CA 92112-0670**  
**619-238-1828**

## INVOICE

<b>TO: CALIFORNIA AFFILIATED RISK</b> c/o BICKMORE AND ASSOCIATES 1750 Creekside Oaks Dr #200 Sacramento CA 95833	<b>INVOICE NUMBER</b> 39452	<b>INVOICE DATE</b> 7/13/11
	<b>CUSTOMER NUMBER</b> CA124360	<b>PRODUCER</b> 1760
	<b>INVOICE TOTAL</b> 68,290.00	

### POLICY INFORMATION

TYPE OF POLICY: Broker Fee  
 INVOICE: 39452  
 INSURANCE COMPANY: Temporary Carrier Number  
 POLICY#: FEES11/12  
 NAME INSURED: CALIFORNIA AFFILIATED RISK  
 POLICY EFFECTIVE DATE : 7/01/11  
 POLICY EXPIRATION DATE: 7/01/12  
 POLICY TERM: ANNUAL POLICY  
 TRANSACTION: RENEWAL POLICY  
 TRANSACTION EFFECTIVE DATE: 7/01/11

CHARGES	AMOUNT
Broker Fee	68,290.00
PLEASE RETURN A COPY OF INVOICE WITH YOUR PAYMENT. REMEMBER TO INCLUDE YOUR ACCOUNT NUMBER ON YOUR CHECK. THANK YOU.	
<b>TOTAL</b>	68,290.00

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July 13, 2011

CARMA

c/o Bickmore Risk Services  
1750 Creekside Oaks Drive #200  
Sacramento, CA 95833

Line of Coverage: Excess Liability - Colony Insurance

Effective Date: July 1, 2011

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.

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

**BROKER FEE:** \$68,290<sup>1</sup>

**EXCESS PLACEMENT:**

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

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

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

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

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

**PREMIUM:** \$501,000 premium plus surplus lines taxes and fees of \$16,283.

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

Sincerely,



Susan D. Adams  
Assistant Vice President  
[sadams@alliantinsurance.com](mailto:sadams@alliantinsurance.com)

cc: Michael Simmons  
Vice Chairman  
[msimmons@alliantinsurance.com](mailto:msimmons@alliantinsurance.com)

<sup>1</sup> The Broker Fee represents all Compensation for this placement on all lines of liability coverages.

# INVOICE

**Alliant Insurance Services**  
**ATTN: Accounts Receivable**  
**PO Box 120670**  
**San Diego, CA 92112-0670**  
**619-238-1828**

## INVOICE

<b>TO:</b> CALIFORNIA AFFILIATED RISK c/o BICKMORE AND ASSOCIATES 1750 Creekside Oaks Dr #200 Sacramento CA 95833	<b>INVOICE NUMBER</b>	<b>INVOICE DATE</b>
	39454	7/13/11
	<b>CUSTOMER NUMBER</b>	<b>PRODUCER</b>
	CA124360	1760
		<b>INVOICE TOTAL</b>
		517,282.50

### POLICY INFORMATION

TYPE OF POLICY: EXCESS LIABILITY  
INVOICE: 39454  
INSURANCE COMPANY: Colony National Insurance Co.  
POLICY#: AR6460089  
NAME INSURED: CALIFORNIA AFFILIATED RISK  
POLICY EFFECTIVE DATE : 7/01/11  
POLICY EXPIRATION DATE: 7/01/12  
POLICY TERM: ANNUAL POLICY  
TRANSACTION: RENEWAL POLICY  
TRANSACTION EFFECTIVE DATE: 7/01/11

CHARGES	AMOUNT
EXCESS LIABILITY	501,000.00
Taxes - State/or Surplus Lines	15,030.00
Stamping Fee	1,252.50
<b>TOTAL</b>	<b>517,282.50</b>

PLEASE RETURN A COPY OF INVOICE WITH YOUR PAYMENT. REMEMBER TO INCLUDE YOUR ACCOUNT NUMBER ON YOUR CHECK. THANK YOU.

Alliant embraces a policy of transparency with respect to its compensation from insurance transactions. Details on our compensation policy, including the types of income that Alliant may earn on a placement, are available on our website at [www.alliantinsurance.com](http://www.alliantinsurance.com). For a copy of our policy or for any inquiries regarding compensation issues pertaining to your account you may also contact us at: Alliant Insurance Services, Inc., Attention: General Counsel, 701 B Street, 6th Floor, San Diego, CA, 92101.



June 20, 2011

Karen Thesing, Executive Director and Board of Directors  
California Affiliated Risk Management Authorities (CARMA)  
1750 Creekside Oaks Dr., Suite 200  
Sacramento, CA 95833

Dear Ms. Thesing and Board Members:

We are pleased to confirm our understanding of the services we are to provide California Affiliated Risk Management Authorities (CARMA) for the year ended June 30, 2011. We will audit the balance sheet of CARMA as of June 30, 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows and the statement of fiduciary net assets and statement of changes in fiduciary net assets for the year then ended. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement CARMA's 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. As part of our engagement, we will apply certain limited procedures to CARMA's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited.

1. Management's discussion and analysis.
2. Claims development Information.

### **Audit Objectives**

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of CARMA and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contract agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that CARMA is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

### **Management Responsibilities**

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the financial position of CARMA and the change in financial position and cash flows, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting CARMA involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of

fraud or suspected fraud affecting CARMA received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that CARMA complies with applicable laws, regulations, contracts and agreements and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts and agreements, or abuse that we may report.

### **Audit Procedures – General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or regulations that are attributable to the Authority or to acts by management or employees acting on behalf of CARMA. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.



### **Audit Procedures – Internal Controls**

Our audit will include obtaining an understanding of CARMA and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

### **Audit Procedures – Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of CARMA's compliance with the provisions of applicable laws and regulations and the provisions of contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

### **Audit Administration, Fees, and Other**

Our fee for the audit of the June 30, 2011 financial statements of CARMA will be \$8,400 including any out-of-pocket expenses. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The above fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2010 peer review report accompanies this letter.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

We appreciate the opportunity to be of service to CARMA and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*Sampson, Sampson and Partners, LLP*

Sampson, Sampson and Partners, LLP

RESPONSE:

This letter correctly sets forth the understanding of CARMA.

By: *Wanda L. Chesney*  
Title: *Executive Director*  
Date: *6-27-11*

May 10, 2011

MAY 13 2011

Gary J. Sampson, CPA  
Sampson and Sampson  
3148 Willow Ave Ste 102  
Clovis, CA 93612

Dear Mr. Sampson:

It is my pleasure to notify you that on May 3, 2011 the California Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is December 31, 2013. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,



Linda McCrone  
Director  
Peer Review Program

cc: Stephen Taylor, CPA

Firm Number: 10061360    Review Number 309334

**FINANCIAL MATTERS**

**SUBJECT: Discussion on the Current Market Situation and the Economy, Mr. Carlos Oblites, PFM**

---

**BACKGROUND AND STATUS:**

Annually at the January CARMA Board of Directors meeting, either Ms. Lauren Brant or Mr. Carlos Oblites from Public Financial Management, Inc. (PFM) is in attendance to present a status report on CARMA's investment portfolio with the California Asset Management Program (CAMP) JPA.

However, in light of recent economic developments, staff asked Ms. Brant and Mr. Oblites if either would be able to attend the meeting to answer questions of a general economic and investment market nature for the Board.

As such, Mr. Carlos Oblites, Senior Managing Consultant for PFM, has agreed to be in attendance to lead an informal discussion on the current investment market situation and the economy.

**RECOMMENDATION:**

*None.*

**REFERENCE MATERIALS ATTACHED:**

None

**FINANCIAL MATTERS**

**SUBJECT: Review of CARMA Investment Policy**

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**BACKGROUND AND STATUS:**

Although an annual review of the Investment Policy is no longer required under California Government Code Section 53646(a) (2), CARMA's Policy has not been updated since September, 2008. Ms. Lauren Brandt, Managing Director for Public Financial Management, Inc. (PFM), and Ms. Nancy Broadhurst, Finance Manager, have reviewed the policy and are recommending the changes outlined in Ms. Brant's memo, and found in the red-lined strike-out version of the Policy.

Mr. Carlos Oblites, Senior Managing Consultant for PFM will be in attendance to guide the Board through the suggested changes.

**RECOMMENDATION:**

*The Board of Directors approves the CARMA Investment Policy, as presented.*

**REFERENCE MATERIALS ATTACHED:**

- Memo from Ms. Lauren Brandt regarding changes to the current CARMA Investment Policy
- CARMA Investment Policy with Proposed Changes



**The PFM Group**  
Public Financial Management, Inc.  
PFM Asset Management LLC  
PFM Advisors

50 California Street  
Suite 2300  
San Francisco, CA 94111

415-982-5544  
415-982-4513 fax  
[www.pfm.com](http://www.pfm.com)

August 4, 2011

### **MEMORANDUM**

To: Nancy Broadhurst, *Manager, Finance & Accounting Services*  
CARMA

From: Lauren Brant, *Managing Director*  
Carlos Oblites, *Senior Managing Consultant*  
Paulina Woo, *Consultant*  
PFM Asset Management LLC

Re: CARMA Investment Policy Review

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We have completed our annual review of CARMA's Investment Policy ("Policy"). The Policy is comprehensive and in compliance with current California Government Code ("Code") statutes regulating the investment of public funds. While we are not recommending any substantive changes at this time, we have outlined a few revisions that would update information in the Policy to standardize ratings requirements, to reflect changes to the Local Agency Investment Fund (LAIF) limit, to align the Policy with the current corporate ratings landscape, and to provide clarity. We have attached a red-lined version of the Policy that incorporates our recommendations.

- **REPORTING.** Since the Policy was last updated, the quarterly report requirement referenced in §53646 is no longer mandated and we have updated the Policy language to reflect this change.
- **Permitted Investments Section 4 (Notes and Bonds of Other 49 States)** does not currently place a credit rating requirement on the notes and or bonds of any of the 49 United States other than California. Although no minimum credit requirement is provided in the California Government Code, we recommend that CARMA utilize the same requirement as is currently used in the California municipal section of the policy – one of the highest two categories by a NRSRO.
- **Sections 8 (Corporate Notes) and 10 (Negotiable Certificates of Deposit)** of the Policy currently require a minimum rating of "AA" or its equivalent or better by a nationally recognized rating organization. Given the changed corporate landscape, we recommend CARMA revise its ratings language so that corporate securities in the "A" category are eligible for purchase. Since the beginning of the financial crisis, the universe of "AAA" and "AA" issuers has shrunk considerably. From June 2007 to June 2011 the universe of "AAA" and "AA" issuers has fallen from 60 to 40 issuers. Furthermore, nearly all of the large issuers carry a "split rating," meaning

that Moody's and Standard and Poor's have different ratings for the same issuer, usually "AA"/"A".

It is important to note that our investment policy ratings criteria recommendation does not represent a change in our stringent credit quality philosophy, rather it is a recognition of the realities of the marketplace and will provide enhanced flexibility for the portfolio, allowing it to be optimally diversified into corporate sectors such as industrials, and to capitalize on market opportunities without adding undue risk. Additionally, the CARMA's Policy imposes issuer limits that are stricter than the Government Code to mitigate corporate credit risk even further.

PFM's credit process ensures that all issuers are reviewed and evaluated before purchase. Portfolio managers and traders are only permitted to purchase securities from companies that are on PFM's Approved List. In order for a company to be added to our approved list, it must be reviewed and approved by PFM's internal Credit Committee. PFM's Credit Committee is made up of our Chief Credit Officer, Chief Investment Officer, and senior portfolio managers and traders. All corporate research is completed by investment personnel with direct involvement in PFM's investment process.

Furthermore, since business and economic conditions can change dramatically, corporate exposure must be constantly monitored. An active approach to investing in corporate securities is essential. Once on the approved list, PFM performs periodic reviews to ensure each credit continues to meet our credit standards. In addition, we follow emerging news about economic, industry and issuer conditions.

PFM places a significant amount of importance on monitoring holdings once a security has been purchased. A process has been developed to detect changes in the financial condition or business outlook of a company. PFM monitors the trading of securities related to a company, including stock prices, credit spreads, and credit default swap levels. We have also developed the means to monitor any changes in the credit rating of an issuer as they are announced. Company quarterly and annual reports are reviewed and analyzed, as are industry trends. In addition, PFM reviews credit agency reports and research reports from major Wall Street firms to gain other perspectives. If the outlook for a company deteriorates, PFM may remove that issuer from our approved list. If the deterioration is significant enough, PFM may recommend that the holdings of the company are sold.

- **Section 11 (California's Local Agency Investment Fund).** The Policy currently states, "Investment in LAIF may not exceed \$40 million." The State Treasurer's Office increased the maximum deposit limit of the Local Agency Investment Fund (LAIF) to \$50 million from \$40 million. As such, we propose revising the Policy's permitted investment language to reflect this change and to anticipate any future LAIF deposit limit changes, thereby avoid having to revise the policy each time a new limit is set. We recommend CARMA consider the following language: "Funds may be invested in LAIF up to the current deposit limit permitted by the State Treasurer's Office (STO)."
- **Section 12 (Insured Savings Accounts or Money Market Accounts)** We recommend that CARMA remove "Money Market Accounts" from Section 12 as they are a distinct investment

sector from insured savings accounts. Additionally, the requirements for money market accounts are addressed in Section 13 of the Policy.

We look forward to discussing our recommendations with you.



CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES  
INVESTMENT POLICY  
~~August~~September 9, 2011

SCOPE

This investment policy applies to activities of the California Affiliated Risk Management Authorities (Authority) with regard to investing the Authority's financial assets of the Administrative and Trust Funds.

OBJECTIVES

It is the objective of this policy to provide a system which will accurately monitor and forecast revenues and expenditures so that the Authority can invest funds to the fullest extent possible. Funds of the Authority will be invested in accordance with sound treasury management principles with the following priorities:

1. Safety: Safety of principal is the foremost objective of the Authority's investment program. Investments of the Authority will be undertaken in a manner that seeks to ensure preservation of capital in the portfolio.
2. Liquidity: The investment portfolio will remain sufficiently liquid to meet the Authority's cash flow needs; and
3. Return on Investment: The Authority seeks to attain market rates of return on its investments, consistent with constraints imposed by law, its safety objectives, and its cash flow consideration.

DELEGATION OF AUTHORITY

The Treasurer is designated as investment manager of the Authority and is responsible for ensuring that all investment activities are within the guidelines of these policies. The Treasurer and Assistant Treasurer shall develop and maintain administrative procedures for the operation of the investment program. In order to optimize total return through active portfolio management, resources shall be allocated to the investment program. This commitment of resources shall include financial and staffing considerations.

PRUDENCE

The Treasurer shall manage the investment portfolio of the Authority under the Prudent Investor Standard which states, in essence, that "a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. " The

application of this rule leaves open a broad spectrum of investment opportunities as long as the investment is deemed prudent and is permissible under currently effective legislation of the State of California and this policy.

### REPORTING

The Treasurer shall make a monthly report of investment transactions [in compliance with California Government Code §53607](#) and may submit a quarterly investment report in compliance with [California Government Code §53646](#).

### SAFEKEEPING

Securities shall be held in third party custody, in the Authority's name and control.

### POLICY REVISION

This policy can be revised whenever necessary and will be reviewed by the Board annually.

### ALLOWABLE INVESTMENT INSTRUMENTS

The following is a summary of the authorized investment instruments and the applicable limitations of each:

#### **Permitted Investment Instruments**

1. Government obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
3. Obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency or by a department, board, agency or authority of the state or any local agency, provided that the obligations are rated in one of the two highest categories by a nationally recognized [statistical](#) rating [serviceorganization \(NRSRO\)](#).
4. Registered treasury notes or bonds of any of the other 49 United States in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any other 49 United States, in addition to California, [provided that the obligations are rated in one of the two highest categories by a NRSRO.-](#)

5. Repurchase Agreements. Only U.S. Treasury securities or Federal Agency securities will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the Authority's custodian bank by book entry, physical delivery, or by a third party custodial agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value, 102 percent of the funds borrowed against those securities. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a weekly basis. Market value must be calculated each time there is a substitution of collateral.

The Authority or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

The Authority may enter into Repurchase Agreements only with primary dealers of the Federal Reserve Bank of New York. The Authority will have specific written agreements with each firm with which it enters into Repurchase Agreements.

Maximum maturity: 15 days.

6. Bankers' Acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category ~~by Moody's Investors Services or by Standard & Poor's Corporation~~ by a NRSRO.

Purchases of Bankers' Acceptances may not exceed 180 days maturity or 40 percent of the Authority's investment portfolio. No more than 10 percent of the Authority's investment portfolio may be invested in the Banker's Acceptances of any one commercial bank. The sum of investments in certificates of deposit, commercial paper, and bankers acceptances in any one institution shall not exceed 20 percent of the portfolio.

7. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a ~~nationally recognized statistical rating organization (NRSRO)~~. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):
  - (1) The entity meets the following criteria:
    - (A) Is organized and operating in the United States as a general corporation.
    - (B) Has total assets in excess of five hundred million dollars (\$500,000,000).
    - (C) Has debt other than commercial paper, if any, that is rated "A" or higher by a ~~nationally recognized statistical rating organization (NRSRO)~~.
  - (2) The entity meets the following criteria:
    - (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company.
    - (B) Has program wide credit enhancements including, but not limited to, over

collateralization, letters of credit, or surety bond.

(C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a ~~nationally recognized statistical rating organization (NRSRO)~~.

Purchases of eligible commercial paper may not exceed 270 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation.

Purchases of commercial paper may not exceed 25 percent of the Authority's investment portfolio.

8. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes shall be rated in a rating category "AA" or its equivalent or better by a ~~nationally recognized rating service~~NRSRO.

Purchase of medium-term notes may not exceed 30 percent of the Authority's investment portfolio. No more than 15 percent of the Authority's investment portfolio may be invested in a medium-term note of any one corporation.

9. FDIC insured or fully collateralized time certificates of deposit in financial institutions located in California.

To be eligible to receive local agency deposits a financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation.

10. Negotiable certificates of deposit or deposit notes issued by a nationally or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated "AA" or ~~better by Moody's or Standard & Poor's~~ by a NRSRO.

Purchase of negotiable certificates of deposit may not exceed 30 percent of the Authority's investment portfolio.

11. State of California's Local Agency Investment Fund

~~Investment in LAIF may not exceed \$40 million.~~ Funds may be invested in LAIF up to the current deposit limit permitted by the State Treasurer's Office (STO).

12. Insured savings accounts ~~or money market account.~~

13. Money Market Funds.

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.). To be eligible for investment pursuant to this subdivision these companies shall either: (1) attain the highest ranking letter or numerical rating provided by not less than two of the three largest nationally recognized rating services or (2) have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience managing money market mutual funds and with assets under management in excess of \$500,000,000. The purchase price of shares shall not exceed 15 percent of the investment portfolio of the Authority.

14. California Asset Management Program

—Credit criteria and maximum percentages listed in this section are calculated at the time the security is purchased.

—See Appendix A for description of the above securities.

Other Limitations

- A. Where a section does not specify a limitation on the term or remaining maturity at the time of purchase, no investment shall be made in any security, other than a security underlying a repurchase agreement, that at the time of the investment has a term remaining to maturity in excess of five years, unless the Board has granted express authority to make that investment either specifically or as a part of an investment program approved by the Board no less than three months prior to the investment.
- B. The Authority will not place any funds with any institution that is less than three (3) years old.
- C. Purchase and sale of securities should be made on the basis of competitive offers and bids.

Appendix A  
Explanation of Allowable Instruments

U.S. Treasuries:

U.S. Treasury Bills: U.S. Treasury bills, commonly referred to as T-Bills, are short-term marketable securities sold as obligations of the U.S. Government. They are offered in three-month, six-month, and one-year maturities. T-Bills do not accrue interest but are sold at a discount to pay face value at maturity.

U.S. Treasury Notes: U.S. Treasury Notes are marketable, interest-bearing securities sold as obligations of the U.S. Government with original maturities of one to ten years. Interest is paid semi-annually.

U.S. Treasury Bonds: U.S. Treasury Bonds are the same as U.S. Treasury Notes, except they have original maturities of ten years or longer.

U.S. Government Agency Issues: U. S. Government Agency issues include securities which fall into these categories: 1) Issues which are unconditionally backed by the full faith and credit of the United States, 2) Issues which are conditionally backed by the full faith and credit of the United States, and 3) Issues which are not backed by the full faith and credit of the United States.

Issues which are unconditionally backed by the full faith and credit of the United States include the Small Business Administration (SBA) and the General Services Administration (GSA).

Issues which are not backed by the full faith and credit of the United States include the Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Farm Credit System, Banks for Cooperation (Co-ops), Federal Lands Banks (FLB), Federal Immediate Credit Banks (FICB), and the Federal Home Loan Mortgage Corporation (FHLMC).

While all of the above issues are not unconditionally backed by the full faith and credit of the United States, they do in fact have de facto backing from the federal government, and it would be most unlikely that the government would let any of these agencies default on its obligations.

Local Agency Investment Fund (LAIF): LAIF is a voluntary program offering local agencies the opportunity to participate in a multi-billion dollar portfolio. LAIF is part of the State of California's Pooled Money Investment Account (PMIA). Oversight of the PMIA is provided by a board whose members include the State Treasurer, Director of Finance, and the State Controller. All securities are purchased under the authority of the California Government Code.

Certificate of Deposit (CDs): CDs are receipts for funds deposited in a Bank or Savings and Loan Association for a specified period of time at a specific rate of interest. The first \$250,000 of a certificate of deposit is guaranteed by the Federal Deposit Insurance Corporation (FDIC) if with a bank. Nonnegotiable CDs with a face value in excess of \$250,000 can be collateralized by Treasury Department Securities, which must be at least 110% of the face value of the CDs in excess of the first \$100,000, or by the first mortgage loans which must be at least 150% of the face value of the CD balance in excess of the first \$250,000. Negotiable CDs are marketable securities; they are not collateralized.

Repurchase Agreement: Repurchase Agreements are a contractual arrangement between a financial institution or dealer and an investor. This agreement normally can run for one or more days. The investor puts up his funds for a certain number of days at a stated yield. In return, he takes a given block of securities as collateral. At maturity, the securities are repurchased and the funds repaid plus interest.

Money Market Funds: Pooled investment funds, which legally are shares of beneficial interest issued by diversified management companies registered with the Securities and Exchange Commission. Money market funds operate under strict guidelines regarding maximum maturities and diversification requirements and seek to maintain a constant net asset value of \$1.00 per share.

Medium-Term Notes (MTNs): MTNs are unsecured promissory notes issued by corporations and financial institutions. MTNs are typically issued through a shelf registration process filed with the SEC, with original maturities of one to five years. MTNs offer higher yields than Treasury or agency securities because of the additional risk of purchasing unsecured corporate debt for a period of years. Credit quality varies with the issuer and MTNs are rated by several national securities rating services such as Standard & Poor's or Moody's.

Commercial Paper: Commercial Paper is a short-term unsecured obligation issued by both financial companies and nonfinancial companies to help satisfy their short-term funding needs.

Bankers' Acceptances: A bankers' acceptance is a time draft drawn on and accepted by a bank for payment of the shipment or storage of merchandise. The initial obligation of payment rests with the drawer, but the bank substitutes its credit standing for that of the borrower and assumes the obligation to pay face value at maturity.

California Asset Management Program (CAMP): Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in Government Code Section 53601 subdivisions (a) to (oh), inclusive. If CARMA has funds invested in CAMP, it shall maintain CAMP's current information statement on file. In addition, CARMA's investments in CAMP should be reviewed periodically.

**FINANCIAL MATTERS**

**SUBJECT: Consideration of the June 30, 2011, Independent Financial Audit Prepared by Sampson, Sampson, and Partners, LLP**

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**BACKGROUND AND STATUS:**

The financial audit for the year ending June 30, 2011, which was prepared by Sampson, Sampson, Sampson, and Partners, LLP, is attached for the Board's consideration. Mr. Bill Patterson, Partner at Sampson, Sampson, and Partners, LLP, will be in attendance to review the financial audit with the Board and answer any questions.

**RECOMMENDATION:**

*The Board of Directors accepts and files the June 30, 2011, audit report as presented.*

**REFERENCE MATERIALS ATTACHED:**

- Draft 2011 Financial Audit Report



**DRAFT**  
SUBJECT TO FINAL  
REVIEW AND APPROVAL  
DRAFT DATE \_\_\_\_\_

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

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REPORT ON AUDITED  
FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION

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YEAR ENDED JUNE 30, 2011

**DRAFT**  
SUBJECT TO FINAL  
REVIEW AND APPROVAL  
DRAFT DATE \_\_\_\_\_

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DRAFT  
SUBJECT TO FINAL  
REVIEW AND APPROVAL  
DRAFT DATE \_\_\_\_\_

August 19, 2011

Governing Board  
California Affiliated Risk Management Authorities  
Sacramento, California

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the California Affiliated Risk Management Authorities (CARMA) as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of CARMA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the financial statements of CARMA for the year ended June 30, 2010, and in our report dated August 19, 2010, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CARMA as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2011, on our consideration of CARMA's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and claims development information on pages 2 through 11 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

JUNE 30, 2011

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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, 2011. 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 fourteen years has held the distinguished designation of "Accreditation With Excellence." This is the highest level of accreditation offered by CAJPA and places it among the elite of accredited JPAs in California. The accreditation review process involves an in-depth review of CARMA's operations, financial stability, performance, and overall management effectiveness.

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

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

### Financial Highlights for the Fiscal Year Ended June 30, 2011

Revenues	\$6.9 million	Total revenues, operating and non-operating, decreased 3% due to a decrease in interest earnings of 39%.
Expenses	\$4.8 million	Decreased 42% over the prior year as a result of a decrease in claims costs.
Assets	\$28.7 million	Increased \$819,000, or 3%, resulting primarily from the retention of cash as each year is funded in advance, but paid out over a period of time.
Liabilities	\$18.5 million	Decreased \$1.2 million, or 6%, mainly due to a decrease of \$1.0 million in the actuarial revision of prior year ultimate loss projections.

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## Description of the Basic Financial Statements

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

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

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

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

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

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

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

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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

<b>CARMA Balance Sheet (Excluding Fiduciary Funds)</b>			
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current Assets	\$8,739,060	\$8,212,666	6.4%
Investment with maturities in excess of one year	<u>19,963,413</u>	<u>19,671,064</u>	1.5%
Total Assets	<u>\$28,702,473</u>	<u>\$27,883,730</u>	2.9%
Current Liabilities	\$4,220,128	\$3,532,615	19.5%
Non-Current Liabilities	<u>14,309,870</u>	<u>16,222,472</u>	-11.8%
Total Liabilities	18,529,998	19,755,087	-6.2%
Net Assets	10,172,475	8,128,643	25.1%
Total Liabilities & Net Assets	<u>\$28,702,473</u>	<u>\$27,883,730</u>	2.9%

**CARMA Pool Assets**

Total assets (excluding fiduciary funds) increased \$819,000, attributable primarily to the retention of cash as each year is funded in advance, but paid out over a period of time.

CARMA maintains those funds not immediately needed for the payment of claims and administrative expenses, approximately \$4.7 million, in the Local Agency Investment Fund (LAIF), which is administered by the State Treasurer's Office in Sacramento.

In 2009, CARMA transitioned its portfolio from direct management by Public Financial Management, Inc. (PFM) to the California Asset Management Program Trust (CAMP), a joint powers authority managed by (PFM). Custodial services are provided by Bank of New York. Holdings in CARMA's portfolio were \$23.9 million at June 30, 2011. Holdings are maintained in treasury and agency securities, certificates of deposit, U.S. Government supported corporate debt, and corporate notes. CARMA's investment earnings decreased 39% from the prior year due to plummeting interest rates and other adverse economic conditions, described in detail in the **Description of Facts or Conditions that are Expected to have a Significant Effect on Financial Position or Results of Operations** in the last section of this report. Even so, at June 30, 2011, the fair value of CARMA's investments was \$130,005

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

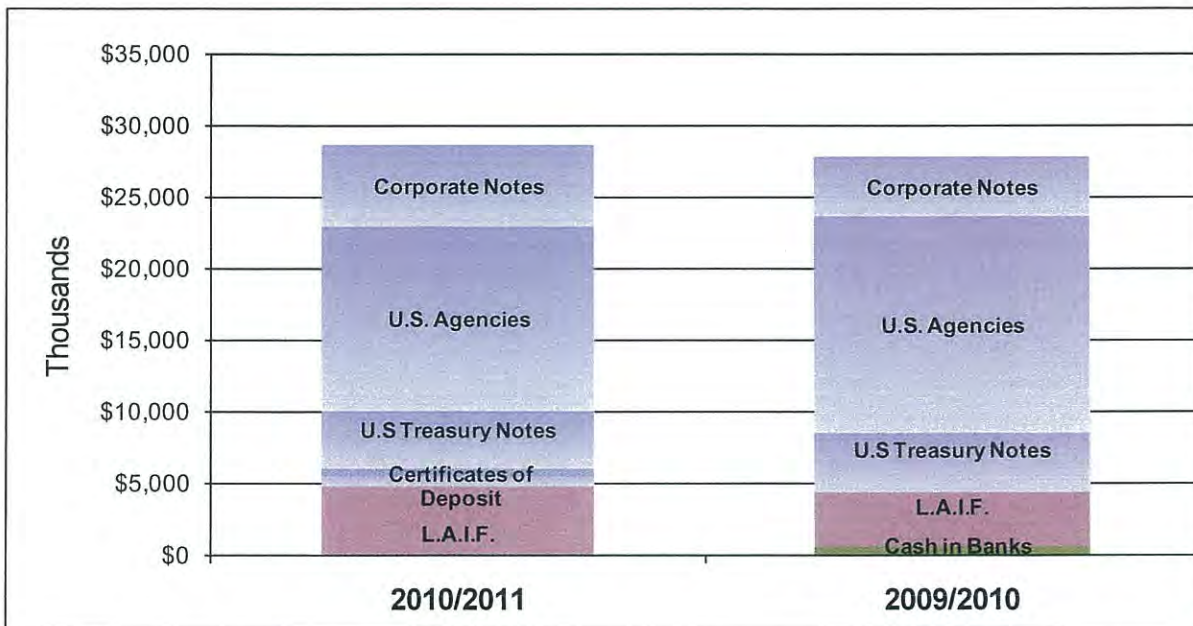
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more than the book value. The ability of CARMA's excess funds to earn investment income has a direct effect on program rates, as this income is used to discount future liabilities. When investment yields fall short of projections, additional funding may be required to meet actuarial estimates.

At its Board of Directors meeting in September 2003, CARMA established a Rate Stabilization Fund (Fund) retroactive to July 1, 2003, to receive the dividends issued on June 30, 2002. 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 began presenting the cash assets in the Fund in a separate fiduciary fund on the June 30, 2007, financial statements. The Rate Stabilization Fund is now reported in a separate Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. Notwithstanding the separate reporting described above, the CARMA Bylaws allow for the fiduciary funds to be commingled with the general operating funds for the purposes of investment.

The chart below depicts the make-up of CARMA's cash assets. Cash and investments include fiduciary funds of \$90,006 and \$88,789, respectively, at June 30, 2011, and 2010.

**Total Cash by Category at June 30, 2011, and June 30, 2010**



CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

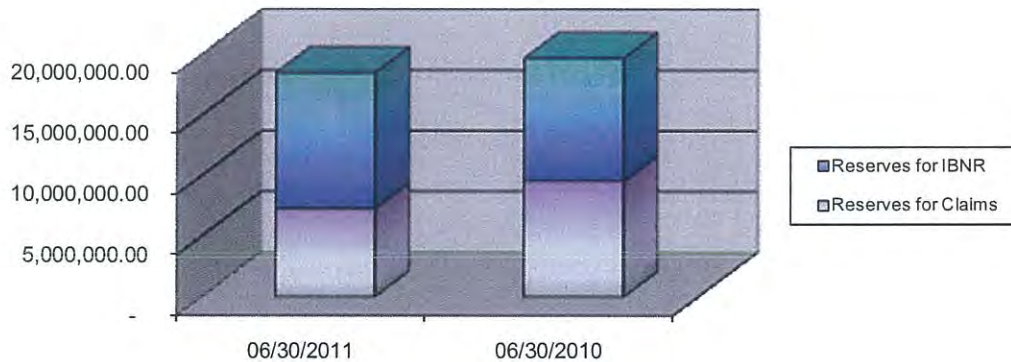
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**CARMA Pool Liabilities**

As shown below, claim liabilities decreased by \$1.2 million over the prior year. Reserves for known claims decreased by \$2.3 million, and reserves for anticipated future claims (IBNR) increased by \$1.1 million.

**Comparison of Pool Liabilities at June 30, 2011, and June 30, 2010**



The portion of claims considered to be currently payable (less than one year) was actuarially determined. CARMA's current claims liability at June 30, 2011, is projected to be \$4.2 million, an increase of \$700,000 over last year's prediction. Its long term claims liability is projected to be \$14.3 million.



CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CARMA Revenues and Expenses**

<b>CARMA Statements of Revenue, Expenses, and Changes in Net Assets (Excluding Fiduciary Fund Income)</b>			
	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Percentage Change
<b>Revenues:</b>			
Deposit premiums	\$6,470,732	\$6,455,754	0.2%
Investment income	406,491	662,364	-38.6%
Misc income	209	0	
Total Revenues	\$6,877,432	\$7,118,118	-3.4%
<b>Expenses:</b>			
Reinsurance / Excess insurance	1,968,850	1,977,415	-0.4%
Provision for claim and claim adjustment expenses	2,440,571	5,913,318	-58.7%
Administrative fees	289,000	289,053	0.0%
Professional services	122,240	135,339	-9.7%
Other operating expenses	12,939	14,340	-9.8%
Total Operating Expenses	4,833,600	8,329,465	-42.0%
Changes in Net Assets	2,043,832	(1,211,347)	
Net Assets, Beginning of Year	8,128,643	9,339,990	-13.0%
Net Assets, End of Year	\$10,172,475	\$8,128,643	25.1%

Total revenues, operating and non-operating, decreased 3%, or \$241,000, over the prior year. Revenues consist primarily of deposit premiums. Deposit premiums in 2010/2011 remained flat due to consistent rates and the continuation of 80% confidence level funding. Investment income, however, decreased 39%, as discussed in a previous section. CARMA earned interest income of \$426,775 (including fiduciary fund earnings), with market depreciation on investments of <\$19,067>, decreasing overall investment income to \$407,708.

During the prior year, total revenues, operating and non-operating, had decreased 24%, or \$2.3 million, over the previous year. CARMA's membership had declined by the departure of PARSAC, one of its members, on July 1, 2009. In addition, CARMA's funding for loss rate had decreased with the reduction in confidence level funding from 85% to 80%. While deposit premiums had decreased 21% from the previous year, investment income had decreased 42%.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

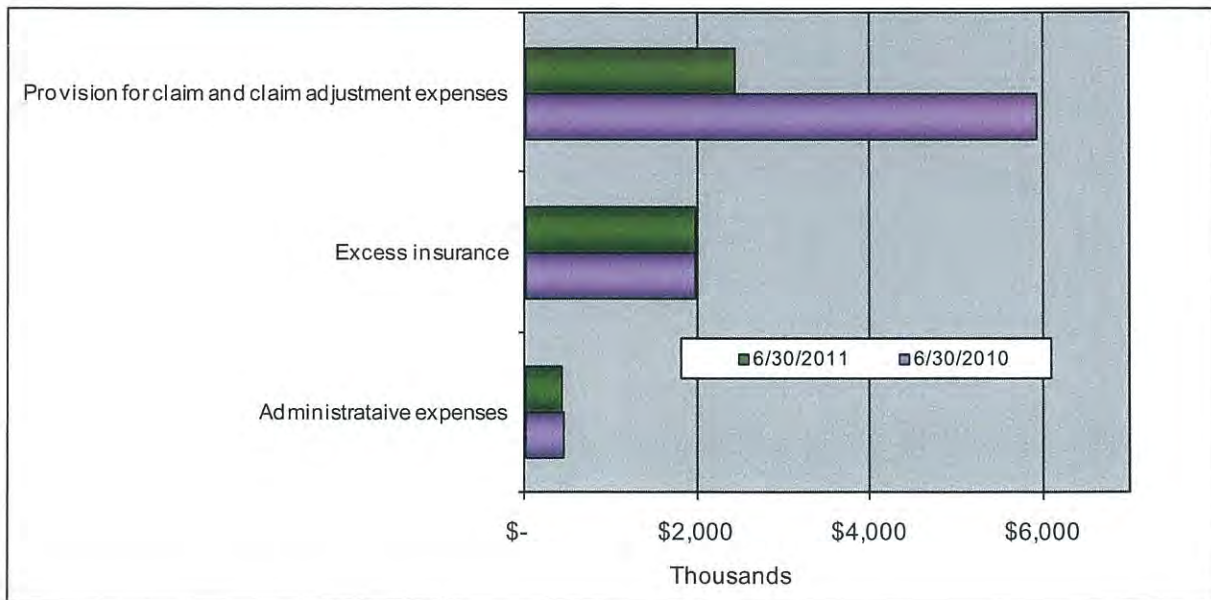
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Operating expenses decreased 42%, or \$3.5 million, over the prior year. Total revenue exceeded operating expenses by \$2.0 million during the current fiscal year, compared to the prior year during which total operating expenses exceeded revenue by \$1.2 million. The major factor contributing to this \$3.3 million positive swing in net assets was a 59% decrease, or \$3.5 million, in claims expense from the prior year, in comparison to the prior year in which claims costs had increased \$1.4 million over the previous year. The largest decrease during the current year was experienced in the 2008/2009 program year in which two large claims settled for substantially less than originally anticipated. These large swings in annual claims costs illustrate the volatility inherent in excess liability pools.

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

**Expenses for the Years Ended June 30, 2011, and June 30, 2010**



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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.

Both reinsurance and excess rates remained fairly flat over the prior year, resulting in a negligible premium decrease of less than 1%.

**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 2010/2011 program year was calculated at the 80% confidence level and discounted to recognize the future investment earnings on those funds. The 80% confidence level assumes that there is an 80% chance that the amount collected to cover losses will be sufficient. For financial statement purposes, the liability for claims has been recorded at the expected confidence level (which the actuary has determined approximates the 63% confidence level). The 2009/2010 program year was funded at the 80% confidence level as well.

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

The graph on the following page illustrates the actuarially determined expected ultimate losses (anticipated claims costs) for CARMA's last ten prior 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, 2010. Claims development was substantial during the subsequent six month period for a claim in the 2005/2006 program year. It was therefore necessary to adjust the ultimate loss projection of this program year by \$1 million, as incurred costs at June 30, 2011 exceeded the most recent actuarial estimates. Conversely, as noted previously, the 2008/2009 program year had two large claims that settled for substantially less than originally anticipated, bringing the ultimate loss projection for that program year down by \$1.8 million. 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.

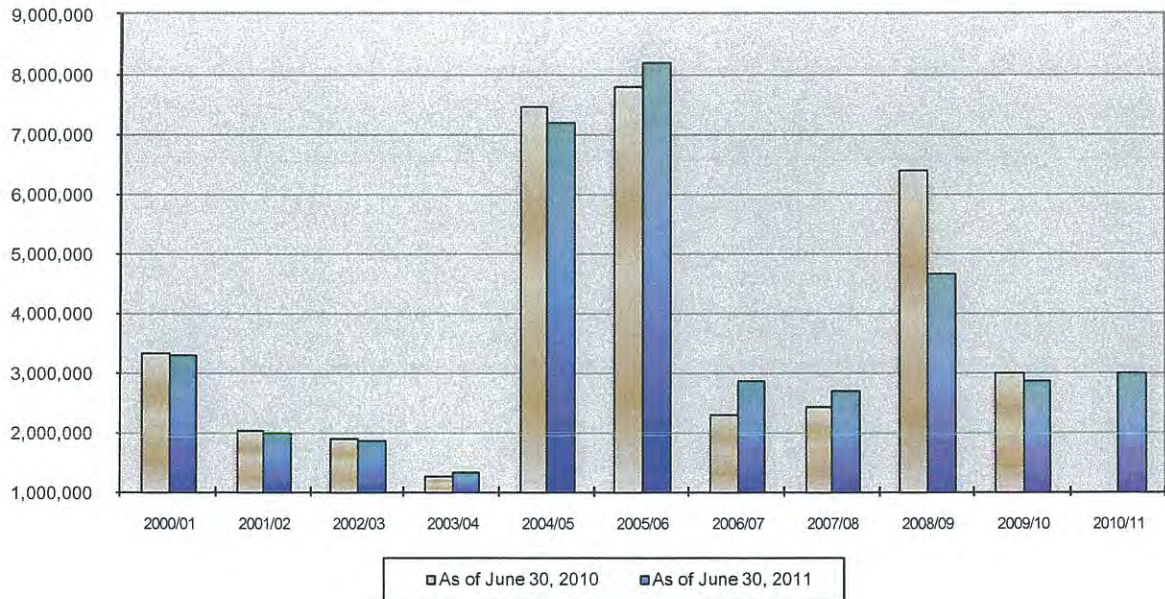
CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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**Summary of Ultimate Losses by Program Year  
June 30, 2011**



**General Administrative Expenses**

Total general administrative and other operating expenses decreased 3.3% over the prior year, due primarily to a substantial decrease in legal costs due to the commensurate decreased necessity of coverage opinions, offset by the bi-annual increase in scope of the claims audit. Total general administrative expenses represent 6.6% of the total premiums for the fiscal year ended June 30, 2011, and 6.8% for the fiscal year ended June 30, 2010.

**Economic Factors**

In developing the budget for the fiscal year ended June 30, 2011, 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 eighteen years, coupled with a healthy retained earnings base. Although one member withdrew from the program on July 1, 2009, membership has been stable and current funding appears to be sufficient to meet future obligations.

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

The global economy struggled through an anemic recovery that contributed to heightened market volatility, low consumer sentiment and spending, and continued record-low interest rates. High unemployment, a weak housing sector, increased geo-political risk, and the after-effects of the Japanese tsunami and nuclear crisis all contributed to uncertainty about a sustainable economic recovery. Moreover, budget and federal debt limit issues, increased state and local government cut-backs, and the end of ARRA spending continued to retard growth.

CARMA's investments will continue to face considerable challenges in the coming months. Fed policy and investor demand for the safety of U.S. Treasury debt has maintained interest rates low, which indicate continued low interest income. Nevertheless, a steep yield curve continues to provide opportunities in longer-maturity securities for the enhancement of total return. Any extensions in duration, however, will continue to be balanced against the continuing possibility of interest rate increases, which pose the danger of devaluing the fair market value in existing debt investments. Likewise, any new investments will also be evaluated against the still-developing effects of the recent downgrade of U.S. Treasury obligations by Standard & Poor's. CARMA's investment advisor, PFM Asset Management LLC, 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

BALANCE SHEET

(Prior Year Data for Comparison Purposes Only)

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ASSETS

	June 30,	
	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and cash equivalents	\$ 4,836,660	\$ 4,337,524
Investments	3,790,571	3,738,855
Receivables:		
Interest	81,667	109,473
Prepaid expenses	<u>30,162</u>	<u>26,814</u>
Total Current Assets	<u>8,739,060</u>	<u>8,212,666</u>
Non-Current Assets:		
Investments	<u>19,963,413</u>	<u>19,671,064</u>
Total Non-Current Assets	<u>19,963,413</u>	<u>19,671,064</u>
Total Assets	<u>\$28,702,473</u>	<u>\$27,883,730</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Current Liabilities:		
Accounts payable	\$ 5,605	\$ 10,830
Equity payable to former member	14,523	21,785
Current portion of claims liabilities	<u>4,200,000</u>	<u>3,500,000</u>
Total Current Liabilities	<u>4,220,128</u>	<u>3,532,615</u>
Non-Current Liabilities:		
Equity payable to former member	7,262	21,784
Claims liabilities	<u>14,302,608</u>	<u>16,200,688</u>
Total Non-Current Liabilities	<u>14,309,870</u>	<u>16,222,472</u>
Total Liabilities	<u>18,529,998</u>	<u>19,755,087</u>
Net Assets	<u>10,172,475</u>	<u>8,128,643</u>
Total Liabilities and Net Assets	<u>\$28,702,473</u>	<u>\$27,883,730</u>

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

(Prior Year Data for Comparison Purposes Only)

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	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Deposit premiums	\$ 6,470,732	\$ 6,455,754
Other	<u>209</u>	<u>          </u>
Total Operating Revenues	<u>6,470,941</u>	<u>6,455,754</u>
EXPENSES:		
Claims paid	3,638,651	1,835,214
Change in claims liabilities	(1,198,080)	4,078,104
Insurance	1,968,850	1,977,415
Contract administration	289,000	289,053
General and administrative	<u>135,179</u>	<u>149,679</u>
Total Expenses	<u>4,833,600</u>	<u>8,329,465</u>
Operating Income (loss)	1,637,341	(1,873,711)
Other Income:		
Investment earnings	<u>406,491</u>	<u>662,364</u>
Change in Net Assets	2,043,832	(1,211,347)
Net Assets, Beginning of Year	<u>8,128,643</u>	<u>9,339,990</u>
Net Assets, End of Year	<u>\$10,172,475</u>	<u>\$ 8,128,643</u>

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF CASH FLOWS

(Prior Year Data for Comparison Purposes Only)

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	Year Ended June 30,	
	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from:		
Members	\$ 6,448,948	\$ 6,426,708
Other	209	
Cash payments for:		
Claims	(3,638,651)	(1,835,214)
Insurance	(1,968,850)	(1,977,415)
Contract administration	(288,957)	(288,118)
General and administrative	<u>(143,795)</u>	<u>(147,779)</u>
Net cash provided by operating activities	408,904	2,178,182
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net increase in investments	(344,065)	(4,686,247)
Investment income	<u>434,297</u>	<u>712,651</u>
Net cash provided (used) by investing activities	<u>90,232</u>	<u>(3,973,596)</u>
Net increase (decrease) in cash	499,136	(1,795,414)
Cash and cash equivalents, beginning of year	<u>4,337,524</u>	<u>6,132,938</u>
Cash and cash equivalents, end of year	<u>\$ 4,836,660</u>	<u>\$ 4,337,524</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Net Operating Income (Loss)	\$ 1,637,341	\$(1,873,711)
Changes in assets and liabilities:		
Prepaid expenses	(3,348)	2,025
Accounts payable	(5,225)	810
Equity payable to former member	(21,784)	(29,046)
Claims liabilities	<u>(1,198,080)</u>	<u>4,078,104</u>
Net cash provided by operating activities	<u>\$ 408,904</u>	<u>\$ 2,178,182</u>

See independent auditors' report and notes to financial statements.



CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF FIDUCIARY NET ASSETS

(Prior Year for Comparison Purposes Only)

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	<u>Investment Trust Fund</u>	
	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
ASSETS:		
Investments	<u>\$90,006</u>	<u>\$88,789</u>
TOTAL ASSETS	<u>\$90,006</u>	<u>\$88,789</u>
NET ASSETS:		
Held in trust for rate stabilization fund participants	<u>\$90,006</u>	<u>\$88,789</u>
TOTAL NET ASSETS	<u>\$90,006</u>	<u>\$88,789</u>

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

(Prior Year for Comparison Purposes Only)

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	<u>Investment Trust Fund</u>	
	<u>Year Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
ADDITIONS:		
Contributions:		
Investment Income	\$ 1,217	\$ 2,095
TOTAL ADDITIONS	<u>1,217</u>	<u>2,095</u>
CHANGES IN NET ASSETS	1,217	2,095
NET ASSETS - BEGINNING OF YEAR	<u>88,789</u>	<u>86,694</u>
NET ASSETS - END OF YEAR	<u>\$90,006</u>	<u>\$ 88,789</u>

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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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, 2011, 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, 2011

(Continued)

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Excess liability coverage provided to its members from inception through June 30, 2011 is as follows:

July 1, 2008 to June 30, 2011

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, 2011

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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 superceded 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 2010/11 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

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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, 2011 as follows:

Cash and cash equivalents	<u>\$ 4,836,660</u>
Investments:	
Current	3,790,571
Non-current	<u>19,963,413</u>
Total Investments	<u>23,753,984</u>
Total	<u>\$28,590,644</u>

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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Cash and investments held by CARMA at June 30, 2011 consisted of the following:

Deposits	\$ 21,575
Investments	28,659,075
Less: Assets held in trust for investment pool participants	<u>(90,006)</u>
Total	<u>\$28,590,644</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%	10%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	15 days	None	None
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Notes	Yes	5 years	30%	15%
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	15%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	\$40 million	None
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, 2011

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Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months Or Less	13 to 24 Months	25-60 Months
U.S. Treasury Notes	\$ 4,114,888	\$2,056,801	\$2,058,087	\$
Federal Agency Securities	12,846,336	778,045	4,528,054	7,540,237
U.S. Government Supported Corporate Debt	380,045	380,045		
Corporate Notes	5,352,041		1,936,164	3,415,877
Certificates of Deposit	1,150,680	575,680	575,000	
State Investment Pool	4,728,439	4,728,439		
Money Market Funds	<u>86,646</u>	<u>86,646</u>		
Total	<u>\$28,659,075</u>	<u>\$8,605,656</u>	<u>\$9,097,305</u>	<u>\$10,956,114</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Highly Sensitive Investments	Fair Value at Year End
Callable Notes and Bonds. 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.	\$2,281,647



CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End				Not Rated
				AAA <sub>m</sub>	A	AA	AAA/A-1	
U.S. Treasury Notes	\$ 4,114,888	N/A	\$4,114,888	\$	\$	\$	\$	\$
Federal Agency Securities	12,846,336	N/A					12,846,336	
U.S. Government Supported								
Corporate Debt	380,045	N/A					380,045	
Corporate Notes	5,352,041	A			1,621,044	3,002,436	728,561	
Certificates of Deposit	1,150,680	A				575,000	575,680	
State Investment Pool	4,728,439	N/A						4,728,439
Money Market Fund	86,646	A		86,646				
<b>Total</b>	<b>\$28,659,075</b>		<b>\$4,114,888</b>	<b>\$86,646</b>	<b>\$1,621,044</b>	<b>\$3,577,436</b>	<b>\$14,530,622</b>	<b>\$4,728,439</b>

Concentration of Credit Risk

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

Issuer	Investment Type	Reported Amount
FNMA	Federal agency securities	\$5,944,856
FHLMC	Federal agency securities	\$4,466,383
FHLB	Federal agency securities	\$2,435,097

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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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.

As of June 30, 2011, 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, 2011, CARMA's investments in the California Asset Management Program (CAMP) pool was \$86,646. 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.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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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 3.5% for 2010/2011 and 4.0% for 2009/2010. 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, 2011 and 2010 is \$20,141,094 and \$21,738,358, respectively.

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

	<u>2010/2011</u>	<u>2009/2010</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	<u>\$19,700,688</u>	<u>\$15,622,584</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	2,604,570	2,538,500
Change in provision for insured events for prior fiscal years	<u>(163,998)</u>	<u>3,374,818</u>
Total incurred claims and claim adjustment expenses	<u>2,440,572</u>	<u>5,913,318</u>
Payments/Recoveries:		
Claims and claim adjustment expenses attributable to insured events of the prior fiscal years	<u>3,638,651</u>	<u>1,835,214</u>
Total payments	<u>3,638,651</u>	<u>1,835,214</u>
Total unpaid claims and claim adjustment expenses at the end of the fiscal year	<u>\$18,502,609</u>	<u>\$19,700,688</u>

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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NOTE 5 - EQUITY PAYABLE TO FORMER MEMBER:

During 2008/2009, one of CARMA's members (PARSAC) provided a written notice of intent to withdraw their membership effective July 1, 2009. The terms of the settlement agreement required PARSAC to compensate CARMA \$72,615 for future administrative costs relating to claims that existed at June 30, 2009. These costs were to be apportioned to the following four years in descending increments. \$29,046 and \$21,785 were budgeted and reflected as premium contributions in the 2009/2010 and 2010/2011 program years respectively.

Under the agreement, the entire liability was satisfied by reducing PARSAC's existing equity in CARMA by \$72,615 on June 30, 2009. At June 30, 2011, the remaining balance of \$21,785 will be allocated to future program years as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$14,523
2013	<u>7,262</u>
	<u>\$21,785</u>

NOTE 6 - RATE STABILIZATION FUND:

The Rate Stabilization Fund was established to give members' the option of either taking a distribution of board declared dividends or having CARMA retain the funds to invest on the members' behalf. These monies can then be used by members in future years to help stabilize rates. Investment income is allocated to the Rate Stabilization Fund based on its balance relative to the total balance of all cash and investments of CARMA. At June 30, 2011, the balance of the Rate Stabilization Fund was \$90,006. The activities of the Rate Stabilization Fund are reported in a fiduciary fund and therefore, have been excluded from the balance sheet.

NOTE 7 - SUBSEQUENT EVENT:

On August 5, 2011, following enactment of the Budget Control Act of 2011, Standard and Poor's credit rating agency lowered the U.S. long-term credit rating from AAA to AA+. The two other major rating agencies, Moody's Investor Services and Fitch Ratings, did not change their rating on U.S. long-term investment securities. The eventual effect of the downgrade on the market value of CARMA's investment portfolio, if any, cannot reasonably be determined.

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ADDITIONAL INFORMATION

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2011

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

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

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CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2011

	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/09	2009/2010	2010/2011
1. Required contribution and investment revenue:										
Earned	\$2,883,994	\$3,731,901	\$4,747,603	\$5,887,580	\$6,354,632	\$6,505,800	\$7,459,934	\$8,209,998	\$6,455,754	\$6,470,732
Ceded	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
Net earned before allocated interest	1,957,917	2,360,483	3,092,172	3,995,038	3,963,395	4,074,084	5,608,300	5,869,435	4,478,339	4,501,882
Allocated interest earned	120,394	420,608	778,953	433,273	833,258	709,253	580,389	289,150	112,937	34,185
Total net earned	2,078,311	2,781,091	3,871,125	4,428,311	4,796,653	4,783,337	6,188,689	6,158,585	4,591,276	4,536,067
2. Unallocated expenses	286,843	259,386	265,085	303,628	290,728	331,143	358,877	384,858	419,586	397,960
3. Estimated claims and expenses, end of program year:										
Incurred	902,374	769,168	2,253,204	1,948,983	2,808,665	2,672,246	3,437,232	3,236,455	2,538,500	2,604,570
Ceded										
Net incurred	902,374	769,168	2,253,204	1,948,983	2,808,665	2,672,246	3,437,232	3,236,455	2,538,500	2,604,570
4. Net paid (cumulative) as of:										
End of program year										
One year later	2,204,675	600,000			250,000					
Two years later	1,491,000	466,843		199,869	225,887		945,375	2,278,229		
Three years later	1,491,000	466,843		4,854,796	617,983	434,901	956,223			
Four years later	1,491,000	492,788		6,845,307	707,984	933,344				
Five years later	1,491,000	1,112,442	102,284	6,845,307	1,483,045					
Six years later	1,491,000	1,102,103	466,183	6,845,307						
Seven years later	1,491,000	1,102,103	542,252							
Eight years later	1,491,000	1,102,103								
Nine years later	1,491,000									
5. Reestimated ceded claims and expenses	722,941	381,152		6,213,233						
6. Reestimated net incurred claims and expenses:										
End of program year	902,374	769,168	2,253,204	1,948,983	2,808,665	2,672,246	3,437,232	3,236,455	2,538,500	2,604,570
One year later	2,335,527	1,447,276	2,149,571	2,044,823	2,484,890	3,015,138	3,519,853	5,783,645	2,566,637	
Two years later	2,288,080	1,795,751	1,631,741	2,034,908	2,176,689	2,291,421	2,290,248	4,430,931		
Three years later	2,274,602	1,531,260	1,410,971	8,184,870	4,068,383	2,123,243	2,534,634			
Four years later	1,990,539	2,282,961	1,021,530	7,936,805	7,321,096	2,726,738				
Five years later	1,840,940	1,814,011	1,202,684	7,426,558	7,869,582					
Six years later	1,750,666	1,660,177	1,199,943	7,187,908						
Seven years later	1,595,861	1,390,485	1,305,557							
Eight years later	1,529,879	1,396,971								
Nine years later	1,510,588									
7. Increase (decrease) in estimated net incurred claims and expenses from end of program year	\$ 608,214	\$ 627,803	\$ (947,647)	\$5,238,925	\$5,060,917	\$ 54,492	\$ (902,598)	\$1,194,176	\$ 28,137	

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August 19, 2011

Board of Directors  
California Affiliated Risk Management Authorities  
Sacramento, California

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

We have audited the financial statements of California Affiliated Risk Management Authorities (CARMA), as of and for the year ended June 30, 2011, and have issued our report thereon dated August 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and other Matters

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

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



**ADMINISTRATIVE MATTERS**

**SUBJECT: CARMA's Re-Accreditation with Excellence by the California Association of Joint Powers Authorities (CAJPA)**

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**BACKGROUND AND STATUS:**

CARMA recently participated in the re-accreditation process with the California Association of Joint Powers Authorities (CAJPA). Mr. John Wilson served as the consultant for the evaluation and completed his on-site review at the Bickmore Risk Services offices in Sacramento on Wednesday, July 20, 2011.

In Mr. Wilson's final CAJPA Accreditation Report dated August 2, 2011, for CARMA, Mr. Wilson noted the following requirements for full accreditation: (1) the written investment policy must be reviewed annually by the governing body or an investment committee; and (2) delegate the authority to the CARMA Treasurer to reinvest, sell, and exchange securities. However, no requirements were indicated for the Excellence designation; but a suggestion was included that CARMA policies contain the date of the CARMA Board's approval.

On August 2, 2011, Ms. Karen Thesing., CARMA's Executive Director, attended the CAJPA Accreditation Committee meeting. The Committee did grant CARMA with a Conditional Accreditation with Excellence pending completion of the requirements stipulated in the Accreditation Report within a six-month period.

As of the writing of this staff report, requirements (1) and (2) will be discussed in conjunction with Agenda Item 6.B. and, with Board approval, will be resolved during the meeting. With regards to the suggestion that CARMA policies contain a date of Board approval, staff has begun implementing this suggestion and will continue going forward.

As such, since CARMA will sufficiently meet the requirements as stipulated in the CAJPA Final Report, a representative from CAJPA will be present at this meeting to formally award the Board of Directors with a CAJPA Re-Accreditation with Excellence, effective August 23, 2011, for a period of three years.

**RECOMMENDATION:**

*The Board of Directors reviews the final CAJPA Accreditation Report.*

**REFERENCE MATERIALS ATTACHED:**

- Final CAJPA Accreditation Report of CARMA Prepared by Mr. John Wilson on August 2, 2011

**Agenda Item 7.A.**

**California Association  
of  
Joint Powers Authorities**

***Accreditation Report  
of  
California Affiliated Risk Management Authorities  
(CARMA)***

**CONFIDENTIAL  
(See Sections B & C)**

**Prepared by**

**John C Wilson**

**FINAL**

**August 2, 2011**

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## **I. BACKGROUND**

### **A. Description of JPA**

The California Affiliated Risk Management Authorities (CARMA), was formed July 1, 1993 to develop effective risk management programs, provide pooling for self-insured losses, joint purchase of excess insurance, and administrative services. The JPA currently has five JPA members, each of these members has been awarded CAJPA Accreditation. These JPA's have member cities, other JPA's, and counties totaling 136 members. It provides excess liability coverage for catastrophic losses. The Board of Directors is comprised of a representative from each member. The member shall appoint the representative and an alternate representative and notify CARMA in writing of their designation. Designees and alternates must be employees of the agency they represent. Contributions are based on the combined payroll of all members totaling \$1,133,371,484

Mission Statement: "CARMA is dedicated to innovative approaches in providing financial protection for its public entity members against catastrophic loss"

#### **Excess Liability Program Summary**

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

Layers of coverage offered for the 2010/2011 program year

COMPANY:

COLONY EXCESS INSURANCE (A)

\$15,000,000 excess of \$14,000,000

EVEREST REINSURANCE COMPANY (A+)

\$10,000,000 excess of \$4,000,000

CARMA RETAINED LIMIT

\$3,000,000 excess of \$1,000,000

MEMBER RETAINED LIMIT

\$1,000,000

## Service Providers

<b>Service</b>	<b>Organization</b>
Actuary	Bay Actuarial Consultants
Financial Auditor	Sampson and Sampson CPA.s
Insurance Broker	Alliant Insurance Services
Investment Advisor	Public Financial Management Inc. (PFM)
Program Administrator	Bickmore Risk Services (BRS)
Claims Auditor	Tim Farley, Farley Consulting Services
Excess Claims Administrator	Bickmore Risk Services(BRS)
Legal Counsel	Farmer, Murphy, Smith, & Alliston

The contact for CARMA's administrative services in the BRS Sacramento Office is Karen Thesing, Administrator. Ramona Buchanan, of BRS, is CARMA's Board Secretary, and provided the background information for this review.. The JPA President is Geoff Grote, Bay Cities Joint Powers Insurance Authority (BCJPIA). The Treasurer is Jake O'Malley, Municipal Pooling Authority of Northern California (MPA). The JPA does maintain a website at <http://carmajpa.org>

### B. Consultant Activities

On June 2, 2011 the consultant received the requested material from Ramona Buchanan, of BRS. On July 29, 2011, a site visit was made to Bickmore's Sacramento office to review additional requested materials.. A contact was made to Board President Geoff Grote, to complete the Board Chair's questionnaire.

### C. Limitations

California Association of Joint Powers Authorities (CAJPA) Accreditation Program reviews the organizational structure and activities of a joint powers authority (JPA), comparing the JPA with standards adopted by the Association believed to be advantageous to the preservation and performance of the individual JPA and JPAs in California as a whole.

Our review was conducted for the purpose of forming an opinion on the general operations of the JPA, and its compliance with governmental regulations. The review also includes an examination of documents prepared by other professionals relating to actuarial soundness and financial stability of the JPA.

CAJPA does not guarantee that accreditation by CAJPA ensures the solvency or liquidity of any JPA at the time of the accreditation or any time before or after such accreditation. Neither does accreditation guarantee that an accredited JPA is

administered in such a way that the JPA and its programs are, or will continue to be, financially sound.

#### **D. Distribution and Use**

This report has been prepared solely for the internal use of CAJPA as a guide in determining the applicant's compliance with the CAJPA Accreditation Standards in force at the time of the accreditation review. No further use or distribution is authorized without the prior written consent of CAJPA and John Wilson Consulting Service.

Judgments as to the conclusions, recommendations, methods, and data contained in the report should be made only after studying the report in its entirety and understanding the limitations inherent in the analysis, as outlined in the "limitations" section. Of particular note is the limitation that we cannot assure or guarantee the financial soundness of the applicant JPA.

The supporting data, analysis, description, exhibits, and appendices to this report are provided to support the conclusions stated herein and are not necessarily suitable for any other purpose. Furthermore, CAJPA and its accreditation consultants are available to explain any matter presented herein, and it is assumed that the user of this report will seek such explanation as to any matter in question.

## II. FINDINGS AND RECOMMENDATIONS

**Recommendation:** We find that **California Affiliated Risk Management Authorities (CARMA)** is in substantial compliance with current Accreditation Standards with the exception of the findings presented in this report. It is recommended that the CARMA be granted Conditional Accreditation pending satisfaction of the requirements contained herein. It is further recommended that accreditation be continuous, effective August 23, 2011 for a period of three years.

**A. Requirements** – in order to comply with the requirements for **Full Accreditation**, the following requirements must be completed. Upon approval of the CAJPA Accreditation Committee at its meeting on August 2, 2011 CARMA will have six months or until February 2, 2012, to complete these requirements.

### Requirement 1

#### Section V, Investment of Funds

A.3. The written investment policy must be reviewed annually by governing body or an investment committee pursuant to California G.C. § 53646(a). This had not been done at the time of this review. It will be on the Board Agenda, for the September meeting.

### Requirement 2

#### Section V, Investment of Funds

- E. If the Treasurer has the authority to reinvest, sell and exchange securities:
1. The JPA makes such delegation of authority annually. (G.C. §53607). This had not been completed at the time of this review. It will be done at the September Board meeting. It is part of the annual Investment Policy review process.

#### B. Requirements for Excellence:

**There are no additional requirements for the Excellence designation**

**C. Suggestion:**

**Suggestion 1**

- Consideration should be given to having written JPA policies contain the date of approval by the Board of Directors, and whether they are the original or an amendment to the original. Board policies could also have a separate heading on the website so they would be easier to locate.

I wish to express my appreciation to the staff at Bickmore Risk Services, and Board President Geoff Grote, for their cooperation in the completion of this assignment.

Respectfully submitted,

John Wilson  
Accreditation Consultant



# California Association of Joint Powers Authorities (CAJPA)

# ACCREDITATION WORKSHEETS

**As of July 1, 2009**

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**Key:**

√ = Satisfactory (Meets or Exceeds Standards)

U = Unsatisfactory (Does Not Meet Standards)

? = Unable to Determine

N/A = Not Applicable

## I. GOVERNING DOCUMENTS AND ADMINISTRATIVE CONTRACTS

### Objective

*To determine that the governing documents and contracts with major service providers contain all essential provisions.*

CRITERIA	STATUS	DISCUSSION
<p>A. The JPA maintains in its records a signed original of the Joint Exercise of Powers Agreement or other acceptable documentation from each member agency. (Mandatory)</p> <p><i>Other = signed copy of resolution from member's board, photo copy of signed JPA agreement. If not an original, suggest JPA check with counsel about the use of resolutions.</i></p>	√	They are kept in the JPA files and backed up electronically in the JPA computer system
<p>B. The agreement shall contain all of the provisions required in the enabling legislation in Section 6500 et. seq. of the Government Code.</p>		
<p>1. §6503 requires that the purpose or power to be exercised and the method by which the purpose will be accomplished or the manner in which the power is to be exercised is to be stated in the agreement. (Mandatory)</p>	√	JPA Agreement, Article II
<p>2. In accordance with provisions of §6505.5 or §6505.6 the agreement must designate a treasurer and an auditor. (Mandatory)</p> <p><i>If §6505.5</i></p> <p><i>a. Treasurer and auditor from same member</i></p> <p><i>b. Treasurer and auditor from same county (if under 6505.5 the auditor shall be from the same entity as the treasurer but does not have to be specifically named and can be the same person.)</i></p> <p><i>c. A Certified Public Accountant, who can serve both functions</i></p> <p><i>If §6505.6: Can be an officer or employee of the JPA for either or both positions. (Does not have to name any one particular person in the agreement. If the agreement refers to duties under 65.05.6, this includes auditor/and treasurer, we count this as met.)</i></p>	√	Bylaws IV C does not mention Auditor in the description of the Treasurer's position but does assign all the requirements of Government Code Sections 6505.5 or 6505.6 to this person. These sections refer to the Auditor function.
<p>3. §6511 requires that the agreement provide for the disposition, division or distribution of any property acquired as the result of the joint exercise of powers. (Mandatory)</p>	√	JPA Agreement, Article XXIII
<p>4. §6512 or Sec. 6512.2 "requires that the agreement provide that any surplus money on hand after the completion of its purpose shall be returned in proportion to the contributions made." Or may, in the alternative, in proportion to contributions made and claims or losses paid. (Mandatory)</p>	√	JPA Agreement, Article XXIII

C. The following are described in appropriate governing documents (agreement, bylaws, resolutions, master plan documents, memorandums of coverage, memorandums of understanding, adopted board policies or other similar documents):		<b>DOCUMENTS IN WHICH ITEM CAN BE LOCATED</b>
1. Eligibility criteria; (Mandatory)	√	Bylaws, Article XIV
2. Procedure for electing officers; (Mandatory)	√	Bylaws, Article IV A.
3. Terms of office; (Mandatory)	√	Bylaws, Article IV A.
4. Record retention policy; (Excellence only)	√	Bylaws, Article XXI, refers to a policy which is Board Resolution 3-2009/2010
5. Power and duties of Board; (Mandatory)	√	JPA Agreement, Article VIII A., Bylaws, Article VI
6. Indemnification for liability; (Excellence only) <i>The governing documents address that anyone acting in their official capacity (board/committee) is indemnified by the JPA or (not) to eliminate gray area. Employees are already covered under Gov. Code.</i>	√	JPA Agreement, Article XXVIII, Section II, 7, e. of the Memorandum of Coverage specifically extends coverage to members of the Board
7. Provisions for dissolution of pool; (Mandatory) <i>There is a process specified for the members to elect to dissolve the pool.</i>	√	JPA Agreement, Article XXIII
8. Provisions for financial audits; (Mandatory)	√	JPA Agreement, Article XXIII, Bylaws, Article XIII
9. Provisions for actuarial studies; (Excellence only)	√	Liability Master program Agreement Section E
10. Provisions for claims audits: (Excellence only)	√	Liability Master program Agreement Section J
11. Provisions for assessments & distributions; (Mandatory)	√	Liability Master program Agreement Section F
12. Provisions for member withdrawal from a program or JPA as a whole. These provisions shall include: • Notice requirements • Financial obligations and entitlements, i.e. responsibilities for future assessments or rights for future dividends. (Mandatory)	√	JPA Agreement, Article XX
13. Provisions for termination of JPA members (such as the right to cancel for non-payment of premiums, underwriting problems, or the failure to adequately control risks); (Mandatory)	√	JPA Agreement, Article XXI
14. Provision for annual meeting of the board; (Mandatory) <i>(The board will meet at least annually, not an annual meeting according to Roberts Rules of Order.)</i>	√	JPA Agreement, Article X A
15. Provision for the resolution of coverage and claims disputes with its members; (Excellence only)	√	Memorandum of Coverage, Section VII, par. 9
16. Provision for obligations of members. (Mandatory) <i>The governing documents identify obligations of members, e.g.</i> • Payment of premiums • Representative for board • Provide requested data	√	JPA Agreement, Article VII, B

D. Governing Documents and Prior Accreditation Report:		
1. The JPA is in substantial compliance with its governing documents. (Mandatory)	√	
2. The JPA Governing Board has reviewed the prior Accreditation Report for findings and recommendations. (Excellence)	√	Staff report issued to Board 7/19/08
E. The JPA has written contracts with firms or individuals that provide program administration services, insurance brokerage services, claims administration services, or have access to JPA funds. Such contracts shall include: (Mandatory) <ol style="list-style-type: none"> <li>1. Scope of services of the contractor;</li> <li>2. Indemnification and insurance requirements; <i>(A fidelity bond is required for any contractor that has access to JPA funds. If coverage doesn't cover forgery and alteration then it would not be sufficient coverage; or is employee dishonesty enough. Optional for consultant to add as a recommendation if they believe this is a concern.)</i></li> <li>3. Compensation;</li> <li>4. Term of Agreement;</li> <li>5. Contract cancellation provisions;</li> <li>6. Ownership of records;</li> <li>7. Duty to disclose conflicts of interest including but not limited to other sources of income; and <i>(Suggest consultant inquire if there is a process to provide for this disclosure but this is not a standard requirement and may just be a suggestion.)</i></li> <li>8. Language addressing how and by whom fines and penalties are to be paid. (applies to workers' compensation third party claims administrators only).</li> </ol> <i>(For investment advisor contract see V-H)</i>		<b>Refer to Exhibit 4 Below</b>
F. The JPA has certificates of insurance on file evidencing coverage required in contracts under E., above. (Mandatory) <i>(Consider writing a suggestion for the pool to have a process to collect and review these if they do not have them on file and must collect them during the study.)</i>	√	
G. If the JPA offers employee benefit programs to member agencies, a written plan description must be provided to covered employees. (Mandatory)	N/A	
H. The JPA keeps minutes of all meetings of its governing body and major committees. (Mandatory)	√	All are posted on member website

**Exhibit 4**

**Contracts with Major Service Providers**

Name of Contractor	Scope Of Services	Indemnification & Insurance <i>Fidelity bond if they write checks</i>	Compensation	Term	Cancellation	Ownership of Records	Disclosure of conflicts of interest and other sources of income	Fines & Penalties W/C only
Bickmore Risk Services	JPA Administration, Liability Claims Administrator	✓	✓	✓	✓	✓	✓	N/A
Alliant Insurance Services	Insurance Brokerage Services	✓	✓	✓	✓	✓	✓	N/A

## II. GOVERNMENT RULES

### Objective

*To determine that the JPA complies with the various reporting requirements and other mandates imposed by the State of California and its regulatory agencies.*

CRITERIA	STATUS	DISCUSSION
<p>A. The JPA has filed a notice of its joint exercise of powers agreement and any amendments or membership changes with the Secretary of State identifying (GC 6503.5): (Mandatory)</p> <ol style="list-style-type: none"> <li>1. The name of each member;</li> <li>2. The effective date;</li> <li>3. The purpose or power to be exercised; and</li> <li>4. A description of the amendment, if any.</li> </ol> <p><i>If the name of the JPA changes, counsel may be asked whether a new JPA agreement must be signed.</i></p> <p><i>Required if you add a new member or delete a member</i></p> <p><i>Notice must be filed within 30 days of amendment or member changes</i></p>	√	Initially filed 7/21/93, an update was on August 2, 2011 filed to reflect recent membership changes
<p>B. The JPA has made the necessary Public Agency Roster filing with the Secretary of State and county clerks in the counties in which the JPA has offices. (G.C. 53051) (Mandatory)</p> <p><i>Filing required when board members or location changes.</i></p>	√	Filed 7/13/2011
<p>C. The JPA has adopted a Conflict of Interest Code, formally reconsiders it prior to October 1st of all even-numbered years, and oversees any required filings of the Statements of Economic Interest with the Fair Political Practices Commission or the designated filing agent. (G.C. 87306.5) (Mandatory)</p>	√	Amended resolution 3 (94-95). Reaffirmed 1/13/11 Board Meeting
<p>D. If the JPA is subject to Education Code 17566(e) it procures triennial actuarial studies on its employee benefit programs. (Mandatory) <i>(Provision for community college districts Education Code Section 81602 actuarial study under ERISA)</i></p>	N/A	
<p>E. The JPA's governing body approves its annual budget. (G.C. 6508) (Mandatory)</p>		
<p>F. The JPA has filed the "Special Districts Financial Transactions Report" with the State Controller/Division of Local Government Fiscal Affairs Special District Unit. (GC 53891) (Mandatory)</p>	√	Filed 10/18/2010
<p>G. The JPA has filed its Audited Financial Statement with</p> <ul style="list-style-type: none"> <li>• the State Controller, and</li> <li>• with the county auditor of the county where the home office of the JPA is located within 12 months of the end of each fiscal year. (G.C. 6505 (c) ) (Mandatory)</li> </ul>	√	Filed 9.24/2010
<p>H. JPA and/or members have valid certificate(s) of consent to self-insure Workers' Compensation (Labor Code 3700) and files any changes in claims administrators (8Cal Code Regs Sec.15402) and the necessary annual reports with the Dept. of Industrial Relations on or before October 1st of each year. (Labor Code 3702.2) (Mandatory) <i>(This does not apply to excess pools.)</i></p>	N/A	
<p>I. Meetings and Meeting Notices</p>		
<p>1. The JPA properly posts meeting notices and</p>	√	Also posted on website

<p>2. Conducts its meetings in accordance with the Brown Act. (G.C. 54954.2, G.C. 54953.2 and 42 U.S.C. 12132) (Mandatory) <i>Board and standing committees. Check for ADA posting requirements. Note, the Attorney General has determined that valid posting means available to view 24/7 (consider posting on outside window).</i></p>	<p>√</p>	
<p>J. JPA's that self-insure medical benefits annually file a copy of their audit with a declaration to the Department of Managed Health Care as required for exemption from Knox-Keene requirements. (Code of Civil Procedures 2015.5) (Excellence Only)</p>	<p>N/A</p>	

### III. INSURANCE AND COVERAGES

#### Objective

To determine that the JPA properly identifies and handles its own exposures to loss, secures any insurance required by its governing documents and/or any other legal requirement, monitors the adequacy of coverages it provides to its members and maintains permanent policy files.

CRITERIA	STATUS	DISCUSSION
A. Insurance and Coverages		
1. The JPA maintains an official bond as required by state law (G.C. 6505.1 and 6505.5). The JPA requires fidelity coverage for a person or persons that are entrusted with any property of the JPA. (Mandatory) <i>Pool needs coverage for treasurer, most employee dishonesty policies exclude the Treasurer, have insurance company issue an endorsement deleting this exclusion.</i>	√	Traveler's Casualty and Surety Co. of America 7/1/11 - 7/12/2012
2. The JPA insures or self-insures for the following exposures as appropriate: (Mandatory)		
a. Public Officials Errors & Omissions;	√	Included in GL
b. Employee Fidelity; (insurance only, self-insurance not allowed) (G.C. 6505.1)	N/A	No employees
c. Commercial General Liability;	√	Covered in the CARMA MOC
d. Workers Compensation;	N/A	
e. Fiduciary Liability; <i>Required for self-funded health and welfare plans (May review public officials Errors and Omissions coverage, look at exclusions (if it only excludes ERISA then that doesn't exclude government entities) A standard commercial general liability policy doesn't extend to fiduciary coverage.)</i>	N/A	
f. Auto Liability; and,	N/A	
g. Property.	N/A	
B. The JPA evaluates its insurers, excess insurers, reinsurers and risk pools for quality, stability, and financial solvency. (Mandatory) <i>(Review of current and past insurers due to outstanding claims. See process for evaluating excess insurers and excess risk pools and reinsurers document)</i>	√	Alliant reported on market agenda item 8 C 4/20/11 Board meeting
C. The JPA keeps all memoranda of coverages and insurance policies permanently on file. (Mandatory)	√	Also posted on website
D. The JPA maintains and distributes coverage agreements and insurance policies as appropriate. (Mandatory)	√	



## IV. ACCOUNTING & FINANCE

### Objective

*To determine that the JPA complies with all applicable accounting standards and has adopted an investment policy.*

CRITERIA	STATUS	DISCUSSION
<p>A. The JPA materially adheres to all applicable GAAP, GASB, and other accounting standards. (Mandatory)</p> <p><i>Non compliance examples:</i></p> <ul style="list-style-type: none"> <li>• <i>Not recording IBNR</i></li> <li>• <i>Unrecorded ULAE (material)</i></li> <li>• <i>Inadequate disclosures (Required Supplementary Information (RSI) #1, by line of coverage and RSI #2) loss development by line of coverage and disclosure of ceded insurance.</i></li> <li>• <i>Inappropriate application of GAAP, (such as recording equity in another pool) (cannot be cured by disclosing the policy and limitations)</i></li> <li>• <i>Liabilities not fairly stated (materially overstated;</i></li> <li>• <i>Don't record above expected, any additional should be recorded as a designation of retained earnings).</i></li> <li>• <i>GASB 31, market value of investments</i></li> <li>• <i>GASB 40 Custodial Credit Risk Disclosures</i></li> <li>• <i>GASB 27 Pension Liabilities</i></li> <li>• <i>GASB 45 Other Post Employment Benefits</i></li> <li>• <i>Capital Asset Impairments</i></li> <li>• <i>Related Party Transactions</i></li> <li>• <i>Extraordinary Items</i></li> <li>• <i>Prior Period Adjustments</i></li> <li>• <i>Contingent Liabilities</i></li> <li>• <i>Recording reinsurance recoveries when received instead of netting out of claims expense when paid and setting up as a receivable.</i></li> <li>• <i>The MD&amp;A is sufficient</i></li> </ul>	√	<p>This was reviewed with Nancy Broadhurst, JPA Finance Manager, she confirms that CARMA is in compliance with these requirements except those that have to do with employees. There have never been employees at CARMA</p>
<p>B. The JPA issues to its members periodic financial reports at least annually or more frequently if required by its governing documents. (Mandatory)</p>	√	<p>All members represented on the Board of Directors</p>
<p>C. Financial Audits</p>		
<p>1. The JPA has undergone annual independent financial audits conducted by a CPA in accordance with generally accepted auditing standards, a report of which has been made available to all members as required by its governing documents. (Mandatory)</p>	√	<p>Audit for the year ended 6/30/2010, completed by Sampson, Sampson, &amp; Partners LLP, CPA's on 8/29/2010</p>
<p>2. If the JPA has received an opinion other than an unqualified opinion on the audit of its financial statements, the JPA governing board has satisfactorily addressed any such qualifications of opinion, audit exceptions or negative statements. (Mandatory)</p>	N/A	<p>Opinion was not qualified</p>

3. The independent auditor's report shall include a review of internal controls at least every three years. (Excellence only) ( <i>Issue a report on internal control and compliance to meet this.</i> )	√	
4. If a management letter or report on internal controls has been issued, the JPA governing board has addressed any recommendations. (Mandatory)	√	No recommendations
D. Unpaid Claims Liabilities		
1. The JPA has assets sufficient to pay all unpaid claims liabilities and maintains a reasonable contingency margin. The determination of whether there is a reasonable margin for contingencies will include consideration of investment income, excess of loss insurance, aggregate stop loss insurance, assess ability, size of program, volatility of risk, tolerance of membership, disclosure to board and any other relevant factors. (Excellence only) ( <i>If there is a deficit and the board has made an assessment, the receivable is recorded to offset the deficit.</i> )	√	
2. If the JPA does not currently have sufficient assets to pay unpaid claims liabilities, it has a reasonable financial plan in effect that will generate sufficient revenues to pay all unpaid claims liabilities and to establish a contingency margin. (Mandatory)	N/A	
For both D (1) and D (2) above, unpaid claims include: (Mandatory) a. Case reserves for reported claims; b. Incurred but unreported claims; c. Expected loss development; and, d. Allocated & unallocated loss adjusting expenses.	√	
3. JPAs with a self-funded medical benefits plan must fund at a level sufficient to cover expected claims, including the run-out, plus a reasonable contingency for adverse experience. Absent any acceptable evidence to the contrary, the contingency for adverse experience shall be set at an amount equal to or greater than the expected run-out of claims. (Mandatory)	N/A	
4. JPA's with self-funded benefit plans other than medical must fund such programs at a level sufficient to cover expected claims and projected run-out. (Mandatory)	√	
E. The JPA's current contribution levels for each self-funded program is in concert with Section D, above. (Mandatory)	√	
F. The JPA has adopted a target equity policy and considers it when evaluating funding and dividends. (Mandatory) ( <i>For example see target equity worksheet</i> )	√	Initially adopted 1/13/06, and amended 4/17/2008
G. Any JPA with non-risk sharing program(s) must clearly indicate in the governing documents the financial and operational structure of such program(s). (Mandatory) <i>To be considered as a W.C. non-risk sharing program, it must not be operating under a master workers' compensation certificate filed with the State Dept. of Self-Insurance Plans.</i>		
In lieu of funding standards contained in Section E above, a non-risk sharing program must:		
1. Calculate and communicate the individual member net asset balances and liabilities to the members annually.	N/A	
2. Be sufficiently assessable to ensure that program's cash flow needs are met.	N/A	

3. Demonstrate that it has adequate cash on hand to meet future claims costs.	N/A	
H. The JPA maintains a suitable management information system that includes premium computation methods and/or allocation formulas. (Excellence only).	√	Excel program developed by BRS, using allocation formulas adopted by the Board

## V. INVESTMENT OF FUNDS

### Objective

*To assure that policies and procedures are in effect to protect and preserve the JPA's financial assets.*

CRITERIA	STATUS	DISCUSSION
A. The JPA has a written investment policy that contains: (Mandatory) <i>Required for all, even if they only have money in LAIF and or County Treasury.</i>	√	Established by Board Resolution 3 – 2004 – 2005 Updated in 2008
1. A statement of objectives as required by G.C. § 53646	√	
2. Description of permitted investments, which must be in conformity with California G.C. §53601 and reasonable under "prudent investment rule."	√	
3. The written investment policy is reviewed annually by governing body or an investment committee pursuant to California G.C. § 53646(a).	U	This policy is on the September Agenda for review, and consideration of staff recommended amendments
B. The JPA invests its funds in conformity with GC §53601. (G.C. 6509.5) (Mandatory)		
C. The JPA provides evidence that the governing body or an investment committee periodically considers diversification of risk as to type of investment and individual institution. (Excellence only)	√	PFM briefs the Board every year at the January planning session, and diversification is reviewed in detail
D. The JPA has in place internal controls that include: (Mandatory) <i>Government pooled funds excepted.</i>		
1. Separation of functions (buying and selling of securities is separate from accounting and reporting of transactions) if the size of the staff can accommodate this;	√	Investment manager that initiates buy and sell orders Custodian: Bank of New York
2. Separate verification of all transactions; and	√	This is done by Nancy Broadhurst. Finance Manager
3. Written documentation of procedures.		
E. If the Treasurer has the authority to reinvest, sell and exchange securities:		
1. The JPA makes such delegation of authority annually. (G.C. §53607). (Mandatory)	U	This will be done in September with the approval of the Investment policy. This approval is part of the Investment Policy
2. The Treasurer renders a monthly report of investment transactions to the governing board. (G.C. 53607). (Mandatory)	√	

<p>THE FOLLOWING REQUIREMENTS (F, G, H &amp; I) ONLY APPLY TO JPAs THAT MANAGE THEIR OWN INVESTMENTS, WITH OR WITHOUT THE USE OF INVESTMENT CONSULTANTS.</p> <p><i>Does not apply to JPA funds that are deposited with county or state investment pools.</i></p>		
<p>F. The JPA provides evidence that the Treasurer or Chief Financial Officer has submitted a quarterly report in a timely manner to the governing board containing the investment information required by California G.C. §53646 (b) (1), a description of compliance with the statement of investment policy G.C. §53646 (b) (2), and a statement of ability to meet expenditure requirements over the next six months G.C. §53646 (b) (3). (Mandatory) <i>Should be signed by Treasurer or CEO. (Note; under 53646 it does not state that you must provide the transaction detail as described under 53607 for a treasurer that has investment authority)</i></p>	√	Posted on the website
<p>G. The quarterly investment report filed with the governing body shall also contain:</p>		
1. Type of investments; (Mandatory)	√	
2. Issuing institution; (Mandatory)	√	
3. Dates of purchase and maturity; (Mandatory)	√	
4. Par and dollar amount invested on all securities; (Mandatory)	√	
5. Investments and monies held by the JPA; (Mandatory)	√	
6. Current market value, including source; (Mandatory)	√	
7. Coupon rate; (Excellence only)	√	
8. Effective yield rate; <i>(yield to maturity)</i> (Excellence only)	√	
9. Portfolio total rate of return; (Excellence only)	√	
10. Cash and security transactions; (Excellence only)	√	
11. Percentage of portfolio by issuer or security type. (Excellence only)	√	
<p>H. JPAs that own investment securities shall have an independent custodian who shall not be from the same department of the financial institution or broker/dealer from whom the JPA buys or sells the security, or the investment advisor. (Mandatory)</p>		
<p>1. There shall be a written contract between the JPA and the independent custodian that includes: (Mandatory)</p> <p>a. Scope of services</p> <p>b. Compensation</p> <p>c. Termination</p>	√	Resolution 2 – 09-10, authorized transfer of funds to the California Asset Management Trust program (CAMP) and custodian Bank of New York. There is a signed agreement

2. Monthly reports shall be sent directly from custodian to a specific person at the JPA. (Excellence only)	√	Nancy Broadhurst, CARMA Finance Manager
3. Custodial statements shall be reconciled with an in-house or investment advisor's report. (Mandatory) <i>Should be independent of the custodian and investment advisor. Should be documented in the investment accounting procedures. Recommend quarterly.</i>	√	
4. The third-party custodian shall maintain adequate fidelity coverage. (Excellence only)	√	12/1/10 – 12/1/11 \$25 million

<p>I. For JPAs that engage in services of a professional investment advisor, the following safeguards are in place:</p> <p><i>For the purpose of this Section I, an investment advisor is a person or firm that provides advice as to the value of securities or property or the advisability of purchasing or selling such securities or property. The advisor may have discretionary authority or control to purchase or sell. An investment advisor renders advice to the JPA on a regular basis with the understanding that his or her advice will be an integral factor in the investment decision-making process relative to the particular needs of the JPA. Purely clerical or ministerial duties such as record-keeping, reporting, processing, or disseminating information generally will not be classified as investment advisory activities, absent authority, discretion, or control.</i></p>		
<p>1. There is a written contract between the advisor and the JPA that includes; (Mandatory)</p> <ul style="list-style-type: none"> <li>a. Scope of services</li> <li>b. Compensation</li> <li>c. Duty to disclose conflicts of interest</li> <li>d. Termination</li> <li>e. Disclosure to JPA of any investigation by a regulatory body for investment-related regulatory violations.</li> </ul>	√	Public Financial Management Inc. Contract dated 12/1/2000
<p>2. The JPA has a process to ensure the investment advisor has disclosed any conflict of interests (Mandatory)</p> <p><i>(This may be satisfied by a provision in the contract as addressed in I(1) above or FPPC form 700, or review of Form ADV Parts 1 and 2; this should be done annually.)</i></p>	√	
<p>3. All securities are purchased in the name of the JPA. (Mandatory) <i>Deposits in LAIF or a treasury are not "securities"</i></p>	√	Confirmed by Nancy Broadhurst
<p>4. The advisor sends monthly reports to the JPA containing information described in Section D above. (Mandatory)</p>	√	
<p>5. The advisor reports at least quarterly an evaluation including total rate of return and a comparison of the pool's total rate of return to reasonable benchmarks (i.e., U.S. Treasury securities, an index comprised of Treasuries, or LAIF). (Excellence only)</p>	√	
<p>6. The investment advisor carries Investment Advisor Professional Liability Insurance with a per claim/aggregate limit of at least \$1,000,000. (Mandatory)</p>	√	11/30/10 – 11/30/11
<p>J. JPAs that place their investments in or through County or State investment pools, or in FDIC insured contracts will issue quarterly reports to the governing body, chief financial officer, and auditor in accordance with G.C. §53646 (e). (Mandatory)</p>	√	

## VI. FUNDING AND ACTUARIAL STANDARDS

### Objective

*To determine that the JPA has completed actuarial studies or independent evaluations on each of its self-funded programs. There may be instances in which the provisions of this section may be waived because such studies may not be considered necessary (such as for property or vehicle physical damage programs).*

Program: General Liability

CRITERIA	STATUS	DISCUSSION
A. The JPA has had property or casualty (including W.C.) actuarial study(ies). Such study was conducted by a Member of the American Academy of Actuaries and addressed all of the relevant items in Sections IV. E and IV. F. Such study(ies) shall be conducted within the last three years (Mandatory) or annually. (Excellence only). <i>(The actuary should be conducted for major programs, if a pool is in run-out it still should have an actuary study, unless as determined by the committee the risk and variability has sufficiently diminished. Such considerations would be; line of coverage, the risk layer retained, whether the pool is an excess layer pool, the variability inherent in the claims and how the claims are developing.)</i>	√	Latest report completed by Bay actuarial Consultants, Jack Joyce FCAS, MAAA, Principal
B. If loss reserves requirements were computed on a discounted (present value) basis, the pay out pattern and projected rate of return were reasonable. (Mandatory) <i>Is the discount rate reasonable given; current cash and investment balances, accounts receivable or deficit balances, or the character of the assets such as buildings?</i>	√	<b>3.5 % discount</b>
C. If the JPA has a self-funded medical benefits plan, it must conduct an independent rate study and fund level evaluation, including consideration of a reasonable contingency margin for adverse experience. Such study shall be conducted annually (Excellence only) or within the last 36 months. (Mandatory).	N/A	
D. If JPA has other miscellaneous self-funded programs (such as dental, vision, long-term disability or life), it must conduct independent rate studies and fund level evaluations within the last 36 months (Mandatory) or bi-annually. (Excellence only) <i>Evaluation does not have to be prepared by actuary - can be by benefit consultant.</i>	N/A	



## VII. RISK CONTROL

### Objective

*To determine that the JPA actively promotes risk control principles and practices to its members and that necessary budgetary appropriations for such services are made. An excess JPA may meet this requirement by requiring its member agencies to be responsible for having their own risk control program.*

CRITERIA	STATUS	DISCUSSION
A. JPAs are active in promoting risk control principles among their member agencies. This shall include the following: (Compliance with two or more is required for Excellence) <i>Not applicable for benefit programs.</i>		
1. Promoting a risk transfer policy that addresses additional insureds, minimum insurance limits and proof of suitable insurance coverage.	√	
2. Establishing risk control standards for the significant exposures of its member agencies.	√	Experience important part of consideration for membership in this excess only program
3. Prioritizing the use of its risk control resources, based on such factors as; (a) loss ratios, (b) frequency, and (c) severity rates.	√	
4. Offering risk control assistance to its member agencies, including (a) conducting or facilitating risk control inspections, (b) investigating large losses, (c) conducting risk control training for its member agencies, and/or (d) providing wellness and/or employee assistance program.	N/A	Primary JPA members offer this
5. Providing or facilitating the procurement of appraisal services, in order to maintain accurate records of its members' property components and values.	N/A	
B. The JPA's budget provides for the above. (Excellence only)	N/A	
C. The JPA maintains a suitable management information system that includes: (Excellence only)		
1. Relevant information about type and quantity of exposures being assumed.	√	
2. Relevant information about the type, number and cause of accidents resulting in claims against its member agencies.	√	

## VIII. CLAIMS MANAGEMENT

### Objective

*Measure nature, scope, and quality of the claims management services provided by JPA and its contractors.*

Program: General Liability

CRITERIA	STATUS	DISCUSSION
A. The JPA has established a suitable claims management system. Excess JPAs must have a process to monitor primary claims handled by, or for, its member agencies. (Mandatory)	√	CARMA carefully monitors the primary claims handling performed in various ways by its members
B. The JPA has established a litigation management system. (Excellence only)	√	Litigation is monitored by BRS Litigation Manager Geoffrey Groff
C. The JPA has conducted a claims audit on each significant self-funded program within the last 2 years. Significant self-funded programs shall include W.C., liability, and medical malpractice. (Excellence only) <i>(A periodic OBEA audit may be acceptable replacement on a self administered program (in-house administration) however; this audit does not have the same scope in review of reserves.</i> The audit should be conducted by a qualified claims auditor, independent of the JPA, the claims administrator and the insurers, and should determine whether or not:	√	Farley Consulting Services, Timothy Farley, Principal 4/20/11
1. Claims are handled in a timely and organized manner;	√	
2. The claims administrator adequately communicates with the JPA, its members, and the claimants;	√	
3. Case reserving practices are reasonable;	√	
4. Loss experience reports accurately reflect the case reserves and the payments. As an alternative, this determination may be made during the financial audits required in Section IV. C. of these Accreditation Standards.	√	
5. The JPA is receiving quality claims services. General evidence of this may be indicated from the following:		
a. Staffing levels are adequate in relation to caseloads;	√	
b. Adjusters identify claims with subrogation potential;	√	
c. Excess insurers are notified of claims with excess potential;	√	
d. Litigated claims are adequately managed;	√	
e. Coverage is verified; and	√	
f. Adequate investigations are performed.	√	
D. The JPA has addressed all major recommendations and significant findings included in the audit report. <i>Consideration of a future standard: (An excess pool has a process of reviewing primary layer claim audit results and follow-up with members (Excellence only)</i>	√	Audit report stated that all underlying claims administration were performing at or above industry standards. No significant recommendations were given

E. The JPA maintains a management information system that includes relevant information about the type, number and cost of claims being reported and adjusted. (Excellence only)	√	
F. If the JPA provides employee benefit plans for its members, it must have an appeals process for handling claims and/or coverage related disputes. (Mandatory)	N/A	
G. The JPA has a written policy addressing settlement authority (Excellence only)	√	Outlined in the Master Plan Document Section 3. 1, effective 9/10/2008

## IX. OPERATIONS AND ADMINISTRATIVE MANAGEMENT

### **Objective**

*To determine that the JPA (A) has a process for developing and implementing a strategic plan setting forth its goals and objectives for the future, (B) regularly and effectively communicates with its members (C) actively involves its governing board members and staff in education and training programs offered by relevant professional associations and (D) maintains procedures and policies relating to information systems.*

CRITERIA	STATUS	DISCUSSION
A. The JPA conducts an effective strategic planning process to guide its future efforts. This should include an analysis of the environmental trends and the organizational strengths, weaknesses, opportunities and threats. Such a process may also include the following: (Excellence only)	√	Held annually the last one on 1/13/2011
1. A survey of member expectations and related perceptions; <i>(either formally or informally)</i>	√	Informal at annual retreat
2. A mission statement with supporting goals, objectives and tasks.	√	
3. Consideration of the target equity policy.	√	Considered at annual retreat
B. The JPA regularly communicates with its member entities. Such communication may include (Excellence only) <i>One or more or related communication efforts with members</i>		
1. Annual reports, newsletters, or similar media;	√	Newsletter
2. Notice of major policy issues;	√	All members serve on the Board
3. Periodic workshops, seminars, or similar educational activities;		Primary JPA's do this
4. Surveys of its member agencies, its service providers, and staff.		
5. JPA website for communication with members	√	Outstanding member website contains almost all important JPA information
C. The JPA governing board and staff are actively involved in education and training programs. Such involvement may be indicated by the following: (Excellence only)		
1. Participation in one or more of the following organizations:		
a. CAJPA (California Association of Joint Powers Authorities)	√	
b. PARMA (Public Agency Risk Managers Association)	√	
c. PRIMA (Public Risk Management Association)	√	
d. CPCU Society (Chartered Property and Casualty Underwriters)		
e. RIMS (Risk and Insurance Management Society)		
f. CASBO (California Association of School Business Officials)		
g. COSIPA (Council of Self-Insured Public Agencies)		

h. CSIA (California Self-Insurers Association)		
i. PASMA (Public Agency Safety Management Association)		
j. AGRiP (Association of Governmental Risk Insurance Pools)	√	
k. IEA (Insurance Educational Association)		
l. ASSE (American Society of Safety Engineers)		
m. SCIC (Society of Certified Insurance Counselors)		
2. Top management has attended at least two professional conferences or seminars in the preceding 12 months.	√	
3. The governing body members participate in pool management and risk management training.	√	
4. There is formal training of all key personnel. <i>(As needed)</i>	N/A	No employees
5. The JPA's budget provides for the above participation and training.	√	
D. The JPA has developed and implemented processes and procedures relating to protection of electronic data, including:		
1. A suitable security and back-up system for all stored data. (Mandatory)	√	
2. A written policy with respect to:	√	Resolution 1 – 2010 -2011, established the Electronic Data and Disaster Recovery Policy
a. Disaster recovery (Excellence only)	√	
b. Physical and electronic data security (Excellence only)	√	
c. Electronic data retention (Excellence only)	√	
d. Protection of electronic data as required by Health Insurance Portability and Accountability Act of 1996 (HIPAA), as applicable. (Excellence only)	N/A	

**ADMINISTRATIVE MATTERS**

**SUBJECT: CARMA/GENEX Contract – Medicare Reporting Agent and Set Aside Services**

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**BACKGROUND AND STATUS:**

Throughout 2009, the Board of Directors learned that the Centers for Medicare and Medicaid Services (CMS) were to begin requiring director payors, including self-insured groups, of workers' compensation and liability claims to report to CMS all claimants/applicants that are Medicare eligible. As such, CARMA was required to find a Reporting Agent, a mechanism to report to CMS, by April 1, 2010.

In an effort to simplify the process of selecting a Reporting Agent (RA), BRS took the lead in researching, interviewing, and recommending a Reporting Agent for its clients. After a thorough review, in January 2010, the CARMA Board entered into a two-year contract with GENEX as the Reporting Agent for CARMA. The contract terms and pricing were negotiated under a master BRS contract. For CARMA, this contract terminates December 31, 2011.

Pertinent aspects of the expiring contract included:

- **Section 3 – Fees and Services (Schedules A & B)** – RA services are being provided free of charge for year one of the contract based on GENEX obtaining an estimated 150 Medicare Set-Asides (MSA's across all BRS clients as detailed in Schedule B). Should the 150 MSA count not be reached, each participating JPA will be requested to pay a \$12,000 fee for RA services for year two of the contract.
- **Section 5 – Term and Termination** – This contract is for a two-year term with optional one year extensions thereafter.

Since the execution of the master BRS-Genex contract the targeted number of 150 MSAs has not been reached. Currently, BRS staff is working with Genex to re-negotiate the terms of the master-BRS contract which will funnel down to CARMA to consider for approval. The following elements are currently under negotiation:

- Although previously agreed by BRS and Genex that the billing for the second half of fees for the current contract were to be billed in July 2012 (i.e., \$6,000 of the \$12,000), Genex has expressed concern regarding the financial hardship of waiting another 12 months for the second half of the contract fees owed; thus, BRS is recommending that the second half of the fees owed be paid in January 2012, in conjunction with approval of the new contract terms. CARMA has a \$10,000 contingency line item which will be used to pay the remaining balance.

**Agenda Item 7.B.**

- Genex has indicated there is on-going maintenance fees involved with the monthly and quarterly process of reporting to CMS. Those fees have been estimated at \$1,000 per report per month. Upon discussion, Genex has agreed to negotiate those fees down to a more reasonable level; however, what the fees will be and whether they would be billed monthly, quarterly, or yearly is still under negotiation.
- The group pricing under the master BRS-Genex contract was contingent upon Genex's profitability with the volume of Medicare Set Asides. Those profitability numbers have fallen well below anticipated business revenues largely due to the continual delay of mandatory reporting for General/Auto Liability claims (which make up 5 of the 7 RREs involved in the master-BRS contract). Genex and BRS are continuing to discuss elements of the contract to ensure that Genex is appropriately compensated for the services they are providing.

As the terms of any new master BRS-Genex contract are still unknown, CARMA staff requests approval from the Board for CARMA's Executive Director to work with the President and Board Counsel on the renewal of the underlying CARMA contract in order to have the contract in effect by January 1, 2012. The executed contract will be presented to the Board at the January 13, 2012 meeting.

Although the CARMA contract is expiring December 31, 2011, and the master contract terms are still unknown, it is staff's opinion that renewing with Genex makes economic sense. As pointed out, the Liability reporting requirements to CMS were to take place April 2010; the new date has been pushed back to January 2012. Genex has performed all data uploads, checked for system compatibility, and performed beta testing; and CARMA's data has been successfully received by CMS. To change Reporting Agents at this juncture would cost CARMA not only duplicative staff time ensuring all systems are working, but a change in Agents may put us behind schedule in terms of being prepared to report to CMS January 2012. In addition, Genex has been a good partner to CARMA throughout this process of preparation for the day when liability claims are actually reportable.

**RECOMMENDATION:**

*The Board approves CARMA's Executive Director to work with the President and Board Counsel on the renewal of CARMA/Genex contract to be in effect on January 1, 2012.*

**REFERENCE MATERIALS ATTACHED**

- CARMA/GENEX Contract

## AGREEMENT WITH RESPECT TO REPORTING SOFTWARE

This Agreement with Respect to Reporting Software is entered into this 1st day of January 2010, by and between GENEX Services, Inc. (“GENEX”), with its principal office at 440 E. Swedesford Road, Suite 1000, Wayne, Pennsylvania, 19087, and the California Affiliated Risk Management Authorities (“Client”) having a place of business at 1750 Creekside Oaks Drive, Suite 200, Sacramento, California, 95833.

### BACKGROUND

GENEX provides Medicare secondary payor reporting services to Client. Client is, and/or provides insurance and/or services to, a Medicare Responsible Reporting Entity (“RRE”). Client has or will designate GENEX as Client’s agent to assist Client satisfy Client’s Medicare payor reporting requirements on behalf of itself and its RRE members. GENEX will make available to Client and its RRE members, directly or through an agent (“Software Agent”), software and perform services with respect to Medicare secondary reporting. Such Software will be hosted by GENEX or the Software Agent on an application server. Client desires to access such Software and to retain GENEX to perform the services provided for in this Agreement.

NOW, THEREFORE, GENEX and Client agree as follows:

#### 1. Grant of License

Subject to the terms and conditions herein, GENEX hereby grants Client a nonexclusive, non-transferable license to (i) access and execute its or its Software Agent’s Reporting and Informatics System, including any and all iterations and/or releases, updates and/or customizations thereof and any and all related information and documentation (the “Software”) on GENEX’s or its Software Agent’s application server over the Internet, and (ii) transmit data related to Client’s use of the Software over the Internet (“License”).

#### 2. Use and Access

- a. Subject to the restrictions on use as set forth herein, Client will have access to the Software and GENEX’s or its Software Agent’s application server for the purpose of using the Software for its intended purpose and in accordance with the specifications set forth in any documentation relating to the Software provided by GENEX or Software Agent. Such use and access will be continuous on a 24/7 basis except for interruptions by reason of maintenance or downtime beyond GENEX’s or Software Agent’s reasonable control.
- b. Client will use the Software only for its internal business operations and will not permit the Software to be used by or for the benefit of anyone other than Client. Client will not have the right to re-license or sell rights to access and/or use the Software or to transfer or assign rights to access or use the Software, except as expressly provided herein. Client may not modify, translate, reverse engineer, decompile or create derivative works based upon the Software. Client shall use the Software in a manner that complies with all applicable laws including intellectual property and copyright laws. GENEX, on behalf of itself and Software Agent, expressly reserves all rights not expressly granted to Client herein.
- c. Client shall provide GENEX with a list of all employees authorized to access Software, which list shall be updated from time to time as necessary to provide GENEX with a current list of all authorized users. Client shall ensure that all authorized Client employees are apprised of their obligations pursuant to Sections 2 and 7 of this



Agreement. GENEX shall provide Client with login procedures and passwords for each authorized user. Client shall ensure that any authorized user whose authority is terminated for any reason is no longer able to access the Software and Client shall promptly report such action to GENEX so that GENEX or Software Agent may deactivate such user's password.

- d. Client will not: (i) transmit or share identification or password codes to persons other than authorized Client employees; (ii) permit the identification or password codes to be cached in proxy servers and accessed by individuals who are not authorized users; or (iii) permit access to the Software through a single identification or password code being made available to multiple users on a network.

### **3. Fees and Services**

- a. Client will pay GENEX the implementation and access fees for the License, access to the Software application server and other services ("Fees") in the amounts and in the manner set forth on the attached Schedule A, which is incorporated herein by reference, and which Schedule may be modified from time to time upon the mutual written consent of both GENEX and Client.
- b. Unless the Agreement is terminated under the terms provided in Section 5 below, Client is responsible for paying the monthly recurring fees for the entire duration of the Agreement.
- c. GENEX agrees to provide directly or through its designee the implementation and support services ("Services") set forth in the attached Schedule B, which is incorporated herein by reference, and in any statement of work subsequently agreed to between the parties in writing.
- d. The Fees do not include taxes. If Client is required to pay or collect any federal, state, local, or value-added tax on any fees charged under this Agreement, or any other similar taxes or duties levied by any governmental authority, excluding taxes levied on Client's net income, then such taxes and/or duties will be billed to and paid by Client immediately upon receipt of GENEX's invoice and supporting documentation for the taxes or duties charged.

### **4. Technical Support**

As set forth more fully on Schedule B, GENEX will supply or make available through the Software Agent email support regarding the Software to the Client on a reasonable and necessary basis during normal weekday business hours, excluding legal holidays. Additionally, GENEX will, if necessary, provide, as reasonably determined by GENEX or Software Agent, reasonable support to Client through telephone, electronic and/or written correspondence.

### **5. Term and Termination**

- a. The initial term of this Agreement will commence on the Effective Date and will continue for a period of 2 years ("Initial Term"). Thereafter this Agreement may be renewed for successive one (1) year periods upon the mutual consent of both parties.
- b. Either party may terminate this Agreement for material breach, provided, however, that the terminating party has given the other party at least thirty (30) days prior written notice of and the opportunity to cure the breach. Termination for breach will not preclude the terminating party from exercising any other remedies for breach.
- c. GENEX shall have the right to immediately terminate this Agreement upon written notice if Client becomes insolvent, makes a general assignment for the benefit of creditors, suffers or permits the appointment of a receiver for its business or assets, becomes

subject to any proceeding under bankruptcy or insolvency whether domestic, foreign, or has been liquidated voluntarily or otherwise.

- d. In addition to any other remedy available to it, GENEX may, in its sole discretion, suspend access to the Software in the event any payment due and owing by Client pursuant to Schedule A is delinquent by more than sixty (60) days.
- e. Client may terminate this Agreement upon thirty (30) days written notice to GENEX that it is no longer an RRE and/or that it no longer has RRE members.

#### **6. Ownership of Intellectual Property**

- a. Title to any proprietary rights in the Software or GENEX's or Software Agent's web site will remain in and be the sole and exclusive property of GENEX or Software Agent, as applicable. Client will be the owner of all content created and posted by Client.
- b. Any and all trademarks, tradenames, logos or service marks used by GENEX or Software Agent on or in connection with the Software are the sole and exclusive property of GENEX or Software Agent, as applicable.

#### **7. Confidentiality**

- a. The Software and other data on GENEX's or Software Agent's application server embodies logic, design and coding methodology that constitute valuable confidential information that is proprietary to GENEX or Software Agent, as applicable. Client will safeguard the right to access the Software and other software installed on GENEX's or Software Agent's application server using the same standard of care that Client uses for its own confidential materials.
- b. All data pertaining to a Client disclosed to GENEX or Software Agent in connection with the performance of this Agreement and residing on GENEX's or Software Agent's application server will be held as confidential by GENEX and Software Agent and will not, without the prior written consent of Client, be disclosed or be used for any purposes other than the performance of this Agreement. GENEX and Software Agent will safeguard the confidentiality of such data using the same standard of care that each of GENEX and Software Agent use for its own confidential materials.
- c. The obligations set forth in Section 7(b) above do not apply to data that: (i) is or becomes, through no act or failure to act on the part of GENEX or Software Agent, generally known or available; (ii) is known by GENEX or Software Agent to not be confidential at the time of receiving such information as evidenced by its written records; (iii) is hereafter furnished to GENEX or Software Agent by a third party, as a matter of right and without restriction on disclosure; (iv) is independently developed by GENEX or Software Agent as evidenced by its written and dated records and without any breach of this Agreement; or (v) is the subject of a written permission to disclose provided by the Client. Further notwithstanding the forgoing, disclosure of data will not be precluded if such disclosure: (i) is in response to a valid order of a court or other governmental body of the United States; (ii) is otherwise required by law; or (iii) is otherwise necessary to establish rights or enforce obligations under this Agreement, but only to the extent that any such disclosure is required.
- d. GENEX, on behalf of itself and Software Agent, reserves the right to collect and use Client-generated data in anonymous form for the purposes of benchmarking, development of best practices and other research and statistical purposes. To the extent that Client's data is incorporated into industry-level reports, GENEX or Software Agent may disclose such data, in non person-specific or organization-specific form, to third parties without reimbursement or notification to Client.

## **8. Software Warranties and Disclaimer**

- a. GENEX represents and warrants that it provides a valid license or sub-license through Software Agent to the Software provided hereunder, free and clear of all liens and encumbrances. GENEX further represents and warrants that none of the intellectual property furnished by GENEX hereunder will infringe: (i) any copyrights, trademarks, service marks, or trade names of any third party arising or enforceable under the laws of the United States, or (ii) any existing patents of any third party arising or enforceable under the laws of the United States.
- b. Client must report any material deficiencies in the Software to GENEX in writing within thirty (30) days of Client's discovery of the defect. Failure to notify GENEX within such thirty (30) day period shall be deemed to be an acceptance by Client as to that particular defect. Client's exclusive remedy for the breach of this warranty will be for GENEX to provide access to replacement Software within a commercially reasonable time that shall be no longer than forty-five (45) days after GENEX's receipt of notice of such deficiency and defect.
- c. THE WARRANTY PROVIDED BY GENEX IN SECTIONS 8(a)-(b) ABOVE IS EXCLUSIVE AND IS IN LIEU OF ALL OTHER WARRANTIES, WHETHER EXPRESS OR IMPLIED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND ANY ORAL OR WRITTEN REPRESENTATIONS, PROPOSALS OR STATEMENTS MADE ON OR PRIOR TO THE EFFECTIVE DATE OF THIS AGREEMENT. CLIENT EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES TO THE EXTENT PERMITTED BY LAW. This disclaimer shall not limit the indemnification obligations set forth in Paragraph 9, *infra*.
- d. Client represents and warrants that it will not knowingly introduce a virus or disabling code (*e.g.*, any worm, trap door, back door, timer, clock, counter, or other limiting routine, instruction, or design that would erase data or programming) or knowingly allow a virus or disabling code to be introduced into the Software. Client will maintain the anti-virus software, updated with the most recent commercially available virus definitions, on all networks, computers, handhelds and other hardware through which it accesses and uses Software via the Internet. If a virus or disabling code is found to have been introduced into the Software through Client, then the party discovering such virus or disabling code shall promptly notify the other party in writing. Client shall take all commercially reasonable efforts to assist GENEX and Software Agent in eradicating any virus or disabling code introduced by the Client and reversing its effects and, if the virus or disabling code causes a loss of data or operational efficiency, to assist GENEX and Software Agent, at no expense, in mitigating and reversing such losses.

## **9. Limitation of Liability; Indemnification**

- a. Except as set forth herein, neither party will be liable to the other for special, indirect or consequential damages incurred or suffered by the other arising as a result of or related to the use of the Software, whether in contract, tort or otherwise, even if the other has been advised of the possibility of such loss or damages. Client's and GENEX's total liability under this Agreement with respect to the Software, regardless of cause or theory of recovery, will not exceed the total amount of fees paid by the Client to GENEX during the twelve-month period immediately preceding the occurrence or act or omission giving rise to the claim.
- b. Notwithstanding Section 9a. above, Client shall indemnify and hold GENEX and its officers, directors, employees, agents (including Software Agent), successors and assigns harmless against any claims, demands, proceedings, damages, cost, penalties, fines, charges and expenses, including reasonable attorneys' fees ("Losses") arising from (i)

Client's breach of any representation, warranty or covenant hereunder or failure to perform its obligations hereunder; (ii) Client violating any federal or state law, regulation, statute or ordinance in connection with the use of Software; and/or (iii) Client failure to comply with the confidentiality obligations hereunder.

- c. Notwithstanding Section 9a. above, GENEX shall defend, indemnify and hold Client and its RRE members, and their officers, directors, employees, agents, successors and assigns, harmless from and against all Losses incurred by Client and/or its RRE members arising from (i) the use of Software (including, without limitation, arising out of the violation of any third party's trade secrets, trademarks, copyright, patent rights or other proprietary rights in connection with the Client's authorized use of the Software), (ii) GENEX's breach of any representation, warranty or covenant hereunder or failure to perform its obligations hereunder (iii) GENEX or Software Agent violating any federal or state law, regulation, statute or ordinance, and/or (iv) GENEX's or Software Agent's failure to comply with the confidentiality obligations hereunder. In the event that the Software becomes the subject of a suit, action or claim of infringement and its use is or may be enjoined, GENEX shall, at its option and subject to Client's approval, which approval may not be unreasonably withheld: (i) modify Software so that it is non-infringing and functionally equivalent; (ii) obtain for Client sufficient rights to allow Client to use the infringing Software as contemplated hereunder; or (iii) substitute non-infringing software acceptable to Client and substantially similar to Software, with the cost of any modifications to Client interfaces borne by GENEX; or (iv) in the event GENEX is unable to provide any of the remedies described in subsections (i) through (iii) above, terminate the Agreement and provide Client with a refund of any subscription and set-up Fees and any pre-paid Fees. Any replacement software shall be subject to all of the warranty and other terms and conditions of this Agreement, including, without limitation, the foregoing indemnification provisions. The foregoing indemnification provision shall not apply in the event the infringement arises directly from (a) written direction or specification from Client that is infringing; (b) modifications to the Software made by Client without the written approval of GENEX or Software Agent and without which such infringement would not have occurred; or (c) unauthorized use of the Software in combination with other software or hardware not provided or approved by GENEX or Software Agent in writing, provided that such infringement would not have occurred but for such combination.
- d. Notwithstanding the above, the parties agree that any Losses assessed or imposed by any third party, including any federal agency, for failure of reporting and/or failure of timely reporting by GENEX shall be the sole responsibility of GENEX unless that failure was caused by Client's failure timely to report accurate information to GENEX.
- e. Each party shall, at its sole cost and expense, procure and maintain such policies of comprehensive general liability, professional liability and such other insurance with such coverages as may be required to insure such party and its officers, directors, shareholders, managers, members, agents and employees in connection with the performance of or compliance with such party's promises, duties and obligations hereunder, including, without limitation, liability, loss or damage arising by reason of acts or omissions of such party, its officers, directors, shareholders, managers, members, agents or employees. Evidence of such insurance shall be furnished to the other party upon written request.

#### **10. Relation of Parties**

Nothing in this Agreement will create or imply an agency relationship between the parties, nor will this Agreement be deemed to constitute a joint venture or partnership between the parties. Software Agent shall be a third party beneficiary of Client's obligations with respect to Software Agent hereunder.

**11. Non-assignment**

This Agreement may not be assigned by either party without the prior written approval of GENEX, which consent may not be unreasonably withheld, but may be assigned by either party to (i) a parent or subsidiary, (ii) an acquirer of all or substantially all of such party's assets involved in the operations relevant to this Agreement, or (iii) a successor by merger or other combination. Any purported assignment in violation of this Section will be void.

**12. Governing Law**

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California, without regard to principles of conflicts of laws.

**13. Arbitration**

Except with respect to claims or controversies concerning Sections 2 and Section 7 above, any dispute arising under this Agreement will be subject to binding arbitration by a single Arbitrator with the American Arbitration Association (AAA), in accordance with its relevant industry rules, if any. The parties agree that this Agreement will be governed by and construed and interpreted in accordance with the laws of the State of California. The Arbitrator will have the authority to grant injunctive relief and specific performance to enforce the terms of this Agreement. Judgment on any award rendered by the Arbitrator may be entered in any Court of competent jurisdiction.

**14. Equitable Remedies**

Client hereby acknowledges that irreparable damage may occur if there is a violation of Sections 2 and/or Section 7 above, and that GENEX's and Software Agent's remedies at law may be inadequate, if any term or provision hereof concerning same were not performed or observed strictly in accordance herewith. GENEX and/or Software Agent may, in addition to any other remedy available to it at law or under this Agreement, obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction, or any other equitable remedy that may then be available to it.

GENEX hereby acknowledges that irreparable damage may occur to Client and/or Client's RRE members if there is a violation of Section 7 above, and that the remedies at law for Client and/or its RRE members may be inadequate, if any term or provision hereof concerning same were not performed or observed strictly in accordance herewith. Client may, in addition to any other remedy available to it at law or under this Agreement, obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction, or any other equitable remedy that may then be available to it.

**15. Notice**

All notices, requests, demands, and other communications required or permitted hereunder shall be in writing and shall be deemed to have been received by a party (i) when actually received in the case of hand delivery against a signed receipt; (ii) two (2) business days after being given to a reputable governing courier with a reliable system for tracking delivery, e.g., United Parcel Service or Federal Express; or (iii) upon receipt, when mailed by United States mail, registered or certified mail, return receipt requested, postage prepaid.

For purposes of this Agreement, the contact information of the parties is as follows:

**If to Client:**                    **California Affiliated Risk Management Authorities**  
**1750 Creekside Oaks Drive, Suite 200**  
**Sacramento, California 95833**  
**Attn: Karen Thesing**

**If to GENEX:**                    **GENEX Services, Inc.**  
**440 East Swedesford Road, Suite 1000**  
**Wayne, Pennsylvania 19087**  
**Attention: Ron Skrocki**

**16. Non-Solicitation**

- a. During the term of this Agreement and for a period of one year thereafter, Client will not, directly or indirectly: (i) solicit for employment or for performance of any services any person employed by GENEX or Software Agent; or (ii) hire or engage for any services any person employed by GENEX or Software Agent.
- b. During the term of this Agreement and for a period of one year thereafter, GENEX will not, directly or indirectly: (i) solicit for employment or for performance of any services any person employed by Client; or (ii) hire or engage for any services any person employed by Client.

**17. Attorneys' Fees**

If any litigation or arbitration is necessary to enforce the terms of this Agreement, the prevailing party will be entitled to reasonable attorneys' fees and costs.

**18. Severability**

If any term of this Agreement is found to be unenforceable or contrary to law, it will be modified to the least extent necessary to make it enforceable, and the remaining portions of this Agreement will remain in full force and effect.

**19. Force Majeure**

Neither party shall be considered in default in the performance of any obligation hereunder to the extent that performance of such obligation is prevented or delayed by a Force Majeure Event, which is defined to include a fire, flood, explosion, strike, war, insurrection, embargo, government requirement, act of civil or military authority, act of God, or any similar event, occurrence or condition which is not caused, in whole or in part, by that party, and which is beyond the reasonable control of that party. The parties shall take all reasonable action to minimize the effects of a Force Majeure Event.

**20. Waiver and Modification**

The waiver by any party of any breach of covenant will not be construed to be a waiver of any succeeding breach or any other covenant. All waivers must be in writing, and signed by the party waiving its rights. This Agreement may be modified only by a written instrument executed by authorized representatives of the parties hereto.

**21. References; Headings**

All references herein to Sections shall be deemed to be references to the appropriate Section of this Agreement. The Section headings used herein are inserted for convenience or reference only

and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. All words of any gender used herein shall be deemed to include the masculine, feminine and neuter, and words used in the singular shall include the plural and vice versa, all as the context hereof may require.

**22. Further Actions**

Each party will take such further actions as required to ensure that the obligations assumed in the Agreement are fulfilled.

**23. Survival**

Any Sections of this Agreement which logically should survive the expiration or termination of the Agreement shall survive, including, but not limited to, Sections 7, 8 and 9.

**24. Counterparts**

This Agreement may be executed in counterparts, each of which when executed shall be deemed to be an original, and taken together shall constitute one and the same instrument.

**25. Entire Agreement**

This Agreement, together with all Schedules and Exhibits attached hereto, constitutes the entire agreement between the parties with respect to its subject matter, and supersedes all prior agreements, proposals, negotiations, representations or communications relating to the subject matter. Both parties acknowledge that they have not been induced to enter into this Agreement by any representations or promises not specifically stated herein.

IN WITNESS WHEREOF, intending to be legally bound, the parties have executed this Agreement with Respect to Reporting Software by their duly authorized representatives.

**GENEX SERVICES, INC**

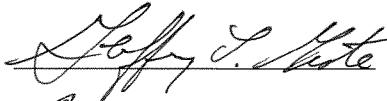
**California Affiliated Risk Management  
Authorities**

By: GENEX Services, Inc.

Name: Paul Neff

Title: Vice President –National Sales

By:



Name:

Geoffrey C. Glote

Title:

President



**SCHEDULE A –Please see attached document – Menu of Services**

**FEES**

**Schedule A - Medicare Set-Aside Pricing as Reporting Agent – All Business for BRS  
& Consulting**

Phone **877-674-5175** Fax **866-860-8612**

[medicare@genexservices.com](mailto:medicare@genexservices.com)

<b>Reporting Agent - CMS Registration Implementation Fee</b>	<ul style="list-style-type: none"> <li>• Registration of policies</li> <li>• Mandatory CMS testing</li> </ul>	<b>Free</b>
<b>Medicare Verification</b> Medicare beneficiary	<ul style="list-style-type: none"> <li>• Medicare beneficiary entitlement and status determination</li> </ul>	<b>Free</b>
<b>Medicare Verification</b> non beneficiary	<ul style="list-style-type: none"> <li>• Social Security, Medicare Eligibility and Status Determination</li> </ul>	<b>\$175</b>
<b>Medicare Set-Aside Cost Projection Standard</b>	<ul style="list-style-type: none"> <li>• MSA cost projection of Medicare covered services and future care. Included: status determination, life expectancy, rated age and conditional lien research - no charge</li> <li>• Recommendations for seed and annuity for structured settlements</li> </ul>	<b>\$2500</b>
<b>Medicare Set-Aside Cost Projection Complex</b> Includes: Traumatic Brain Injury, Spinal Cord Injury, Burns, Amputations, Crush Injuries, RSD, Chemical Exposures, Co-morbidities impacting recovery	<ul style="list-style-type: none"> <li>• MSA cost projection of Medicare covered services and future care. Included: status determination, life expectancy, rated age and conditional lien research - no charge</li> <li>• Recommendations for seed and annuity for structured settlements</li> </ul>	<b>\$2700</b>
<b>Complete Cost Projection with Medicare Set-Aside Cost Projection Standard</b>	<ul style="list-style-type: none"> <li>• Medicare Set-Aside Cost Projection including non Medicare covered services</li> <li>• Cost projection of Medicare covered services to include status determination, life expectancy, rated age, and conditional lien research - no charge</li> </ul>	<b>\$3300</b>
<b>Liability Cost Projection</b>	<ul style="list-style-type: none"> <li>• Assist adjusters in future Medicare covered expenses (medical and pharmacy)</li> <li>• Medicare covered expenses are estimated from the last few medical records of the treating physician</li> <li>• Not intended for CMS submission</li> <li>• Basic anticipated Medicare covered expenses – rated ages</li> </ul>	<b>\$1200</b>

	<ul style="list-style-type: none"> <li>are not obtained</li> <li>Basic anticipated Medicare covered expenses – claim payment history is not obtained</li> <li>Basic anticipated Medicare covered expenses – prescription history is not obtained</li> <li>Basic anticipated Medicare covered expenses – the claim is not reported to CMS and no investigation of conditional liens are obtained</li> </ul>	
<b>Complete Cost Projection with Medicare Set-Aside Cost Projection Complex</b> Includes: Traumatic Brain Injury, Spinal Cord Injury, Burns, Amputations, Crush Injuries, RSD, Chemical Exposures, Co-morbidities impacting recovery	<ul style="list-style-type: none"> <li>Medicare Set-Aside Cost Projection including non Medicare covered services</li> <li>Cost projection of Medicare covered services to include status determination, life expectancy, rated age, and conditional lien research - no charge</li> </ul>	<b>\$3400</b>
<b>Medicare Set-Aside Submission</b>	<ul style="list-style-type: none"> <li>Submission of MSA Proposal to CMS</li> <li>Follow-up with CMS until determination is received</li> </ul>	<b>\$1000</b>
<b>Conditional Lien Search</b>	<ul style="list-style-type: none"> <li>Obtain conditional lien payment information from CMS</li> </ul>	<b>Free</b>
<b>Conditional Lien Disputes</b>	<ul style="list-style-type: none"> <li>Review of conditional lien information</li> <li>Submission of dispute to proper agencies for reevaluation of conditional lien</li> </ul>	<b>\$275 - flat rate 3 hours \$125/hour thereafter</b>
<b>Reporting Agent - Beneficiary and Settlement Reporting transmitted CMS</b>	<ul style="list-style-type: none"> <li>per CMS guidelines</li> </ul>	<b>Free</b>
<b>Additional Services</b>	<ul style="list-style-type: none"> <li>Rush Turn Around 3 business day or less (upon receipt of all medical records)</li> <li>Rush Turn Around 4-7 business days (upon receipt of all medical records)</li> <li>Projection Update (3 months after original projection delivery date)</li> <li>Medical Cost Projection</li> <li>Structured Annuity Services</li> <li>Financial Management of Settlement</li> </ul>	<b>\$600</b>  <b>\$500</b>  <b>\$125/hour</b>  <b>\$125/hour up to \$2,500</b>  <b>Rates contingent upon settlement</b> <b>Rates contingent upon settlement</b>

	<ul style="list-style-type: none"> <li>• Life Care Plans</li> <li>• Field Case Management</li> <li>• Peer to Peer or Peer Review</li> <li>• DUR</li> </ul>	<b>\$175/hour</b> <b>\$89/hour</b> <b>\$250-500</b> <b>\$600</b>
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Disclaimer: Pricing is dependent upon the utilization of GENEX Services, Inc. for MSA submissions and conditional lien disputes.

GENEX Services, Inc. will serve as your reporting agent and will help identify claims falling within the MMSEA. We will help review and monitor claims to identify those which must be reported to CMS.

**GENEX Services, Inc. 440 East Swedesford Road, Wayne, PA 19087**

Phone **877-674-5175** Fax **866-860-8612**

[medicare@genexservices.com](mailto:medicare@genexservices.com)

**The information herein is confidential and proprietary to GENEX Services, Inc. and subject to change based on CMS regulations.**

## SCHEDULE B

### MSA Medicare Set-Aside Services

<b>Recommendation for Medicare Set-Aside Submission</b>	<b>\$175</b>
<ul style="list-style-type: none"><li>• Verification of Social Security and Medicare entitlement status</li><li>• Written opinion on whether the case is appropriate for submission to CMS</li></ul>	
<b>Medicare Set-Aside Cost Projection</b>	<b>\$2500</b>
<b>Standard:</b> <ul style="list-style-type: none"><li>• Status determination</li><li>• Medicare Set-Aside recommendation</li><li>• Cost projection of Medicare covered costs</li><li>• Recommendation for frequency and amount of periodic payments when structured settlement is being utilized</li><li>• Determine life expectancy or rated age</li><li>• Medicare conditional payment claim identification</li></ul>	
<b>Medicare Set-Aside Cost Projection</b>	<b>\$2700</b>
<b>Complex:</b> <ul style="list-style-type: none"><li>• Traumatic brain Injury</li><li>• Spinal Cord injury</li><li>• Burns</li><li>• Amputations, crush injuries, RSD</li><li>• Chemical Exposures, Co- Morbidities impacting recovery</li></ul>	
<b>Complete Cost Projection with Medicare Set-Aside Cost Projection</b>	<b>\$3300</b>
<b>Includes:</b> <ul style="list-style-type: none"><li>• All aspects of the Medicare Set-Aside Cost Projection plus cost projection</li><li>• of non Medicare covered costs over the life expectancy.</li></ul>	
<b>Complete Cost Projection with Medicare Set-Aside Cost Projection with Medicare Set-Aside Cost Projection</b>	<b>\$3400</b>
<b>Complex:</b> <ul style="list-style-type: none"><li>• Traumatic Brain Injury</li><li>• Spinal Cord Injury, Burns, Amputations</li><li>• Crush Injuries, RSD</li><li>• Chemical Exposures, Co-Morbidities impacting recovery</li></ul>	
<b>Medicare Set-Aside Submission</b>	<b>\$1000</b>
(must be combined with either a Medicare cost projection or a complete cost projection)	
<b>Includes:</b> <ul style="list-style-type: none"><li>• Recommendation regarding need for MSA Proposal submission and approval</li><li>• Social Security and Medicare status determination</li><li>• Medicare conditional payment claim identification</li><li>• Recommendation for frequency and amount of periodic payments when structured settlement is being utilized</li><li>• Projection of Medicare allowable costs</li><li>• Completion of Medicare Proposal</li><li>• Submission of Proposal to Medicare</li><li>• Follow-up with Medicare and negotiation until approval is obtained</li></ul>	

### Liability MSA Services

<b>Liability Cost Projection- no submission</b>	<b>\$1200</b>
<b>Liability Medicare Set-Aside Cost Projection</b>	<b>\$2500</b>
<b>Submission of Liability MSA</b>	<b>\$1000</b>
<b>Additional Services</b>	
• <b>Comprehensive Drug Utilization Review</b>	<b>\$600</b>
• <b>Conditional Lien Search</b>	<b>Free</b>
• <b>Conditional Lien Disputes</b>	<b>\$275-flat 3 hrs \$125/hr thereafter</b>
• <b>Rush Turn Around of the Cost Projection</b>	<b>\$600</b>
○ <b>Less than 3 business Days</b>	
○ <b>4-7 business days</b>	<b>\$500</b>
• <b>Projection Update applies 3 months after original projection completion)</b>	<b>\$125/hr (only</b>
• <b>Field Case Management</b>	<b>\$ 89/hr</b>
• <b>Peer to Peer Review/Peer Review upon specialty</b>	<b>\$250-500 depending</b>
• <b>Structured Annuity Services</b>	<b>\$ rates contingent upon settlement</b>

### Medicare Set-Aside Reporting Platform Service Fees

- **Client will not be charged for Medicare Set-Aside reporting services provided by GENEX**
- **Bickmore Risk Services and Consulting clients will refer 150 MSAs exclusively to GENEX Services, Inc. per year**
- **Bickmore Risk Services and Consulting and GENEX have entered into a Master Preferred Contract, on behalf of all Bickmore Risk Services and Consulting clients, which is incorporated herein as though fully set forth. The 150 MSAs referenced refer to the total number of MSAs to be referred for all Bickmore Risk Services and Consulting clients, as provided by that agreement.**
- **In the event that Bickmore Risk Services and Consulting clients fail to make at least 150 MSA referrals from RRE clients to GENEX for Medicare Set-Aside reporting during each one year period after the date of this Agreement, Client shall pay GENEX \$12,000 within 30 days after the end of each such one year period in which Bickmore Risk Services and Consulting clients failed to refer the requisite number of RRE referrals.**
- Record count is calculated by the total records sent in query file.
- Testing with COBC after the 1st RRE Id will be billed per the schedule below.
- ASP fee includes any updates that CMS makes to reporting format.
- ASP fee includes any functional updates.
- ASP Fee includes a setup fee and testing with COBC for one RRE id.
- Setup time is estimated to be two weeks.
- ASP fee includes hardware or software license costs.

**Payment Terms:**

- Technology Setup fee for first RRE ID: **\$Included**
- Additional RRE ID's setup fee: **\$Included**
- Per Report Fee Report with less than 100,000 records **\$Included per qtr.**
  
- Setup fee will be invoiced upon signoff of proposal
- Per report fee will be invoiced in advance at the beginning of the month of scheduled reporting
- All invoice terms are net 15 days

**SCHEDULE C – Please see attached document – Bickmore Risk Services and Consulting/GENEX Agreement**



**ADMINISTRATIVE MATTERS**

**SUBJECT: Vector Control Joint Powers Agency Request to Opt-Out of the CARMA Excess Layer**

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**BACKGROUND AND STATUS:**

At the April 2010 Board of Directors' meeting, the group was asked to consider allowing Vector Control Joint Powers Agency (VCJPA) to opt out of the excess coverage layer. Over the last several years, the layers above the member JPA's \$1M retained limit consist of a reinsurance policy and then excess. This request is solely to opt out of the excess layer which is currently \$14 million excess the first \$15 million of coverage.

Staff has reviewed the various CARMA governing documents and nothing prohibits the Board to allow a member to opt out. In addition, Alliant has opined that allowing a member to not participate at the excess layer would not be a detriment to the marketing and pricing of the program. Historically, the VCJPA has not experienced losses in the higher layers and over the past five years, their payments have ranged from \$15,843 to \$20,885 for excess coverage.

VCJPA is a unique member of CARMA. Over the past five years their payroll has ranged from \$36.0 million to \$45.8 million. Their total incurred losses over CARMA's eighteen years of history have been \$1,491,465, consisting of one claim in the 2001/02 program year. This claim did exceed CARMA's \$1 million retention, and CARMA was reimbursed \$723,000 by the reinsurance carrier. VCJPA's exposures tend to be automobile accidents; this JPA does not have dangerous conditions and police liability claims that we often see with the municipal JPAs participating in CARMA.

If this opt-out arrangement is granted it would be effective for the 2012/2013 program year.

**RECOMMENDATION:**

*The Board grants permission to the Vector Control Joint Powers Agency (VCJPA) to opt-out of the Excess layer effective July 1, 2012, forward.*

**REFERENCE MATERIALS ATTACHED:**

- Email from Mr. Brian Kelley, VCJPA Program Administrator, dated August 10, 2011

## Ramona Buchanan

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**Subject:** FW: VCJPA/CARMA

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**From:** Brian Kelley  
**Sent:** Wednesday, August 10, 2011 3:30 PM  
**To:** Karen Thesing  
**Cc:** jstroh@sjmosquito.org  
**Subject:** VCJPA/CARMA

Good afternoon Karen,

As you are aware, for the past few months, the VCJPA has been evaluating its general liability excess coverage program. The purpose of process was primarily to perform its fiduciary responsibility and review the levels of types of coverage, types of participants in the pool that they are sharing risk with (if not commercial insurance), premiums for said coverage, and overall governance and financial structure. Basically, to ensure this is the right excess general liability coverage home for the VCJPA based on factors listed above.

Mr. John Stroh and I have primarily been charged with conducting the analysis and are responsible with reporting back to the EC and BOD. After presenting our analysis to the EC yesterday, at this point, the EC has directed us (John as VCJPA CARMA rep and me as VCJPA Administrator) to formally request CARMA considers allowing the VCJPA to “opt out” of purchasing the excess coverage layer (15M excess \$14 million), thus offering the VCJPA \$15 M in total GL limits. At this point, VCJPA feels it presents a unique and somewhat limited exposures to CARMA compared to its risk sharing partners in the JPA, and feels like \$15M is an adequate level of GL coverage for the VCJPA and its members.

If possible, we would request this item be placed for discussion and/or action at the next BOD meeting in September. If you have any questions at all, please feel free to contact John or me and we will both be attendance at the September meeting to speak to this request as necessary. Thank you so much. Brian

**Brian Kelley, MBA, ARM**  
*Manager, Program Administration*  
**Bickmore Risk Services**  
1750 Creekside Oaks Drive, Suite 200  
Sacramento, CA 95833  
916.244.1127  
916.244.1199(FAX)  
[bkelly@brsrisk.com](mailto:bkelly@brsrisk.com)

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**ADMINISTRATIVE MATTERS**

**SUBJECT: Review of the CARMA Goals and Objectives for 2011**

---

**BACKGROUND AND STATUS:**

At the 2011 Annual Workshop, the Board of Directors established the following goals and specific actions for the 2011/2012 year as follows:

Marketing of Excess/Reinsurance

- More aggressive marketing and quota sharing above the \$3 million pooling level.
- Research quotations for various retentions in conjunction with quota sharing and corridor deductible options.
- Seek quotes for \$3 x \$1 million and \$4 x \$1 million coverage for the 2011/2012 program year.

Communications/Marketing

- Continue outreach to the remaining current CARMA members, with an emphasis on timely claims reporting and litigation management resources.

Operations

- Remove the Experience Modification (Ex-Mod) factor at the reinsurance layer above the \$3 million excess \$1 million pool layer over a three-year period.
- Retrospective Adjustment Policy – evaluate the method of calculation and member allocation and clarification of the definition of “Member Equity.”

The 2011/2012 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:**

- 2011/2012 Strategic Goals & Action Item List

**Agenda Item 7.D.**

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

Target Date	Person Responsible	Action Item	Status			Comments
			Done	Revise	On Target	
<b>Marketing of Excess / Reinsurance – More Aggressive Marketing and Quota Sharing Above the \$3 Million Pooling Level</b>						
March - June 2011	Alliant Insurance Services	Seek quotes for reinsurance/excess coverage above CARMA's current \$3 x \$1 million pooled layer, as well as \$4 x \$1 million, for the 2011/2012 program year. In addition, seek quotes for other various retentions in conjunction with quota sharing and corridor deductible options.	X			Research conducted by Staff and Alliant on quota sharing and corridor deductible options and presented at the April 2011 Board Meeting. Determination to seek quote on the quota share option only, in addition to the renewal of reinsurance/excess coverage.
April 2011	Alliant Insurance Services	Present preliminary quotes for coverage levels to the Board of Directors at the April 2011 meeting.	X			The CARMA Board of Directors decided to further investigate a Quota Share arrangement, but chose not to institute.
June 2011	Alliant Insurance Services	Present final quotes for requested coverage levels and obtain direction for binding coverage from the Board of Directors.	X			At its June 22, 2011, meeting, the CARMA Board of Directors chose the following final carriers and limits for its 2011/2012 coverage program year: AmTrust Insurance Group - \$10 million excess \$4 million; and Colony Excess Insurance Company, \$15 million excess of \$14 million.
<b>Marketing – Continued Outreach to Members, with an Emphasis on Claims Reporting and Litigation Management</b>						
February / March 2011	Staff	Continue outreach to the remaining current CARMA JPA members. As part of this, include presentations on the importance of timely claims reporting and resources available for litigation management.			X	The CARMA Executive Director conducted presentations to BCJPIA in February 2011; and the CSJVRMA and MBASIA in October 2010.
January 2012	Staff	Provide the Board with an update on outreach efforts to members.			X	

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

<b>Experience Modification Factors – The Application of the Ex-Mod to the Reinsurance Layer above the \$3 Million x \$1 Million Pool Layer.</b>						
2011/2012 through 2013/2014	Staff	Phase in the removal of the application of an experience modification (ex-mod) factor to the reinsurance layer above the \$3 million x \$1 million layer over a period of three years. In 2011/2012, two-thirds of the reinsurance coverage will be applied to the ex mod, while one-third will not. In 2012/2013, one-third of the reinsurance coverage will be applied to the ex mod, while two-thirds will not. In 2013/2014, the entire reinsurance coverage will not be applied to the ex mod.				X  The 2011/2012 adopted budget incorporates the application of the ex mod to two-thirds of the reinsurance premium.
<b>Retrospective Adjustment Policy – Evaluate Method of Calculation and Member Allocation – Clarify Definition of “Member Equity”</b>						
February 2011	Staff and Craig Farmer	Review the current definition of “Member Equity” in the proposed Retrospective Adjustment Policy and, if necessary, redefine.	X			The term “Member Equity” has been changed to “Member’s share of equity”.
February 2011	Staff	Review the proposed Retrospective Adjustment Policy (RPA) and re-evaluate the proposed calculation and allocation of member equity to members.	X			The Retrospective Adjustment Policy was streamlined and clarified for presentation at the April 2011 Board of Directors meeting. The calculation was revised to incorporate the allocation of pool equity to members based on percentage of premium allocation.
April 2011	Staff	Present revised draft <b>Retrospective Adjustment Policy (RPA) policy</b> and schedules <b>by member</b> , as necessary at the April 2011 Board of Directors’ meeting.	X			The Retrospective Adjustment Policy was approved at the April 2011 Board of Director’s meeting.

**ADMINISTRATIVE MATTERS**

**SUBJECT: Discussion Regarding the 19th Annual Board of Directors' Annual Workshop to be held on January 12-13, 2012, at Bodega Bay Lodge & Resort**

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**BACKGROUND AND STATUS:**

At the June 22, 2011, Board of Directors' meeting, the Board established meeting dates for the 2011/2012 Fiscal Year, including the Annual Workshop and Board of Directors' Meeting to be held in Bodega Bay on January 12-13, 2012.

Included with this report for the Board's discussion is a draft agenda for the January 12, 2012, 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:**

*Staff is seeking input from the Board of Directors as to the content and format the Board desires for the January 2012 workshop.*

**REFERENCE MATERIALS ATTACHED:**

- Draft Agenda for the January 12, 2012 Annual Workshop

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

**19th ANNUAL WORKSHOP  
AGENDA**

**DRAFT**

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

**Thursday, January 12, 2012  
11:00 a.m. – 5:00 p.m.**

- A. Introductions and Welcome – President Geoff Grote
- B. Current Status of CARMA and Significant Accomplishments - Bickmore Risk Services
  - 1. History and Accomplishments
  - 2. Review of 2011 Action Plan
  - 3. Financial Review
  - 4. Claims – Frequency and Severity Analysis
- C. Legal Trends and Case Law Update
  - 1. The Rapid Evolving Landscape of Cyber Risk
- E. Service Provider Evaluations – Board of Directors
  - 1. Administrator: Bickmore Risk Services
  - 2. Board Counsel: Craig Farmer of Farmer Smith & Lane
  - 3. Broker of Record: Susan Adams of Alliant Insurance Services
  - 4. Actuary: Jack Joyce of Bay Actuarial Consultants
  - 5. Financial Auditor: Bill Patterson, Sampson and Sampson
  - 6. Claims Auditor: Tim Farley of Farley Consulting Services
- F. 2011/2012 Goals and Objectives – Board of Directors and Bickmore Risk Services
  - 1. Establish Strategic Goals and Objectives Through 2013
- G. Closing

**COVERAGE MATTERS**

**SUBJECT: Review of Cyber Liability Issues and the Inclusion or Exclusion Under the CARMA Memorandum of Coverage (MOC)**

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**BACKGROUND AND STATUS:**

According to one definition, Cyber Liability (aka known as “Information Security & Privacy Insurance with Electronic Media Liability Coverage”) means “any liability arising out of or related to the acquisition, storage, security, use, misuse, disclosure, or transmission of electronic data of any kind, including, but not limited to, technology errors and omissions, information security and privacy, privacy notification costs, penalties for regulatory defense or penalties, website media content, disclosure or misuse of confidential information, failure to prevent unauthorized disclosure or misuse of confidential information, improper or inadequate storage or security of personal or confidential information, unauthorized access to computer systems containing confidential information, or transmission or failure to prevent transmission of a computer virus or other damaging material.” The more common terms include 1<sup>st</sup> party and 3<sup>rd</sup> party liability from theft, hacking, fraud, criminal activity and/or accidental loss of electronic data of employees or credit card holders. Further damages exposure entails paying costs to notify all potential persons in the computer system that may have been the victim of identity theft or disclosure of personal information including credit monitoring and repair costs. As a reminder, CARMA only covers 3<sup>rd</sup> party liability.

At the most recent Board meeting on June 22, 2011, it was determined that a further look was needed by Staff and Legal Counsel on this exposure and that it should be discussed at the September Board meeting.

Some further background:

- The CARMA MOC does not exclude Cyber Liability, so it could be covered under General Liability and/or Public Officials Errors & Omissions coverage (accidental disclosures or failure to prevent disclosure of private or confidential information, official malfeasance, etc.);
- The Central San Joaquin Valley RMA (CSJVRMA) and the Bay Cities JPIA (BCJPIA) just recently specifically excluded Cyber Liability from their MOCs. This maneuver was mostly due to the fact that they are both in the Alliant Public Entity Property Insurance Program (PEPIP) that does provide some limited 1<sup>st</sup> party and 3<sup>rd</sup> party liability coverage for Cyber Liability;
- The Municipal Pooling Authority (MPA) does not specifically exclude it in their MOC; all of the cities in MPA are in PEPIP;
- Vector Control Joint Powers Agency (VCJPA) does not exclude this coverage in their MOC;

**Agenda Item 8.A.**



- The Monterey Bay Area Self-Insurance Authority (MBASIA) also does not exclude Cyber Liability per se and all but two cities are in the PEPPIP program, so they also benefit from the Cyber Liability coverage in this program;
- The City of Hollister (MBASIA) is not in PEPPIP, but has passed a City Council Resolution adopting an Identify Theft Prevention Program pursuant to federal law promulgated by the Federal Trade Commission (referred to as a “Red Flag” policy). Essentially, these regulations require creditors (including the City and its utility departments) to prevent and mitigate identify theft of information in covered accounts that may be triggered by certain “red flags”;
- Potential coverage for Cyber Liability can be triggered by failure to secure data, loss caused by an employee, acts by persons other than the insureds, and loss resulting from the theft or disappearance of data that resides on a stolen laptop or missing data-storage media.
- Staff is not aware of any claims to a CARMA member entity for 1<sup>st</sup> or 3<sup>rd</sup> party damages for Cyber Liability, although we suspect that most cities and special entities are not fully prepared to prevent or respond to these risks.

The bottom line is that this emerging liability exposure was never intended to be covered under the CARMA MOC and no attempt has been made to fund this potentially expensive risk.

The options include:

- 1.) Leave the MOC as it is and do not specifically exclude coverage for Cyber Liability; or
- 2.) Specifically exclude coverage for Cyber Liability following the examples of CSJVRMA and BCJPIA; or
- 3.) Specifically exclude it, but allow a member to request that the claim be covered under certain conditions with coverage being retroactive back to July 1. Conditions could include assurance of no willful violation of state or federal law, that it is not an intentional act, that the CARMA coverage is excess over other applicable insurance such as PEPPIP, and that there is no coverage for “fines and penalties.” This option would put the onus on the agency to show it followed “due diligence” in preventing this risk. This option may require a detailed underwriting analysis and an actuarial analysis to determine the proper premium to assess for this unique coverage.

**RECOMMENDATION:**

*Provide direction to staff.*

**HANDOUT MATERIALS:**

None

**COVERAGE MATTERS**

**SUBJECT: City of Novato (BCJPIA) – Purchase of Commercial Insurance by a Member of a CARMA Member to Cover BCJPIA's Retained Limit**

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**BACKGROUND AND STATUS:**

In the 1990s, the City of Novato (City) and its Redevelopment Agency (RDA) jointly formed the Novato Finance Authority (NFA) to purchase the Marin Valley Mobile Country Club property (MVMCC), a residential mobile home park in the City, to prevent the mobile home park from being sold to a private party who would ostensibly raise rents. The City of Novato is a member city in the BCJPIA pool with an SIR of \$250,000 per covered occurrence. The BCJPIA has a \$1 million retained limit per occurrence and is a member of CARMA.

On or about July 28, 2011, the Administrators for CARMA and BCJPIA received a letter from Dan Weakley, Administrative Services Director for the City, advising CARMA and BCJPIA that the City had acquired the sole ownership of MVMCC. The City is the owner of the property and its assets and has secured commercial insurance to cover its general liability losses as outlined in Attachment A. The City is also attempting to obtain liability limits of \$8 million per occurrence for liability losses arising from this specific project property only. There is also an agreement in place with the Park Acquisition Corporation (PAC) to oversee the management of this mobile home park.

By way of coverage, the CARMA Memorandum of Coverage (CARMA MOC), SECTION VII-CONDITIONS, 3. Other Coverage (b) states that **“Commercial coverage purchased directly by a Covered Party for the sole purpose of insuring all or a portion of its Retained Limit may be utilized to pay all, or a portion of, a Covered Party's Retained Limit.”**

The CARMA MOC defines a *Covered Party* as a *Member* of CARMA. A “Member” is further defined as “any organization that is a party to the Agreement creating” CARMA (in this instance, the BCJPIA). There is no mention of when an underlying member of a CARMA Member is the entity purchasing the commercial insurance coverage.

The BCJPIA Board of Directors will not be addressing this issue, since CARMA has been informed that the BCJPIA Liability Memorandum of Coverage (BCJPIA MOC) allows a Covered Party to purchase commercial insurance to insure all or a portion of its retained limit in BCJPIA.

The City of Novato and BCJPIA are requesting that the CARMA Board of Directors allow the “Other Coverage” commercial insurance purchased by the City on this particular project to be utilized to satisfy all, or a portion of, the City's Retained Limit (SIR) in BCJPIA and BCJPIA's Retained Limit of \$1 million in CARMA.

**Agenda Item 8.B.**

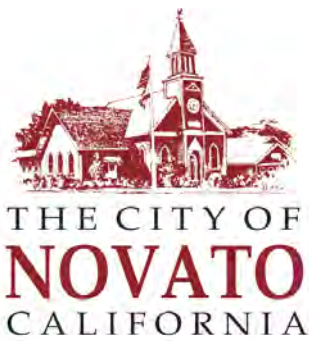
**RECOMMENDATION:**

*Provide direction to Staff.* The Board needs to discuss its overall tolerance for creative risk financing and whether it will allow commercial insurance purchased by a member of an underlying CARMA member to substitute for the CARMA member's retained limit.

If such an arrangement is allowed, the Board needs to discuss whether some controls need to be put in place including a comprehensive review of each claim arising from this project, an assurance of applicable coverage and cooperation by the commercial carrier, whether CARMA is reinsurance or excess, who pays defense costs if they are outside of the liability limits of the commercial policy, reporting obligations and requirements to CARMA, an assurance that CARMA does not want to be involved in commercial coverage disputes, whether we need input and/or approval from our reinsurance and excess commercial partners, what happens if Novato goes bankrupt, and approval of this arrangement by Board Counsel on a "case-by-case" basis.

**REFERENCE MATERIALS ATTACHED:**

- Letter from the City of Novato, dated July 28, 2011



July 28, 2011

Ms. Karen Thesing, ARM  
CARMA Administrator  
1750 Creekside Oaks Drive, Suite 200  
Sacramento, CA 95833

75 Rowland Way #200  
Novato, CA 94945-3232  
415/899-8900  
FAX 415/899-8213  
www.cityofnovato.org

Mr. Rob Kramer, JD, MBA, ARM  
BCJPIA Administrator  
1750 Creekside Oaks Drive, Suite 200  
Sacramento, CA 95833

Mayor  
Madeline Kellner  
Mayor Pro Tem  
Denise Athas  
Councilmembers  
Carole Dillon-Knutson  
Pat Eklund  
Jeanne MacLeamy  
  
City Manager  
Michael S. Frank

Dear Ms. Thesing and Mr. Kramer,

The intent of this letter is to inform CARMA of a recent property acquisition of the City and to request consideration by the BCJPIA and CARMA Boards of whether a commercial insurance policy purchased by the City of Novato to cover this property acquisition, satisfies BCJPIA's and CARMA's definitions of "Other Coverage" as defined in the BCJPIA and CARMA Memoranda of Coverage. It should be noted that this policy was purchased for the explicit purpose transferring the financial and exposure risks of a newly acquired City property, to a commercial insurer and away from the City, BCJPIA, and CARMA, as much as is financially possible for the City at this time.

By way of background, the City is currently going through an extraordinarily complex process to shield the assets of our Redevelopment Agency (RDA) from a potential grab by the Governor and the State of California. As you may be aware, one of the Governor's budget balancing proposals is to eliminate all redevelopment agencies. One implication of this proposal is that the assets of the agencies would be disposed of and the proceeds distributed to all of the government entities in the taxing area based on the percentage of property tax they receive.

In the 1990s, the City and the RDA jointly formed the Novato Finance Authority (NFA) for the purpose of acquiring a mobile home park (the Marin Valley Mobile Country Club or MVMCC). The NFA did this in order to prevent the MVMCC from being sold to a private party, who would raise rents and ultimately force the residents out. MVMCC sits on a gorgeous piece of property with terrific Bay views, hence the City's and MVMCC residents' well-founded fears. With the Governor's proposal gaining traction, the City decided to transfer ownership of MVMCC from the NFA to the City so that (ideally) it can't be taken from the RDA and sold.

As there were a variety of insurance issues (mostly property) related to the transaction that the City needed to address, the City contacted BCJPIA and Alliant staff to work through the potential exposures to the City and potential solutions for covering and/or transferring the risk of said exposures. As the MVMCC already retained several high-limit commercial policies for insuring General Liability, Auto Liability, Directors and Officers Liability, Crime, Property, Boiler and Machinery, and

Difference in Conditions exposures, it was recommended by BCJPIA and Alliant staff that the City retain these policies to continue to transfer the risk of potential losses.

The question herein becomes, should the City experience a general liability loss related to the MVMCC, and should the City's purchased limits be exhausted, where and in what manner would the City, BCJPIA, and CARMA pick up the additional loss costs?

For reference, the City has purchased the following general liability commercial policies for the purpose of insuring the liability exposures of the MVMCC:

- Commercial Excess Liability Policy
  - Insurer: Philadelphia Indemnity Insurance Company
  - Limits of Liability:
    - \$1,000,000 each occurrence
    - \$1,000,000 Personal and Advertising Injury Limit
    - \$2,000,000 general aggregate
    - \$2,000,000 Products/Completed Operations aggregate
- Business Auto Policy
  - Insurer: Philadelphia Indemnity Insurance Company
  - Limits of Liability:
    - \$1,000,000 per occurrence – Auto Liability
    - \$1,000,000 per occurrence - Underinsured Motorists
    - \$1,000,000 per occurrence - Uninsured Motorists
- Directors and Officers Liability
  - Insurer: Travelers Casualty and Surety Company of America
  - Limits of Liability: \$1,000,000

Thank you to you, Ms. Thesing and Mr. Kramer, and to the BCJPIA and CARMA Boards for your and their consideration of this matter. The City enjoys its relationship with BCJPIA and CARMA and looks forward to the Boards' response.

Sincerely,

Dan Weakley  
Administrative Services Director

**CLAIMS MATTERS**

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

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**BACKGROUND AND STATUS:**

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.

**RECOMMENDATION:**

*None.*

**REFERENCE MATERIALS ATTACHED:**

None